

THE WHARTON SCHOOL
The University of Pennsylvania

The Health Care Ecosystem: Evolution, Structure, and Current Issues
HCMG 3220
Fall 2024

Course Syllabus

Course Instructor: **Guy David**
Room: 305 Colonial Penn Center (CPC)
Office Hours: Schedule via email
e-mail: guydavid2@wharton.upenn.edu

Lectures: Thursday 3:30-6:30 PM
Location: CPC Auditorium

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 3220 may not also take HCMG 3520 for further credit.

Student Presentations

There will be three 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 Exam

There will be a closed-book in-class one-hour exam on Thursday, Dec 5th, 2024 during class time.

Grading

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

Class participation: **10%**
Group presentation 1: **15%**
Group presentation 2: **15%**
Group presentation 3: **15%**
Final exam: **45%**

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.

Course Outline and Time Schedule

August 29	Introduction: Does economics apply to health care? Is the health care sector different? and key challenges in the health care space. <i>Readings</i> Phelps, Chapters 1 Feldstein, Chapters 1, 2 and 3 Arrow, Kenneth "Uncertainty and the Welfare Economics of Medical Care" <i>American Economic Review</i> 1963; 53(5):941-973 Miller, Harold D., "From Volume To Value: Better Ways To Pay For Health Care", <i>Health Affairs</i> 2009; 28(5): 1418–28.
September 5 and September 12	Demand for Insurance; Individual and Group Insurance; Moral Hazard and Adverse Selection. <i>Readings</i> Phelps, Chapter 10 and 11 Manning, Willard, Joseph Newhouse, et al. "Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment," <i>American Economic Review</i> 1987; 77(3): 251-277. Pauly, Mark "The Economics of Moral Hazard: Comment," <i>American Economic Review</i> 1968; 58(3): 531-537. Rothschild, Michael and Joseph Stiglitz "Equilibrium in Competitive Insurance markets: An Essay on the Economics of Imperfect Information," <i>Quarterly Journal of Economics</i> 1976; 90: 629-650.
September 19	The Physician. <i>Readings</i> Phelps, Chapters 6 and 7 Feldstein, Chapter 4 David, Guy and Lorens Helmchen, "The Role of Task Adhesion in Limiting Specialization along the Medical Care Continuum." <i>Review of Labour Economics and Industrial Relation</i> , 2011, Vol. 25(1), pp 24-44.
September 26	Student Presentation (#1)

October 10

Primary Care

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" *Journal of Health Economics*. Vol. 90.

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.

October 17
and
October 24

Hospital Organization and Economic Behavior.

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.

Malani, Anup, Tomas Philipson and Guy David, "Theories of Firm Behavior in the Non-Profit Sector: A Synthesis and Empirical Evaluation." in The Governance of Not-for-Profit Firms, Edward Glaeser, Editor. University of Chicago press, 2003.

Nicholson, Sean, Mark Pauly, Lawton Burns, Agnieszka Baumritter, and David Asch. "Measuring Community Benefits Provided By For-profit And Nonprofit Hospitals." *Health Affairs* Vol 19 (6) 2000.

David, Guy and Lorens A. Helmchen, "An Uncertain Prescription: Are Tax Exemptions for Nonprofit Hospitals an Efficient Way to Fund Indigent Care?" *Regulation*, Vol. 29 (2), pp 14-16, June 2006.

Sloan, Frank A, Gabriel A Picone, Donald H Taylor Jr., and Shin-Yi Chou., "Hospital ownership and cost and quality of care: is there a dime's worth of difference?" *Journal of Health Economics*, Volume 20, Issue 1, January 2001, Pages 1-21

October 31 **Student Presentation (#2)**

November 7 **Post-Acute Care**

Readings

Neuman, Patricia, Juliette Cubanski, and Anthony Damico., “Medicare Per Capita Spending By Age And Service: New Data Highlights Oldest Beneficiaries”, *Health Affairs*, February 2015 34: pp. 2335-339

David, Guy, Dan Polsky and Evan Rawley “Integration and Task Allocation: Evidence from Patient Care.” *Journal of Economics and Management Strategy*, 2013, Vol. 22(3), pp. 617–639.

Polsky, Dan, David Guy, 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*, 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

Bergman, Alon, Guy David and Hummy Song, 2023. “‘I Quit’: The Effect of Schedule Volatility on Employee Turnover”, *Manufacturing & Service Operations Management*

November 14 **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.

November 21 **Medical Technology Disadoption**

Readings

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.

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 2022. “The Impact of Relative Skill on Technology Disadoption” *Journal of Health Economics* Vol. 83.

November 26 **Issues in Health Equity**
(Tuesday)

Readings

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 5 **Exam & Student Presentation (#3)**
