

ECON 300/PUBP 390: Economics of U.S. Healthcare Policy

Fall 2022

TR 2-3:20 pm, Boswell 201

Instructor

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Contacting Me

My W&M email address (jimmell@wm.edu) is the best way to get in touch with me. I will generally respond within 24 hours to emails received during the week; it may take me a bit longer to reply if your email comes in on the weekend, so plan ahead.

Regular office hours are on Tuesdays/Thursdays 10-11 am in my office in Chancellors (#433). Office hours are first-come, first-served, and no appointment is needed. If you would like to meet outside these scheduled times or if you prefer Zoom, please email me your request. My Zoom room is <https://cwm.zoom.us/jenmellor/>.

Course Description

Economics plays an important role in the design of public policies that address problems in the U.S. healthcare system. Economic theory and analysis can point public policymakers to the underlying causes of problems, help to design policy solutions, and evaluate the effects of implemented policies. This course provides an introduction to the use of economics to address major health policy problems. After a review of the U.S. healthcare system's general structure and historical development, the course focuses on two major topics: how is healthcare financed, and what drives healthcare costs? In both areas, we will examine economic analysis of past, present, and future public policy to improve financial access to healthcare and lower the rate of growth of healthcare spending. A pre-requisite for the course is Econ 101. This course fulfills the Applied Economics requirement for the Public Policy major.

Course Objectives

The US healthcare system is large, fragmented, and faces long-standing, persistent challenges. The system is comprised of many interrelated markets. While many health economics courses take a market-by-market approach to studying health policy, this course is different. A primary goal of this course is to provide students with a framework for approaching US health policy that is organized around two major policy challenges: paying for healthcare, and controlling healthcare costs. With those two issues driving the organization of the course, the goals of the course are:

- To learn about the role of private insurance markets in paying for healthcare, the ways private markets can fail, and the types of government interventions that address market failures.
- To learn about the financing and structure of two major public insurance programs (Medicare and Medicaid) and reforms to these programs related to access to care and cost containment.
- To understand the key factors behind the growth of healthcare expenditures.
- To understand how public policies can use economic incentives and market regulation to slow the growth of healthcare spending.
- To learn about the history of US healthcare reform and consider the constraints on past, present, and future policy change.

Because no existing textbooks are organized around this framework and these goals, this course uses a mix of readings, such as book chapters, academic journal articles, and policy briefs.

Evaluation

Participation, 10%. Good participation means being present and engaged in class and not multi-tasking. It means coming to class having read and considered the assigned readings, and sharing thoughts with others. I keep daily attendance and participation records throughout the semester.

Homework Assignments, 15%. There will be 4-5 homework assignments over the semester. Late homework will receive reductions in grade and will not be accepted after solutions have been reviewed.

Midterms, 45%. There will be 2 midterm exams; the dates are October 6 and November 15. Each will contain multiple choice and short-answer questions as well as one or two essay prompts. I will distribute a study guide at least one week prior to each exam, but please know that the best way to prepare for exams is to keep up with the readings, in-class lectures and discussion, and homework. Please make use of class and office hours to ask questions and improve your understanding of concepts. Except in cases of serious illness/emergency, midterms will not be accepted.

Final exam, 30%. Scheduled for Monday, December 12, 2-5 pm. The final exam will be based on the majority of the material from the semester. Like the midterm, it will contain a mix of multiple choice and short answer questions and essay prompts. The exam will test your command of the material we covered throughout the semester and your ability to synthesize and apply concepts.

Student Wellbeing

W&M recognizes that students juggle different responsibilities and can face challenges that make learning difficult. If you or someone you know is experiencing a challenge related to an emotional, psychological, physical, medical, material or accessibility concern, I encourage you to reach out to resources on campus. For psychological/emotional stress, please consider reaching out to the [W&M Counseling Center](#) (757-221-3620, 240 Gooch Dr., 2nd floor). For physical/medical concerns, please consider reaching out to the [W&M Health Center](#) at (757-221-4386, 240 Gooch Drive). For additional support or resources, please contact the Dean of Students by submitting an [online Care Report](#) or by phone or email (757-221-2510, deanofstudents@wm.edu). For a list of many other resources available to students, see [Health and Wellness Resources for Students](#).

Course Policies

Grading scale. Letter grades for the course will be based on a standard 100-point scale as determined by the following ranges: A (>=93 through 100), A- (>=90 through <93), B+ (>=88 through <90), B (>=83 through <88), B- (>=80 through <83), C+ (>=78 through <80), C (>=73 through <78), C- (>=70 through <73), D+ (>=68 through <70), D (>=63 through <68), D- (>=60 through <63), and F (less than 60).

Blackboard. The Blackboard website is the central repository for the course. I will use it to communicate to the class as a group, accept and grade response paper submissions, and post materials for the course. Make sure that you regularly check both it and the email account associated with Blackboard.

Etiquette. Please do not use devices during class for non-class-related activities. Several methodologically strong academic studies show that using laptops during class to browse social media, shop, catch-up on email, etc. distracts other students, lowers the quality of classroom interaction, and

affects the multi-taskers' grades and comprehension. I reserve the right to ask you to close laptops during face-to-face meetings.

PolLEV. I may use PolLEV to facilitate discussion and check understanding of concepts. If you are a new PolLEV user, please visit this site to create an account: <https://www.polleverywhere.com/login>. You must use your W&M credentials when creating the account.

COVID and this course. Please follow W&M requirements including vaccinations and boosters and indoor masking. If you test positive, remember that you must fulfil W&M's requirements before attending class in person. If you have symptoms consistent with COVID - even if you don't have a positive test – you should not come to class. If/when you need to miss class, please let me know as soon as possible and follow-up with me about your plans to catch up on what you missed. I anticipate that the class will be held largely in-person, but I also anticipate certain adjustments, like making class recordings available to students who notify that they are missing class due to COVID, or *temporarily* holding class by Zoom if a high proportion of students cannot attend on a given day, or if I am sick/exposed.

Disabilities. W&M accommodates students with disabilities in accordance with federal laws and university policy. Any student who feels they may need an accommodation based on the impact of a learning, psychiatric, physical, or chronic health diagnosis should contact Student Accessibility Services staff at 757-221-2512 or at sas@wm.edu to determine if accommodations are warranted and to obtain an official letter of accommodation. For more information, please visit www.wm.edu/sas.

Honor Code. Academic integrity is at the heart of W&M, and we all are responsible for upholding the ideals of honor and integrity. The [Student Handbook](#) includes your responsibilities as a student and the full Code. I expect your full participation and observance of the Honor Code.

Other Important Dates to Know

- Add/drop period ends on September 12.
- Withdrawal period ends on October 31.

Course Outline

Module 1: The Context for and History of US Health Policy

- 9/1 Challenges Facing US Healthcare
- 9/6 The U.S. Health Care System in Context
- 9/8 The History of Comprehensive US Health Reform Attempts 1900-1954
- 9/13 The Passage of the Affordable Care Act
- 9/15 Comprehensive Health Reform Post-ACA

Module 2: Financing Healthcare through Private Insurance Contracts

- 9/20 Economics of Private Health Insurance
- 9/22 Policies Pertaining to Employer Sponsored Health Insurance
- 9/27 The ACA and Nongroup Market
- 9/29 State Policies to Reform the Nongroup Market
- 10/4 Long Term Care Insurance
- 10/6 MIDTERM 1

Module 3: Economics of Public Insurance

- 10/11 Medicaid Basics (Fall Break is 10/13; no class)
- 10/18 Medicaid: Recent Changes and Potential Reforms
- 10/20 An Overview of Medicare
- 10/25 Medicare Benefits Through Private Insurance

Module 4: Cost Containment, part 1

- 10/27 U.S. Healthcare Spending Growth
- 11/1 Demand-Side Incentives to Control Costs
- 11/3 Price Growth and Price Transparency
- 11/10 Supply-Side Incentives to Control Costs
- 11/15 Price Controls in US Healthcare
- 11/17 MIDTERM 2

Module 5: Cost Containment, part 2

- 11/22 Prescription Drugs Prices in the US
- 11/29 Policies to Address Prescription Drug Prices
- 12/1 Policies to Address Surprise Medical Bills
- 12/6 Paying for Healthcare Abroad
- 12/8 Single Payer Proposals in the US

12/12 Final exam, 2 pm

READING LIST FOR MODULE 1: US HEALTH POLICY: CONTEXT AND HISTORY

September 1 Challenges Facing US Healthcare

Berwick, D.M., T.W. Nolan, and J. Whittington. 2008. "The Triple Aim: Care, Health, and Cost." *Health Affairs*, 27(3): 759-769.

September 6 The U.S. Health Care System in Context

Reid, T.R. 2010. "Different Models, Common Principles", from *The Healing of America: A Global Quest for Better, Cheaper, and Fairer Health Care*.

September 8 Historical Attempts at Comprehensive US Health Reform

Starr, P. 1982. "The Mirage of Reform," Book Two, Chapter One, in *The Social Transformation of American Medicine*. Pages 236-267 only.

September 13 Passage of the Affordable Care Act

Hacker, J. 2010. "The Road to Somewhere: Why Health Reform Happened." *Perspectives on Politics*, 8 (3): 861-876.

September 15 Comprehensive Reform Post-ACA

Oberlander, J. 2017, "The Art of Repeal — Republicans' Health Care Reform Muddle." *New England Journal of Medicine*, Available at: <https://www.nejm.org/doi/full/10.1056/NEJMp1703980>

Cancryn, A. 2019. The Army Built to Fight 'Medicare for All.' *Politico*, November 25, 2019. Available at: <https://www.politico.com/news/agenda/2019/11/25/medicare-for-all-lobbying-072110>

READING LIST FOR MODULE 2: FINANCING HEALTHCARE THROUGH PRIVATE INSURANCE CONTRACTS

September 20 Economics of Private Health Insurance

Getzen, T. 2013. "Health Insurance: Financing Medical Care." *From Health Economics and Health Financing*.

September 22 Policies Pertaining to Employer Sponsored Health Insurance

Battacharya, J. et al. 2014. "Employer-Sponsored Health Insurance", pages 372-379 from *Health Economics*.

Antos, J. 2015. "End the Exemption for Employer Provided Care". *New York Times*, available at: <https://www.nytimes.com/roomfordebate/2015/04/14/the-worst-tax-breaks/end-the-exemption-for-employer-provided-health-care>

September 27 The ACA and the Nongroup Market

Corlette, S., Blumberg, L., and Lucia, K. 2020. "The ACA's Effect on the Individual Insurance Market." *Health Affairs*, 39 (3): 436-444.

September 29 State Policies to Reform the Nongroup Market

Tobert, J., et al. 2019. "State Actions to Improve the Affordability of Health Insurance in the Individual Market." KFF Issue Brief. Available at: <https://www.kff.org/wp-content/uploads/2019/07/Issue-Brief-State-Actions-to-Improve-the-Affordability-of-Health-Insurance-in-the-Individual-Market.pdf>

October 4 Financing Long Term Care

Sammon, A., 2020. "The Collapse of Long-Term Care Insurance." *The American Prospect*. Available at: <https://prospect.org/familycare/the-collapse-of-long-term-care-insurance/>

Brown, J., and Finkelstein, A., 2009. "The Private Market for Long-Term Care Insurance in the United States: A Review of the Evidence." *The Journal of Risk and Insurance*, 76 (1): 5-29. Read pages 5-18.

READING LIST FOR MODULE 3: PUBLIC INSURANCE PROGRAMS IN THE U.S.

October 11 Medicaid Basics

Kaiser Family Foundation, 2017 *Medicaid Pocket Primer*, Available at: <http://files.kff.org/attachment/Fact-Sheet-Medicaid-Pocket-Primer>

Currie, J., and Duque, V., 2017. "Medicaid: What Does it Do, and Can We Do It Better?" in *The ANNALS of the American Academy of Political and Social Science*, 686 (1). Read pages 148-161.

October 18 Medicaid: Recent Changes and Potential Reforms

Currie, J., and Duque, V., 2017. Medicaid: What Does it Do, and Can We Do It Better? *The ANNALS of the American Academy of Political and Social Science*, 686 (1). Read pages 162-172.

Optional: Miller, S. et al. 2019. "Medicaid Expansion Reduces Mortality Among Most Vulnerable," 2019. UC-Davis Center for Poverty and Inequality Research. Available at: <https://poverty.ucdavis.edu/post/medicaid-expansion-reduces-mortality-among-most-vulnerable>

October 20 Overview of Medicare

Kaiser Family Foundation. 2019 "An Overview of Medicare." Available at: <https://www.kff.org/medicare/issue-brief/an-overview-of-medicare/>

Cubanski, J., et al. 2019. "The Facts on Medicare Spending and Financing." Available at: <https://www.kff.org/medicare/issue-brief/the-facts-on-medicare-spending-and-financing/>

October 25 Medicare Benefits through Private Insurance Plans

Hofstetter, M. and Klein, S. 2022. "Taking Stock of Medicare Advantage: Payment" Commonwealth Fund Blog. <https://www.commonwealthfund.org/blog/2022/taking-stock-medicare-advantage-payment>.

Hofstetter, M. and Klein, S. 2022. "Taking Stock of Medicare Advantage: Risk Adjustment." Commonwealth Fund Blog. <https://www.commonwealthfund.org/blog/2022/taking-stock-medicare-advantage-risk-adjustment>.

Hofstetter, M. and Klein, S. 2022. "Taking Stock of Medicare Advantage: Choice" Commonwealth Fund Blog. <https://www.commonwealthfund.org/blog/2022/taking-stock-medicare-advantage-choice>.

READING LIST FOR MODULE 4: COST CONTAINMENT, PART 1

October 27 U.S. Healthcare Spending Growth

U.S. Congressional Budget Office. 2008. *Technological Changes and the Growth of Healthcare Spending*. Pages 1-12. Available at: <https://www.cbo.gov/sites/default/files/110th-congress-2007-2008/reports/01-31-techhealth.pdf>

November 1 Demand-Side Incentives to Control Costs

Dolan, R. 2016. "High-Deductible Health Plans." A *Health Affairs* Health Policy Brief. Available at: https://www.healthaffairs.org/doi/10.1377/hpb20160204.950878/full/healthpolicybrief_152.pdf

Richardson, H. et al., 2019. "V-BID X: Creating A Value-Based Insurance Design Plan For The Exchange Market." *Health Affairs* Blog, July 15, 2019. DOI: 10.1377/hblog20190714.437267. Available at: <https://www.healthaffairs.org/doi/10.1377/forefront.20190714.437267/full/>

November 3 Price Growth and Price Transparency

Gee, E., and Gurwitz, E., 2018. Provider Consolidation Drives Up Health Care Costs. Report by the Center for American Progress. Available at: <https://www.americanprogress.org/article/provider-consolidation-drives-health-care-costs/>

Kennedy, K., et al. 2021. *The Insanity of U.S. Health Care Pricing: An Early Look at Hospital Price Transparency Data*. Health Care Cost Institute (HCCI) Original Report. Available at: <https://healthcostinstitute.org/hcci-research/hospital-price-transparency-1>

November 10 Supply-Side Incentives to Control Costs: ACOs and MCOs

Battacharya, J. et al. 2014. "The Managed Care Alternative", pages 380-383 from *Health Economics*.

Altarum Value Hub. 2015. *Accountable Care Organizations: Still a Lot to Learn About Best Practices*. Research Brief No. 2. Available at: <https://www.healthcarevaluehub.org/advocate-resources/publications/accountable-care-organizations-still-lot-learn-about-best-practices>

November 15 Price Controls in US Healthcare

Phelps, C., "The Prospective Payment System." Pages 394-403 in *Health Economics*.

Chernew, M., Dafny, L., and Pany, M. 2020. *A Proposal to Cap Provider Prices and Price Growth in the Commercial Health-Care Market*. Read pages 6-12. The Brookings Institution. POLICY PROPOSAL 2020-08. Available at: https://www.brookings.edu/wp-content/uploads/2020/03/CDP_PP_WEB.pdf

READING LIST FOR MODULE 5: COST CONTAINMENT, PART 2

November 22 Prescription Drugs Prices in the US

U.S. Congressional Budget Office. 2022. *Prescription Drugs: Spending, Use, and Prices*. Available at: <https://www.cbo.gov/system/files/2022-01/57050-Rx-Spending.pdf>. Read pages 9-17

November 29 Policies to Address Prescription Drug Prices

Kaiser Family Foundation. 2021. *Unpacking the Prescription Drug Provisions of the Build Back Better Act*. Video available at: <https://www.kff.org/health-costs/event/unpacking-prescription-drug-provisions-of-build-back-better-act/>

December 1 Surprise Medical Bills

Hoadley, J., and Lucia, K. 2022. The No Surprises Act: A Bipartisan Achievement to Protect Consumers from Unexpected Medical Bills, *Journal of Health Politics, Policy, and Law*, 47 (1): 93-106.

December 6 Paying for Healthcare Abroad

Emmanuel, E. 2020. Selected sections from *Which Country Has the World's Best Healthcare?*

December 8 Single Payer Proposals

Blumberg, L., and Holahan, J. 2019. The Pros and Cons of Single Payer Health Plans." Urban Institute. Available at: https://www.urban.org/sites/default/files/publication/99918/pros_and_cons_of_a_single-payer_plan.pdf