

Topics in Applied Economics II: Health Economics

2019-2020 Academic Year
Master of Research in Economics, Finance and Management

1. Description of the subject

- Topics in Applied Economics II
 - Total credits: 3 ECTS
 - Type of subject: Optative
 - Department of Economics and Business
 - Professor: Andrew Street
- Code: 32087
Workload: 75 hours
Term: 2nd

Biography

Andrew Street is a Professor of Health Economics in the Department of Health Policy, having joined the London School of Economics in September 2017. Previously he was at Monash University (1991-1994) and the University of York (1994-2017), where he was Director of the Health Policy team in the Centre for Health Economics and Director of the Economics of Social and Health Care Research Unit. He has a MSc in Health Economics (1990), a MA in Public Administration and Public Policy (2000) and a PhD in Economics (2002), all awarded by the University of York.

He was an editor of the Journal of Health Economics from 2006 to 2018 and has served on various national and international research grant boards. Since 2016 he has served as special advisor to the UK House of Commons Health & Care Committee for its annual inquiry into the Spending Review on health and social care. He has published numerous articles on topics including health system productivity, hospital efficiency, performance measurement, patient reported outcomes and integrated care.

2. Teaching guide

◉ Introduction

This course develops basic economic concepts as they are applied to the health sector. We shall discuss economic issues at system-level, including options for financing health care, predicting future expenditure, and assessing the degree of health equity and equality. We shall consider demand for health care and for health insurance, discussing matters such as moral hazard and adverse selection. Then we shall turn to the supply-side of health care provision, considering the agency relationship between patients and physicians, the competitiveness of health care markets, the geographical configuration of health care services, and methods for paying health care providers and evaluating their performance.

The course is designed to provide an intuitive understanding of a wide range of economic concepts, illustrated by practical examples.

◉ Teaching methodology

The course comprises an introduction to health economics, structured around 10 lectures and background articles to be provided as a reading list for each lecture. Most of these articles should be read carefully before each lecture. The lecturer reserves the right to change the course content.

◉ Contents

Course textbook

Bhattacharya Jay, Timothy Hyde, and Peter Tu. Health economics. Palgrave Macmillan, 2014.

Lecture readings

To be provided prior to the start of the course.

Lecture descriptions 10 x 2 hours each

L1 Health system financing

In this session we will consider:

1. What is Universal Health Coverage and why is it important
2. Different forms of financial pooling
 - a. Social Health Insurance
 - b. Tax-based funding
3. Comparison of established SHI and Tax systems

L2 Aggregate health care expenditure

In this session we will:

1. Consider trends in past health spending
2. Consider factors driving future health care spending
3. Explain how correlation and regression analyses are related
4. Describe Baumol's cost disease
5. Define income elasticity of demand

L3 Equity and equality

In this session we will:

1. Summarise concepts of equity and equality
2. Introduce concepts: Gini coefficient, Lorenz curve, Kakwani index, concentration curve
3. Consider distribution of health care payments
4. Consider distribution of health care utilisation
5. Consider health inequality
6. Consider social determinants of health

L4 The Demand for Medical Care

In this session we will:

1. Introduce Grossman model of health production
2. Describe traditional models of demand
3. Introduce concepts: indifference curves, budget constraints, price elasticity of demand
4. Consider role of insurance in the demand for medical care
5. Define and discuss adverse selection and moral hazard
6. Describe RAND health insurance experiment

L5 Geographical configuration of hospital services

In this session we will:

1. Consider issues involved in assessing the geographical configuration of services to meet the health needs of the population
2. Explore techniques used to plan future health services, notably bed modelling
3. Introduce production and cost functions
4. Define various cost concepts and returns to scale

L6 Health care supply

In this session we will:

1. Consider the key supply features of markets
2. Describe main forms of market structure
3. Define revenue functions
4. Look at relationship between costs and revenue
5. Compare pricing behaviour under perfect competition and monopoly
6. Characterise some health care markets

L7 Physician agency

In this session we will:

1. Conclude analysis of market types
2. Describe the principal-agent relationship between patients and physicians
3. Define and consider supplier induced demand

L8 Hospital payment models

In this session we will:

1. Consider hospital funding objectives
2. Set out a principal-agent problem
3. Compare three main form of hospital funding
4. Specify revenue functions under different funding forms

L9 Hospital payment based on diagnosis related groups

In this session we will cover:

1. Define diagnosis related groups (DRGs)
2. Set out theory of yardstick competition
3. Describe how DRG prices are set
4. Assess how can expenditure be controlled under DRG funding
5. Assess the empirical evidence of the effect of DRG funding

L10 Patient Reported Outcome Measures

In this session we will:

1. Look at the history of health outcome measurement
2. Consider the value of mortality data
3. Look at instruments designed to measure health outcomes
4. Examine why outcomes vary among patients
5. Assess whether some hospitals are better than others at improving health outcomes
6. Describe a tool to help patients decide whether to have treatment

🔗 **Assessment and Grading System**

The course will be assessed by a 3500 word essay chosen from a set of options provided in the final lecture. The essay is to be submitted within 3 weeks of the final lecture.

Grades are given according to the following scale:

Grade	Official Spanish Grade	
9.5-10	Excel.lent	A+
9.0-9.4	Excel.lent	A
8.0-8.9	Notable	A
7.5-7.9	Notable	B+
7.0-7.4	Notable	B
6.0-6.9	Aprovat	B
5.0-5.9	Aprovat	C
3.0-4.9	Suspès	D
0-2.9	Suspès	E