

SPPH 581P Introduction to Health Economics

School of Population and Public Health, University of British Columbia

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Class: Thursdays 9am to 12pm, SPPH Room 424

Office hours: By appointment.

Background:

Healthcare is the largest component of government spending in Canadian provinces and in many parts of the world. It permeates almost all aspects of society, from government announcements on spending priorities and surgical wait times, to national news and interest groups advocating health system change, to personal encounters with physicians, clinics, and hospitals.

This course will help students gain a broad understanding of the health system and health system change from an *economics* perspective. We have structured the course to be a comprehensive *Introduction to Health Economics*, focusing on economic concepts that help make sense of the delivery, organization, and financing of healthcare, with emphasis on the Canadian health care system. We will overview concepts related to the production of health, demand and supply of healthcare services, and economic efficiency. In addition, we will cover ideas related to externalities, imperfect information, asymmetric information, physician behavior, and economic evaluation.

Prerequisites: None

Learning Objectives:

1. Understand policy issues in healthcare by focusing on fundamental concepts of economics as they relate to health, health care and health policy
2. Apply economic principles as a lens to understand and critically assess the health care system
3. Explain economic theory related to the behaviour of economics agents, markets, and government policies.
4. Understand the economic and non-economic factors affecting health status, the health care market, and the role of institutions and public policy

Course Format

The learning strategy for this class will be the use of lectures supplemented by student-led discussion. Lecture sessions will be used to introduce key themes and will represent a starting point for students to engage in self-directed study. Through class participation and individual student presentations, student-led class learning is encouraged and will be used to stimulate critical discussion of the class material.

Textbook

This course will be based on two textbooks:

- Primary textbook: Hurley JE, Health Economics. First Edition. McGraw-Hill Ryerson; 2010.
- Secondary textbook: Phelps, CE. Health Economics. Fifth Edition. Pearson, Addison Wesley; 2013.

Student Evaluation

Class participation	10%
2 Assignments	40%
Project presentation	10%
Individual Project	40%

The individual project will include a critical assessment about an assertion related to the economics of healthcare that is found in an article, book, or report. The review should be around 2,500 words. The topics covered during the course provide examples of possible sources and topics. The critical assessment need not be on a topic relating to the Canadian healthcare system specifically. Each student will need to give a 10 minute presentation outlining to the their chosen topic, including the economic ideas behind the topic (example: paying physicians through fee for service billings increases resources used and may not improve health status). To facilitate student-led learning, each presenter should provide the class with an electronic copy of their presentation or a ½ - 1 page summary of the topic. The critical assessment is due **Friday, December 11, 2015**. The penalty for late reviews is 3% per business day.

Date Lecture Title/Description

Week 1 Introduction and Overview. September 10, 2015

Textbook: *Hurley Chapter 1; Phelps Chapter 1*

- Why health economics?
- The Canadian Health Care System
- Scope of sub-discipline, including Williams' plumbing diagram
- Course overview

Week 2 Economic concepts. September 17, 2015

Textbook: *Hurley Chapters 2 and 3*

- Opportunity Cost
- Efficiency and Equity
- Demand and supply

Week 3 Methods of economic evaluation (overview). September 24, 2015

Textbook: *Hurley Chapter 4*

- Welfarism versus extra-welfarism
- Cost minimization, Cost effectiveness, Cost utility, Cost benefit
- Elements of an economic evaluation/checklist

Assignment 1 is due

Week 4 Demand for health and health care. October 1, 2015

Textbook: *Phelps Chapter 2; Hurley Chapters 5, 8*

- Utility and preferences
- Utility and individual level demand: Grossman model
- Demand for health care: conceptual framework and empirical evidence

First round of class presentations

Week 5 Supply and production in health care.

October 8, 2015

- Health human resources fundamentals
- Physician payments, focusing on the utility function, methods of payments, and supplier-induced demand

Week 6 Insurance markets in health care. October 15, 2015

Textbook: Hurley Chapter 10

- Private Insurance: economies of scale, information, adverse selection and moral hazard
- Private versus public health insurance

Second round of class presentations

Week 7 Insurance markets in health care. October 22, 2015

Textbook: Hurley Chapters 8 and 9

- Demand (supply) for health care insurance
- Risk, uncertainty and insurance

Week 8 Market structure and pricing in health markets. October 29, 2015

Textbook: Part of Hurley Chapter 3; Phelps Appendix A

- Perfect competition and natural monopolies
- Legislated Monopolies (Patent system)
- Oligopoly and monopolistic competition
- Bilateral monopoly
- Empirical evidence: supplier induced demand

Assignment 2 is due

Week 9 Information asymmetry and agency. November 5, 2015

Textbook: Hurley, Chapter 7

- Role of information in Market Outcomes
- The doctor as agent for patient/government
- Shared decision-making
- Complete information, incomplete information
- Culyer's caring externality

Third round of class presentations

Week 10 Health care systems. November 12, 2015

Textbook: Hurley Chapter 12

- Health care systems and financing
- Public subsidies, private subsidies, taxation
- Cost sharing: Demand and supply side
- Managed care systems

Week 11 Economic epidemiology. November 19, 2015

- Risky behavior and epidemics
- Time preference and health outcomes
- Models of rational addiction

Week 12 International health care systems and priority setting in Canada. November 26, 2015

Textbook: Hurley Chapter 12

- Review of systems in selected countries
- Review of BC health system in context with Canada
- Review of cancer funding in BC/Canada

Week 13 Review week December 3, 2015