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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   Code: 32087
- ⚙ Total credits: 3 ECTS   Workload: 75 hours
  Term: 2nd

- ⚙ Type of subject: Optative
- ⚙ Department of Economics and Business
- ⚙ Professors: Andrew Street, Pau Olivella, Guillem Lopez-Casasnovas, Pere Ibern

Biographies

Andrew Street (LSE) 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.

Prof Pau Olivella BGSE faculty: http://pareto.uab.es/polivella/index.html

Prof G Lopez-Casasnovas BGSE faculty: https://www.barcelonagse.eu/people/lopez-casanovas-guillem

Dr. Pere Ibern CRES-UPF https://www.upf.edu/web/cres/entry/-/-/pere_ibern-upf_edu/adscripcion/pere-ibern

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 8 lectures, preceded by a microeconomic background, through articles to be provided as a reading list for each lecture. Most of these articles should be read carefully before each lecture. The lecturers reserve the right to change the course content.

⚙ **Contents**

Course textbooks

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

Martinez-Giralt X and P Pita *Barros Health Economics: An Industrial Organization Perspective* Routledge 2011.

Breyer F, Peter Zweifel, Mathias Kifmann *Health Economics* Springer 1997

Lecture readings

To be provided prior to the start of the course and include ppts.

Lecture descriptions 10 x 2 hours each

MAIN CONTENTS:

Lectures 1 & 2 Prof Pau Olivella (UAB) Microeconomic Foundations of Health Economics February Friday 21st 8 30: 10 30; 12 30: 14 30

In these first two lectures we will cover how economic analysis can assist in the development of market and non-market solutions to various health care problems. We will focus on microeconomic theories with specific applications to the health care system. One of the main features in the healthcare market place is the prevalence of asymmetric information between patients and providers, between patients and insurers, and between providers and insurers. This has important consequences in understanding the incentives of the different agents in their relations with other agents, and in their decision-making. The main purpose is to study how agents can align their incentives through contracts.

Health Insurance
The occurrence of a sickness episode contains elements beyond the control of the very individual, but also it is conditioned by life habits. These circumstances are captured by the concepts of uncertainty and risk. At the same time, a sickness episode translates into a shock to the individual's income. To cover against this shock, the individual has the possibility to purchase insurance. This chapter is devoted to study the relation between risk and insurance as well as the elements determining the decision to contract partial Insurance. Other basic concepts. Outcomes and lotteries Expected utility Money lotteries and risk aversion Measuring risk aversion. Private health Insurance. Fair Insurance.Full vs. partial Insurance. State-dependent utility. Insurance with state-dependent utility.The willingness to pay for a treatment. Who will buy fair and full Insurance?.

Asymmetric information and contracts.
 One of the main features in the healthcare market place is the prevalence of asymmetric information between patients and providers, between patients and insurers, and between providers and insurers. This has important consequences in understanding the incentives of the different agents in their relations with other agents, and in their decision-making. The main purpose is to study how agents can align their incentives through contracts. Define and discuss adverse selection and moral hazard. This includes: Imperfect information (moral hazard, hidden action)

Lecture 3 Health Economics an Introduction   Prof. Guillem Lopez Casasnovas (UPF) Monday 24th 10 30-12 30

Health Economics as a discipline   Health economics is 'what health economists do'. The nature of the Health Systems Investing in Health care: Income elasticity in DCs and in LDCs. Health care delivery Equity and efficiency in health care Concepts of equity. Inequality and individual responsibility. Translation to the allocation of health resources. Culyer and Wagstaff diagrams.

Lectures 4 & 5   Demand and Supply of Health Care.   Dr Pere Ibern (CRES UPF) February 28th 8 30: 10 30; 12 30: 14 30

<u>Health care demand</u>

In this session we will: Describe traditional models of demand . Consider role of insurance in the demand for medical care The doctor-patient relationship Fighting quality distortions under 3PP Systems. Capitated systems and risk adjustment Relative performance evaluation The interaction between a NHS and voluntary PHI. Risk classification

<u>Health care supply</u>

In this session we will: Consider the key supply features of markets. Describe main forms of market structure. Characterise some health care markets And finally: Conclude analysis of market types. Define and consider supplier induced demand

Lecture 6   Health Systems Financing, Planning and Evaluation   Prof. G Lopez Casasnovas (UPF) March Monday 2nd 10 30-12 30

In this session we will consider: Universal Health Coverage and its dilemmas. Different forms of financial pooling: Social Health Insurance. Tax-based funding. Comparison of established SHI and Tax systems. Health care reforms, Planning and Economic Evaluation

Lectures 7, 8, 9 & 10 Prof Andrew Street (LSE)

<u>L7 Geographical configuration of He alth services</u>

In this session we will: Consider issues involved in assessing the geographical configuration of Hospital services to meet the health needs of the population Explore techniques used to plan future health services, notably bed modeling Introduce production and cost functions. Define various cost concepts and returns to scale Introducing hospital choice. Waiting time and waiting lists in a NHS

<u>L8 Hospital payment models</u>

In this session we will: Consider hospital funding objectives. Set out a principal-agent problem. Compare three main form of hospital funding Specify revenue functions under different funding forms

L9 Hospital payment based on diagnosis related groups

In this session we will Define diagnosis related groups (DRGs) Set out theory of yardstick competition Describe how DRG prices are set Assess how can expenditure be controlled under DRG funding Assess the empirical evidence of the effect of DRG funding

L10 Patient Reported Outcome Measures

In this session we will: Look at the history of health outcome measurement Consider the value of mortality data Look at instruments designed to measure health outcomes Examine why outcomes vary among patients Assess whether some hospitals are better than others at improving health outcomes 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