

November 10, 2020



DEPARTMENT OF ECONOMICS

HEALTH ECONOMICS AND POLICY SPRING 2021

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Course overview and objectives

This is a course for undergraduate economics majors interested in the economics of health care markets. It applies principles of microeconomics primarily at the intermediate level to develop an understanding of how health care markets work and how market functioning affects overall health. It also examines how non-market interventions, such as public insurance, tort rules, and regulations affect the performance of health care markets. Economics topics covered will include, among others, the economics of uncertainty and information, demand theory, the theory of the firm, health econometrics, public and private provision of health insurance, health care strategy, regulation, antitrust, and tort rules and their effects on market performance, and effects of externalities on market performance.

Any student with an interest in applied microeconomics would benefit from this course. Indeed, health economics as a field of study relies on virtually every other sub-field in economics, including industrial organization, labor economics, theory of the firm, economics of uncertainty, markets for information, insurance, law and economics, regulation and antitrust, econometrics, public finance, and competitive strategy. The course is useful for students interested in careers in health care generally, including for example health care consulting, hospital administration, health care policy, health law, and pharmaceutical management.

The course is taught at the intermediate level. Students should be comfortable with basic calculus and elementary game theory (both non-cooperative and cooperative games, such as the prisoner's dilemma, tragedy of the commons, tit-for-tat strategies, etc.). Classes are a mixture of lecture and discussion. Preparation and in-class participation are essential parts of the course.

One might look at the almost dizzying array of topics and coverage above and conclude that health care markets are incredibly complex and could be studied for a lifetime without ever truly understanding how they work. Fortunately, this is not the case. In fact, I will argue strongly, and hope to convince students through this class, that 80% or more of health economics can be understood using the basic concepts of price theory – supply and demand. Much of the class will be devoted to learning how to take these basic concepts in their abstract form and apply them

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to specific problems in health economics. Of course, this approach works in other areas of economics too, as should become readily apparent.

Topics covered, not necessarily in this sequence. Note that several additions and deletions will be forthcoming:

1. Introduction to Health Economics
2. Utility and Health
3. Production of Health
4. Derived Demand for Medical Care
5. Evidence on the Demand for Medical Care
6. Physicians and Other Labor Inputs
7. Hospitals
8. Drugs
9. Demand for Health Insurance
10. Supply of Health Insurance
11. Public Provision of Health Insurance
12. Externalities
13. Regulation, Antitrust and Tort Liability in Health Care Markets
14. Technical Change
15. International Comparisons