

THE WHARTON SCHOOL
The University of Pennsylvania

The Health Care Ecosystem: Evolution, Structure, and Current Issues

HCMG 322

Fall 2022

Course Syllabus

Course Instructor: **Guy David**
Room: 305 Colonial Penn Center (CPC)
Office Hours: Schedule via email
e-mail: gddavid2@wharton.upenn.edu

Lectures: Tuesday 3:30-6:30 PM
Location (TBD)

Teaching Assistant: **Angela Chen**
Office hours: Schedule via email
e-mail: chenang@wharton.upenn.edu

Course Overview

This course provides an application of economic principles to the health care ecosystem, focusing primarily on the US health care sector. By recognizing the importance of scarcity and incentives, this course will focus on the critical economic issues in producing, financing, and delivering efficient and equitable health care. In particular, the course will discuss the tension between cost, access and quality of care; analyze the determinants of demand for medical care; discuss the role of health insurance and the complexities it brings; study the unique role of physicians in guiding and shaping the allocation of resources in medical care markets; and analyze competition in medical care markets, especially among hospitals. Special emphasis will be placed on the evaluation of policy instruments such as government regulation, antitrust laws, and public health programs. Knowledge of calculus and basic microeconomics is highly recommended. Students who take HCMG 322 may not also take HCMG 352 for further credit.

Student Presentations

There will be two group presentations in this course. Groups will be assigned by the instructor. Topics are student initiated and instructor approved. Timeline and process will be discussed in class.

Final Paper

Each student would be expected to complete and submit their own individual final paper (2,500 - 3,000 words). Timeline and process will be discussed in class.

Grading

The paper, student presentation and class participation will count towards the final grade as follow:

Class participation: **10%**
Group presentation 1: **25%**
Group presentation 2: **25%**
Final paper: **40%**

Readings

There are no required readings for this course. There are two (optional) textbooks: Phelps, E. Charles, **Health Economics**, 6th edition and Feldstein, J. Paul, **Health Policy Issues: An Economic Perspective**, 7th edition. In addition, a number of (optional) articles will accompany each topic we cover in class. All articles will be available for download from Canvas, which will serve as our primary communication channel. You can log on using your usual username and password. Registered students will automatically have access to the course Canvas page.

Course Outline and Time Schedule

August 30

Introduction: Does economics apply to health care? Is the health care sector different? and key challenges in the health care space.

Readings

**Phelps, Chapters 1
Feldstein, Chapters 1, 2 and 3**

Arrow, Kenneth “Uncertainty and the Welfare Economics of Medical Care” *American Economic Review* 1963; 53(5):941-973

Miller, Harold D., “From Volume To Value: Better Ways To Pay For Health Care”, *Health Affairs* 2009; 28(5): 1418–28.

September 6
and
September 13

Demand for Insurance; Individual and Group Insurance; Moral Hazard and Adverse Selection.

Readings

Phelps, Chapter 10 and 11

Manning, Willard, Joseph Newhouse, et al. “Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment,” *American Economic Review* 1987; 77(3): 251-277.

Pauly, Mark “The Economics of Moral Hazard: Comment,” *American Economic Review* 1968; 58(3): 531-537.

Rothschild, Michael and Joseph Stiglitz “Equilibrium in Competitive Insurance markets: An Essay on the Economics of Imperfect Information,” *Quarterly Journal of Economics* 1976; 90: 629-650.

September 20 **The Physician.**

Readings

**Phelps, Chapters 6 and 7
Feldstein, Chapter 4**

Meltzer, David, “Hospitalists and the Doctor-Patient Relationship” *Journal of Legal Studies* v30, n2 (Part 2): Page 589-606, June 2001.

Wachter, Robert, "Hospitalists in the United States – Mission Accomplished or Work in Progress?," *The New England Journal of Medicine*, May 2004.

Becker, Gary and Kevin M. Murphy, "The Division of Labor, Coordination Costs, and Knowledge," *Quarterly Journal of Economics*, 1992, Vol. 107, No. 4. pp. 1137-1160

David, Guy and Lorens Helmchen, "The Role of Task Adhesion in Limiting Specialization along the Medical Care Continuum." *Review of Labour Economics and Industrial Relation*, 2011, Vol. 25(1), pp 24-44.

Ukert, Benjamin, Guy David, Aaron Smith-McAllen, and Ravi Chawla, "Do Payor-Based Outreach Programs Reduce Medical Cost and Utilization?," *Health Economics*. 2020, Vol 29(6), pp. 671-682.

David, Guy, Aaron Smith-McAllen, and Benjamin Ukert, "The Effect of Predictive Analytics-Driven Interventions on Healthcare Utilization?," *Journal of Health Economics*. 2019, Vol. 64, pp. 68-79.

September 27 **Hospital Organization and Economic Behavior.**
and
October 4 *Readings*

Phelps, Chapters 8 and 9
Feldstein, Chapters 14, 15, 16 and 17

David, Guy "The Convergence between Nonprofit and For-Profit Hospitals in the United States." *International Journal of Health Care Finance and Economics*, Vol. 9(4), pp 403-428, December 2009.

David, Guy, Richard Lindrooth, Lorens Helmchen, and Lawton Burns. "Do Hospitals Cross Subsidize?" *Journal of Health Economics*. September 2014, Vol. 37, pp 198-218.

Morrisey, Michael A., "Cost-Shifting: New Myths, Old Confusion, and Enduring Reality" *Health Affairs*, October 2003.

Pauly, Mark and Michael Redisch "The Not-For-Profit Hospital as a Physicians' Cooperative", *American Economic Review*, 63; 87-100, 1973.

Schlesinger, Mark, Shannon Mitchell, and Bradford H. Gray, "Public Expectations Of Nonprofit And For-Profit Ownership In American Medicine: Clarifications And Implications" *Health Affairs*, 23(6): 181-191, 2004.

October 11 **Student Presentation (#1)**

October 18 **Introduction to Antitrust and Regulation in Health Care.**

Readings

Hammer, Peter J. and William M. Sage, "Critical Issues in Hospital Antitrust Law" *Health Affairs*, vol 22: 88-100, Nov/Dec 2003.

Arizona v. Maricopa County Medical Society, Supreme Court of the United States, 1982 (457 U.S. 332, 102 St. Ct. 2466, 73 L.Ed.2d 48).

Philipson Tomas. J., and Richard. A. Posner “Antitrust and the Not-For-Profit Sector”, *Journal of Law and Economics*, 52(1): 1-18, 2009.

Capps, Cory, Dennis Carlton and Guy David, “Antitrust Treatment of Nonprofits: Should Hospitals Receive Special Care?” *Economic Inquiry*. 2020, Vol. 58(3), pp. 1183-1199.

October 25
and
November 1

Pre-Hospital, Primary and Post-Acute Care Markets.

Readings

Phillips, Robert L., Jr. and Andrew W. Bazemore, “Primary Care And Why It Matters For U.S. Health System Reform” *Health Affairs*, 29, no.5 (2010):806-810.

Huff, Charlotte, “Direct Primary Care: Concierge Care For The Masses” *Health Affairs*, 34, no.12 (2015):2016-2019.

David, Guy, Philip Saynisch and Aaron Smith-McAllen. 2018. “The Economics of Patient-Centered Care”, *Journal of Health Economics*. Vol. 59, pp. 60-77.

Leive, Adam, Guy David and Molly Candon. 2020. “On Resource Allocation in Health Care: The Case of Concierge Medicine”

Philip Saynisch, Guy David, Benjamin Ukert, et al., "Model Homes: Evaluating Approaches to Patient-Centered Medical Home", *Medical Care*. March 2021 - Volume 59 - Issue 3 - p 206-212

David, Guy, Dan Polsky and Evan Rawley “Integration and Task Allocation: Evidence from Patient Care.” *Journal of Economics and Management Strategy*, 2013.

Polsky, Dan, Guy David, Jianing Yang, Bruce Kinosian, and Rachel Werner. “The Effect of Entry Regulation in the Health Care Sector: the Case of Home Health”, *Journal of Public Economics*, February 2014, Vol. 110, pp. 1–14.

David, Guy and Kunhee Lucy Kim. 2018. “The Effect of Discontinuous Post-Acute Care on Hospital Readmissions”, *Journal of Health Economics*. Vol. 59, pp. 26-45.

Song, Hummy, Guy David and Elena Andreyeva, “Time is the Wisest Counselor of All: The Value of Provider-Patient Engagement Length in Home Health Care” *Management Science* 2021.

Bergman, Alon, Hummy Song, Guy David, Joanne Spetz, and Molly Candon “The Role of Schedule Volatility in Home Health Nursing Turnover”, *Medical Care Research and Review* 2021.

November 8 **The Pharmaceutical Industry.**

Readings

Feldstein, Chapters 25, 26, and 28

Berndt, Ernst R., "To Inform or Persuade? Direct-to-Consumer Advertising of Prescription Drugs", *New England Journal of Medicine*, 352:4, January 2005, pp. 325-328.

David, Guy, Sara Markowitz and Seth Richards, "The Effects of Pharmaceutical Marketing and Promotion on Adverse Drug Events and Regulation." *American Economic Journal – Economic Policy*, Vol. 2(4), pp 1-25, November 2010.

Dorfman, Robert, and Peter O. Steiner, "Optimal Advertising and Optimal Quality" *American Economic Review* Vol. 44, No. 5 (Dec., 1954), pp. 826-836.

November 15 **Medical Devices - Technology Disadoption**

Howard DH, Kenline C, Hassebroek A, Horowitz MM, Parsons SK, Rizzo JD, Majhail NS. "Abandonment of high dose chemotherapy/hematopoietic cell transplants for breast cancer." *Health Services Research* 2011;46(6):1762-1777.

Howard, David, Guy David and Jason Hockenberry. 2017. "Selective Hearing: Physician-Ownership and Physicians' Response to New Evidence." *Journal of Economics and Management Strategy*. Vol. 26:1, pp: 152-168.

Berez, Julie, Guy David, David Howard, and Mark Neuman. 2018. "Does Bad News Travel Faster? On the Determinants of Medical Technology Abandonment" *Journal of Human Capital*. Vol. 12(4)

Wu, Bingxiao and Guy David "The Impact of Relative Skill on Technology Disadoption" forthcoming, *Journal of Health Economics*

November 29 **Health Equity**

Balsa, Ana and Thomas McGuire, "Statistical discrimination in health care" *Journal of Health Economics*, Volume 20, Issue 6, November 2001, Pages 881-907

Williams, David and Pamela Jackson, "Social Sources Of Racial Disparities In Health" *Health Affairs*, Vol 24(2), pp. 325-334

December 6 **Student Presentation (#2)**
