

Spring 2019 Economics 2465: Health Economics

David Cutler
Littauer 226
e-mail: dcutler@harvard.edu
Office Hours: By Appointment, dingwell@fas.harvard.edu

This is a course in the economics of health care. Topics will include health capital, global health, health insurance, productivity of medical spending, and medical care markets.

- Meeting:* Class is scheduled for Tuesday, Thursday, and Friday from 10:30 - 11:45 am. Class will generally meet twice per week, with a few exceptions. Check the meeting schedule carefully.
- Lecture Notes:* Class notes will be posted by the morning of the class on the class website: <https://canvas.harvard.edu/courses/47780>. You should download the notes and bring them to class.
- Seminar:* Students are encouraged to attend the weekly Health Economics seminar, Wed. 4:00 – 5:30. See <https://www.bu.edu/econ/research/seminars/health-economics-seminar-papers/> for schedule and location.
- Grading:* There will be a one-day at home final exam during final exam period (50%), a 2-3 page research proposal due on the last day of reading period (25%), and three problem sets (25%).
- Reading:* I have indicated the readings that should be read before class (**pre-class readings**) and those that can be read at your leisure (**supplemental readings**). I have also indicated **classic papers** that you should be familiar with. The pre-class reading is generally a recent article on the topic of the day. We will discuss the methodology and findings of the article in class. I will cold call on students to discuss the pre-class readings. The supplemental readings are an important part of the class; I will indicate which ones you should pay particular attention to.

Economics 2465 Lecture Schedule

Tue January 29 1. Health over Time and Around the World

Health Capital

Thu January 31 No class

Fri February 1 2. Health Capital

Tue February 5 3. Health Behaviors

Thu February 7 4. SES and Health

Fri February 8 No class

Health and Growth

Tue February 12 No class

Thu February 14 5. HIV/AIDS

Fri February 15 6. Disease and Development: Macro Studies

Tue February 19 No class

Thu February 21 7. Disease and Development: Micro Studies

Health Systems

Fri February 22 8. Overview of Health Systems

Tue February 26 9. Health Reform in High Income Countries

Thu February 28 10. Optimal insurance I: The Demand Side

Fri March 1 No class

Tue March 5 11. Optimal insurance II: The Supply Side

Thu March 7 12. Health insurance, utilization, and health I

Fri March 8 No class

Health Insurance

Tue March 12 13. Health insurance, utilization, and health II

Thu March 14 14. Health insurance, utilization, and health III

Fri March 15 No class

March 19 SPRING BREAK

March 21 SPRING BREAK

March 22 SPRING BREAK

Tue March 26 15. Health care innovation

Thu March 28 16. Disability insurance (with Nicole Maestas)

Fri March 29 No class

Productivity Analysis

Tue	April 2	17. Productivity I
Thu	April 4	18. Productivity II
Fri	April 5	No class
Tue	April 9	19. Productivity III (with Amitabh Chandra)

Medical Care Markets

Thu	April 11	No class
Fri	April 12	20. Provider competition & Insurer-Provider Interactions I
Tue	April 16	21. Provider competition & Insurer-Provider Interactions II
Thu	April 18	22. Provider competition & Insurer-Provider Interactions III
Fri	April 19	No class
Tue	April 23	23. Insurance selection
Thu	April 25	24. Insurance competition
Fri	April 26	No class
Tue	April 30	25. Antitrust policy in health care (with Leemore Dafny)

A Note on Readings

Readings in health economics are in several journals:

General interest journals: *American Economic Review*, *Journal of Political Economy*, *Quarterly Journal of Economics*, *Econometrica*

Field journals: The major journal in the field is the *Journal of Health Economics*. There is also the *American Journal of Health Economics*.

Medical journals: Almost all medical journals publish health economics articles. The best are the *New England Journal of Medicine* and *JAMA*. Each will send you weekly summaries of what is in the journal if you wish. *Health Affairs* has a number of good articles on health care policy topics.

Reference books: There is no textbook in the field. The best collection is the *Handbook of Health Economics*. Volumes 1A and 1B were edited by Anthony Culyer and Joseph P. Newhouse and were published in 2000. Volume 2 was edited by Mark V. Pauly, Thomas G. McGuire and Pedro P. Barros and was published in 2011. You can find all the volumes here: <http://www.sciencedirect.com/science/handbooks/15740064>. For an undergraduate introduction, try Sherman Folland, Allen Goodman, and Miron Stano, *The Economics of Health and Health Care*. Any edition is fine.

Lecture 1: Health over Time and Around the World

Key points:

- Health has improved enormously in recent centuries
- Health covaries positively with income, with interesting exceptions

Pre-class readings

Cutler, David, Angus Deaton, and Adriana Lleras-Muney, “[The Determinants of Mortality](#),” *Journal of Economic Perspectives*, 2006, 20(3), 97-120.

Fogel, Robert W., “[Economic Growth, Population Theory, and Physiology: The Bearing of Long-Term Processes on the Making of Economic Policy](#),” *American Economic Review*, 1994, 84(3), 369-395. (*classic paper*)

Supplemental readings

Bloom, David E. and David Canning, “[The Health and Wealth of Nations](#),” *Science*, 2000, 287(5456), 1207-1208.

Brainerd, Elizabeth, and David Cutler, “[Autopsy on an Empire: Understanding Mortality in Russia and the Former Soviet Union](#),” *Journal of Economic Perspectives*, 2005, 19(1), 107-130.

Costa, Dora, “[Health and the Economy in the United States, from 1750 to the Present](#),” *Journal of Economic Literature*, 2015, 53(3), 503–570.

Deaton, Angus, [The Great Escape: Health, Wealth, and the Origins of Inequality](#), Princeton, NJ: Princeton University Press, 2013, Part I, 59-164.

I. Health Capital

Lecture 2: Health Capital

Key points:

- Health as a consumption and investment good
- Value of survival is linear in flow utility (not marginal utility)
- Health improvements are worth a lot

Pre-class readings

Grossman, Michael, "[The Human Capital Model](#)," in *Handbook of Health Economics, Volume 1A*, (an update of the **classic paper**, Michael Grossman, "[On the Concept of Health Capital and the Demand for Health](#)," *Journal of Political Economy*, 1972, 80(2), 223-255.)

Hall, Robert E. and Charles I. Jones, "[The Value of Life and the Rise in Health Spending](#)," *Quarterly Journal of Economics*, 2007, 122 (1), 39-72.

Supplemental readings

Becker, Gary S., Tomas J. Philipson, and Rodrigo R. Soares, "[The Quantity and Quality of Life and the Evolution of World Inequality](#)," *American Economic Review*, 2005, 95(1), 277-291.

Cutler, David, Allison B. Rosen, and Sandeep Vijan, "[Value of Medical Innovation in the United States: 1960-2000](#)," *New England Journal of Medicine*, 2006; 355(9), 920-927.

Murphy, Kevin M. and Robert H. Topel, "[The Value of Health and Longevity](#)," *Journal of Political Economy*, 2006, 114(5), 871-904.

Nordhaus, William, "[The Health of Nations: The Contribution of Improved Health to Living Standards](#)," in Kevin Murphy and Robert Topel, eds., *Measuring the Gains from Medical Research: An Economic Approach*. Chicago: University of Chicago Press, Spring 2003.

Lecture 3: Health Behaviors

Key points:

- Behaviors are a key 'actual cause' of death
- 'Internalities' are more important than externalities
- Models of behavior

Pre-class readings

Gruber, Jonathan and Botond Koszegi, "[Is Addiction 'Rational'? Theory and Evidence](#)," *Quarterly Journal of Economics*, 2001, 116(4), 1261-1303.

Oster, Emily, Ira Shoulson, and E. Ray Dorsey, "[Optimal Expectations and Limited Medical Testing: Evidence from Huntington Disease](#)," *American Economic Review*, 2013, 103(2): 804-830.

Supplemental readings

Models of Health Behaviors

Becker, Gary, and Kevin Murphy, "[A Theory of Rational Addiction](#)," *Journal of Political Economy*, 1988, 96(4), 675-700.

Cawley, John, and Chris Ruhm, "[The Economics of Risky Health Behaviors](#)," *Handbook of Health Economics*, Volume 2.

Cutler, David M., Amber Jessup, Donald Kenkel, and Martha A. Starr, "[Valuing Regulations Affecting Addictive or Habitual Goods](#)," *Journal of Benefit-Cost Analysis*, 2015, 6(2), 247-280.

Bernheim, B. Douglas, and Antonio Rangel, "[Addiction and Cue-Triggered Decision Processes](#)," *American Economic Review*, 2004, 94(5), 1558-90.

Handel, Ben and Joshua Schwartzstein, "[Frictions or Mental Gaps: What's Behind the Information We \(Don't\) Use and When Do We Care?](#)" *Journal of Economic Perspectives*, 2018, 32(1): 155-178.

Laibson, David, "[Golden Eggs and Hyperbolic Discounting](#)," *Quarterly Journal of Economics*, 1997, 112(2), 443-477.

Smoking

Chaloupka, Frank and Kenneth E. Warner, "[The Economics of Smoking](#)," in Anthony J. Culyer and Joseph Newhouse, eds., *Handbook of Health Economics*, Amsterdam: North-Holland, 2000.

De Walque, Damien, "[Education, information, and smoking decisions: evidence from smoking histories, 1940-2000](#)," *Journal of Human Resources*, 2010, 45(3), 682-717.

Manning, Willard, Emmett Keeler, Joseph Newhouse, Elizabeth Sloss, and Jeffrey Wasserman, "[The Taxes of Sin: Do Smokers and Drinkers Pay Their Way?](#)" *JAMA*, 1989, 261(11), 1604-9.

Obesity

Cutler, David, Edward Glaeser, and Jesse Shapiro, "[Why Have Americans Become More Obese?](#)" *Journal of Economic Perspectives*, 2003, 17(3), 93-118.

Opioids

Alpert, Abby, David Powell, and Rosalie Liccardo Pacula. 2018. "[Supply-Side Drug Policy in the Presence of Substitutes: Evidence from the Introduction of Abuse-Deterrent Opioids](#)." *American Economic Journal: Economic Policy*, 10 (4): 1-35.

Evans, William, Ethan Lieber, and Patrick Power, "[How the Reformulation of OxyContin Ignited the Heroin Epidemic](#)," NBER Working Paper No. 24475, 2018.

Meara, Ellen, et al., “[State Legal Restrictions and Prescription Opioid Use Among Disabled Adults](#),” *New England Journal of Medicine*, 2016, 375:44-53.

Ruhm, Christopher, “[Deaths of Despair or Drug Problems?](#),” NBER Working Paper No. 24188, 2018.

Interventions

Asch, David A., et al., “[Effect of Financial Incentives to Physicians, Patients, or Both on Lipid Levels: A Randomized Clinical Trial](#),” *JAMA*, 2015; 314(18):1926-1935.

Volpp, Kevin, et al., “[A Randomized, Controlled Trial of Financial Incentives for Smoking Cessation](#),” *New England Journal of Medicine*, 2009, 360:699-709.

Volpp, Kevin, et al., “[Financial Incentive–Based Approaches for Weight Loss: A Randomized Trial](#),” *JAMA*. 2008; 300(22):2631-2637.

Technology and Behaviors

Sood, Neeraj, and Dana Goldman, “[HIV Breakthroughs and Risky Sexual Behavior](#),” *Quarterly Journal of Economics*, 2006, 121(3): 1063-1102.

Implications for Insurance Design

Baicker, Katherine, Sendhil Mullainathan, and Joshua Schwartzstein, “[Behavioral Hazard in Health Insurance](#),” *Quarterly Journal of Economics*, 2015, 130(4), 1623-1667.

Lecture 4: SES and Health

Key points:

- The ‘gradient’ in health
- Education is causally related to health
- The reason why is unclear, though may have to do with cognitive processing

Pre-class readings

Case, Anne, and Angus Deaton, “[Mortality and Morbidity in the 21st Century](#),” *Brookings Papers on Economic Activity*, 2018.

Cutler, David and Adriana Lleras-Muney, “[Understanding Differences in Health Behavior by Education](#),” *Journal of Health Economics*, 2010, 29(1), 1-28.

Lleras-Muney, Adriana, “[The Relationship between Education and Adult Mortality in the U.S.](#),” *Review of Economic Studies*, 2005, 72(1), 189-221.

Supplemental readings

Case, Anne, Darren Lubotsky, and Christina Paxson, “[Economic Status and Health in Childhood: The Origins of the Gradient](#),” *American Economic Review*, 2002, 92(5), 1308-1334.

Heckman, James J., John Eric Humphries, and Greg Veramendi, “[Education, Health and Wages](#),” *Journal of Political Economy*, 2018, 126(S1): S197-S246.

Currie, Janet, and Enrico Moretti, “[Mother's Education and the Intergenerational Transmission of Human Capital: Evidence from College Openings](#),” *Quarterly Journal of Economics*, 2003, 118(4), 1495-1532.

Goldman, Dana, and James Smith, “[Can patient self-management help explain the SES health gradient?](#)” *Proceedings of the National Academy of Science*, 2002, 99(16), 10929-34.

II. Health and Growth

Lecture 5: HIV/AIDS

Key points:

- The enormous impact of HIV/AIDS on world health
- The impact of HIV on the economy
- Why have behavioral changes not been larger?

Pre-class readings

Dupas, Pascaline, “[Do Teenagers Respond to HIV Risk Information? Evidence from a Field Experiment in Kenya](#),” *American Economic Journal: Applied Economics*, 2011, 3(1), 1–34.

Supplemental readings

Alsan, Marcella M, and David M Cutler, “[Girls’ education and HIV risk: Evidence from Uganda](#),” *Journal of Health Economics*, 2013, 32(5): 863– 872.

Canning, David, “[The Economics of HIV/AIDS in Low Income Countries: The Case for Prevention](#),” *The Journal of Economic Perspectives*, 2006, 20(3), 121-142.

Gertler, Paul, Manisha Shah and Stefano M Bertozzi, “[Risky Business: The Market for Unprotected Commercial Sex](#),” *Journal of Political Economy*, 2005, 113 (3), 518-550.

Oster, Emily, “[Sexually Transmitted Infections, Sexual Behavior, and HIV/AIDS Epidemic](#),” *Quarterly Journal of Economics*, 2005, 120(2), 467-515.

Philipson, Thomas, “[Economic Epidemiology and Infectious Diseases](#),” in Anthony J. Culyer and Joseph P. Newhouse, eds., *Handbook of Health Economics*, Volume 1B, Chapter 33, North-Holland, 2000.

Thornton, Rebecca, “[The Demand for and Impact of Learning HIV Status: Evidence from a Field Experiment](#),” *American Economic Review*, 2008, 98(5), 1829-1863.

Young, Alwyn, “[The Gift of Dying: The Tragedy of AIDS and the Welfare of Future African Generations](#),” *Quarterly Journal of Economics*, 2005, 120(2), 423-466.

Lecture 6: Disease and Development: Macro Studies

Key points:

- The channels by which disease and development might be linked
- The empirical impact of disease on development is difficult to determine

Pre-class readings

Acemoglu, Daron, and Simon Johnson, “[Disease and Development: The Effect of Life Expectancy on Economic Growth](#),” *Journal of Political Economy*, 2007, 115(6), 925-985. [Also read the debate on the paper: Bloom, David, David Canning, and Gunther Fink, “[Disease and Development Revisited](#),” *Journal of Political Economy*, 2014, 122(6), 1355-1366; Acemoglu, Daron, and Simon Johnson. “[Disease and Development: A Reply to Bloom, Canning, and Fink](#),” *Journal of Political Economy* 2014, 122(6), 1367–1375.]

Ashraf, Quamrul H., Ashley Lester, and David N. Weil, “[When Does Improving Health Raise GDP?](#)” *NBER Macroeconomics Annual*, 2009.

Supplemental readings

Gallup, John Luke and Jeffrey D. Sachs, “[The Economic Burden of Malaria](#),” Supplement to *The American Journal of Tropical Medicine & Hygiene*, 2001, 64(1-2 Supplement), 85-96.

Jack, William, and Maureen Lewis, “[Health Investments and Economic Growth: Macroeconomic Evidence with Microeconomic Foundations](#),” chapter 1 in Michael Spence and Maureen Lewis, *Health and Growth*, World Bank, Commission on Growth and Development, available online.

Jamison, Dean T., et al., “[Global Health 2035: A World Converging Within a Generation](#),” *The Lancet*, 2013, 382(9908), 1898 – 1955.

Pritchett, Lant and Lawrence Summers, “[Wealthier is Healthier](#),” *Journal of Human Resources*, 1996, 31, 841-868.

Sachs, Jeffrey, and Pia Malaney, “[The Economic and Social Burden of Malaria](#),” *Nature*, 2002, 415(6872), 680-685.

Lecture 7: Disease and Development: Micro Studies

Key points:

- There is a clear relation between disease and development in micro studies
- The impact is often smaller than macro studies suggest

Pre-class readings

Miguel, Edward and Michael Kremer, "[Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities](#)," *Econometrica*, 2004, 72(1), 159-217. [Also read the follow up paper, Sarah Baird, Joan Hamory Hicks, Michael Kremer, and Edward Miguel, "[Worms at Work: Long-run Impacts of Child Health Gains](#)," *Quarterly Journal of Economics*, 2016, 131(4), 1637-1680.]

Weil, David N., "[Accounting for The Effect of Health on Economic Growth](#)," *Quarterly Journal of Economics*, 2007, 122(3), 1265-1306.

Supplemental readings

Bleakley, Hoyt, 2010. "[Health, Human Capital and Development](#)," *Annual Review of Economics*, Vol 2. 283-310.

Kremer, Michael, and Rachel Glennerster, [Improving Health in Developing Countries: Evidence from Randomized Evaluations](#), *Handbook of Health Economics*, Volume 2.

Hookworm

Bleakley, Hoyt, "[Disease and Development: Evidence from Hookworm Eradication in the American South](#)," *Quarterly Journal of Economics*, 2007, 122(1), 73-117.

Malaria

Bleakley, Hoyt, "[Malaria Eradication in the Americas: A Retrospective Analysis of Childhood Exposure](#)," *American Economic Journal: Applied Economics*, 2010, 2(2), 1-45.

Cutler, David M., Winnie Fung, Michael Kremer, Monica Singhal, and Tom Vogl, "[Early-life Malaria Exposure and Adult Outcomes: Evidence from Malaria Eradication in India](#)," *American Economic Journal: Applied Economics*, 2010, 2(2), 72-94,

Lucas, Adrienne, "[Malaria Eradication and Educational Attainment: Evidence from Paraguay and Sri Lanka](#)," *American Economic Journal: Applied Economics*, 2010, 2(2), 46-71.

Malnutrition

Field, Erica, Omar Robles and Maximo Torero, "[Iodine deficiency and schooling attainment in Tanzania](#)," *American Economic Journal: Applied Economics*, 2009, 1(4), 140-69.

Schofield, Heather, "[The Economic Costs of Low Caloric Intake: Evidence from India](#)," mimeo, 2014.

Clean Water

Cutler, David, and Grant Miller, "[The role of public health improvements in health advances: the twentieth-century United States](#)," *Demography*, 2005 42(1), 1-22.

Alsan, Marcella, and Claudia Goldin, "[Watersheds in Infant Mortality: The Role of Effective Water and Sewerage Infrastructure, 1880 to 1915](#)," Forthcoming, *Journal of Political Economy*.

Kremer, Michael, Jessica Leino, Edward Miguel, and Alix Peterson Zwane, "[Spring Cleaning: Rural Water Impacts, Valuation, and Property Rights Institutions](#)," *Quarterly Journal of Economics*, 2011, 126(1), 145-205.

Early Life Health, Schooling, and Productivity

Almond, Doug, "[Is the 1918 Influenza Pandemic Over? Long-Term Effects of In Utero Exposure in the Post-1940 US Population](#)," *Journal of Political Economy*, 2006, 114(4), 672-712.

Almond, Doug, Lena Edlund, and Mårten Palme, "[Chernobyl's Subclinical Legacy: Prenatal Exposure to Radioactive Fallout and School Outcomes in Sweden](#)," *Quarterly Journal of Economics*, 2009, 124(4), 1729-1772.

Currie, Janet, "[Inequality at Birth: Some Causes and Consequences](#)," *American Economic Review*, 2011, 101(3): 1-22.

Maccini, Sharon and Dean Yang, "[Under the Weather: Health, Schooling and Socioeconomic Consequences of Early Life Rainfall](#)," *American Economic Review*, 2009, 99(3), 1006-1026.

III: Health Systems

Lecture 8: Overview of Health Systems

Key points:

- The basics of a health system
- Supply versus demand-side restrictions
- Problems of supply: Provider competence and attendance

Pre-class readings

Chaudhury, Nazmul, et al., “[Missing in Action: Teacher and Health Worker Absence in Developing Countries](#),” *Journal of Economic Perspectives*, 2006, 20(1), 91-116.

Supplemental readings

Rawlins, Michael D., “[NICE Work – Providing Guidance to the British National Health Service](#),” *New England Journal of Medicine*, 2004, 351(14), 1383-5.

Developing Countries (esp. China and India)

Blumenthal, David and William Hsiao, “[Privatization and Its Discontents: The Evolving Chinese Health System](#),” *New England Journal of Medicine*, 2005, 353(11), 1165-1170.

Filmer, Deon and Lant Pritchett, “[The Impact of Public Spending on Health: Does Money Matter?](#)” *Social Science and Medicine*, 1999, 49(10), 1309-1323.

Das, Jishnu and Jeffrey Hammer, “[Money for nothing: The dire straits of medical practice in Delhi, India](#),” *Journal of Development Economics*, 2007, 83(1), 1-36.

Conditional Cash Transfers

Gertler, Paul, “[Do Conditional Cash Transfers Improve Child Health? Evidence from PROGRESA’s Control Randomized Experiment](#),” *American Economic Review*, 2004, 94(1), 336-341.

Lecture 9: Health reform in Europe and the United States

Key points:

- Policy changes in rich countries
- The Affordable Care Act

Pre-class readings

Cutler, David M., “[Equality, Efficiency, and Market Fundamentals: The Dynamics of International Medical Care Reform](#),” *Journal of Economic Literature*, 2002, 40(3), 881-906.

Supplemental readings

Chandra, Amitabh, Gruber, Jonathan and McKnight, Robin, "[The Importance of the Individual Mandate – Evidence from Massachusetts.](#)" *New England Journal of Medicine*, 2011, 364: 293-295.

Kolstad, Jonathan, and Amanda Kowalski, "[Mandate-Based Health Reform and the Labor Market: Evidence from the Massachusetts Health Insurance Reform.](#)" *Journal of Health Economics*, 2016, 47, 81-106.

IV. Health Insurance

Lectures 10&11: Optimal Health Insurance

Key points:

- The balance between risk spreading and moral hazard
- Is current insurance optimal?
- Supply-side cost sharing
- Managed care

Pre-class readings

Lecture 11

Ericson, Keith M. and Justin R. Sydnor. "[Liquidity Constraints and the Value of Insurance](#)," NBER Working Paper No. 24993, 2018.

Hendren, Nathan, "[Measuring Ex Ante Welfare in Insurance Markets](#)," mimeo, 2016.

Lecture 12

Gawande, Atul, "[The Cost Conundrum](#)," *The New Yorker*, June 1, 2009.

Classic papers

Arrow, Kenneth. "[Uncertainty and the Welfare Economics of Medical Care](#)," *American Economic Review*, 1963, 53(5), 941-973.

Pauly, Mark, "[The Economics of Moral Hazard: Comment](#)," *American Economic Review*, 1968, 58(3), 531-537.

Supplemental readings

McGuire, Tom, "[Demand for Health Insurance](#)," in *Handbook of Health Economics, Volume 2*.

McGuire, Tom, "[Physician Agency](#)," in Anthony J. Culyer and Joseph P. Newhouse, eds., *Handbook of Health Economics*, Amsterdam: North-Holland, 2000.

Lectures 12, 13, and 14: Health Insurance, Utilization, and Health

Key Points:

- Empirical estimates of moral hazard
- Is it really moral hazard?
- Response to supply prices
- Insurance coverage and health
- Payment rate changes, health care utilization, and health

Pre-class readings

Lecture 12

Card, David, Carlos Dobkin, Nicole Maestas, “[Does Medicare Save Lives?](#)” *Quarterly Journal of Economics*, 2009, 124(2), 597–636.

Finkelstein, Amy, et al., “[The Oregon Health Insurance Experiment: Evidence from the First Year](#),” *Quarterly Journal of Economics*, 2012, 127(3), 1057-1106.

Lecture 13

Feldstein, Martin, “[The Welfare Loss of Excess Health Insurance](#),” *Journal of Political Economy*, 81(2), part I, March-April 1973, 251-280. (*classic paper*)

Manning, Willard et al., “[Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment](#),” *American Economic Review*, 1987, 77(3), 251-177.

Brot-Goldberg, Zarak C., Amitabh Chandra, Benjamin Handel, and Jonathan Kolstad, “[What Does a Deductible Do? The Impact of Cost Sharing on Health Care Prices, Quantities, and Spending Dynamics](#)” *Quarterly Journal of Economics*, 2017, 132(3), 1261-1318.

Lecture 14

Clemens, Jeffrey, and Joshua Gottlieb, “[Do Physicians’ Financial Incentives Affect Treatment Patterns and Patient Health?](#)” *American Economic Review*, 2014; 104(4): 1320–1349.

Schnell, Molly, “[Physician Behavior in the Presence of a Secondary Market: The Case of Prescription Opioids](#),” mimeo, 2017.

Song, Zirui, et al., “[Changes in Health Care Spending and Quality 4 Years into Global Payment](#),” *New England Journal of Medicine*, 2014; 371:1704-1714

Supplemental readings

Health Insurance and Health

Medicare and health

Afendulis, Christopher C., Yulei He, Alan Zaslavsky, and Michael E. Chernew, “[The Impact of Medicare Part D on Hospitalization Rates](#),” *Health Services Research*, 2011, 46(4), 1022-1038.

McWilliams, J. Michael, Alan M. Zaslavsky, Ellen Meara, and John Z. Ayanian, “[Impact of Medicare Coverage on Basic Clinical Services for Previously Uninsured Adults](#),” *JAMA*, August 13, 2003, 290(6), pp. 757-64.

Weathers, Robert R., II, and Michelle Stegman, “[The effect of expanding access to health insurance on the health and mortality of Social Security Disability Insurance beneficiaries](#),” *Journal of Health Economics*, 2012, 31(6), 863-875.

Medicaid and health

Goodman-Bacon, Andrew, “[Public Insurance and Mortality: Evidence from Medicaid Implementation](#),” *Journal of Political Economy*, 2018, 126(1): 216-262.

Currie, Janet, and Jonathan Gruber, “[Saving Babies: The Efficacy and Cost of Recent Expansions of Medicaid Eligibility for Pregnant Women](#),” *Journal of Political Economy*, 1996, 104(6), 1263-1296.

Finkelstein, Amy, Nathan Hendren, and Erzo Luttmer, “[The Value of Medicaid: Interpreting Results from the Oregon Health Insurance Experiment](#),” forthcoming, *Journal of Political Economy*, 2019.

More on Oregon

Baicker, Katherine, et al., “[The Oregon Experiment – Effects of Medicaid on Clinical Outcomes](#),” *New England Journal of Medicine*, 2013, 368(18), 1713-1722.

Taubman, Sarah, et al., “[Medicaid Increases Emergency Department Use: Evidence from Oregon's Health Insurance Experiment](#),” *Science*, January 2, 2014.

Health Insurance and Income

Brown, David W. and Kowalski, Amanda E. and Lurie, Ithai, “[Medicaid as an Investment in Children: What is the Long-Term Impact on Tax Receipts?](#)” mimeo, 2015.

Miller, Sarah, and Wherry, Laura R. “[The Long-Term Health Effects of Early Life Medicaid Coverage](#),” *Journal of Human Resources*, forthcoming, Summer 2019.

The Demand-side: Cost Sharing, Utilization, and Health Estimates

Chandra, Amitabh, Jonathan Gruber, and Robin McKnight, “[Patient Cost-Sharing and Hospitalization Offsets in the Elderly](#),” *American Economic Review*, 2010, 100(1), 1-24.

Handel, Benjamin R. and Jonathan T. Kolstad, “[Health Insurance for ‘Humans’: Information Frictions, Plan Choice, and Consumer Welfare](#),” *American Economic Review*, August 2015, 105(8):2449-500.

Kaestner, Robert, and Anthony T. LoSasso, “[Does Seeing the Doctor More Often Keep You Out of the Hospital?](#)” *Journal of Health Economics*, January 2015, 39:259-72.

Lieber, Ethan M.J. “[Does It Pay to Know Prices in Health Care?](#)” *American Economic Journal: Economic Policy*, 2017, 9(1):154–179.

Prager, Elena, “[Consumer Responsiveness to Simple Health Care Prices: Evidence From Tiered Hospital Networks](#),” mimeo, 2018.

Robinson, James C., and Timothy T. Brown, “[Increases in Consumer Cost Sharing Redirect Patient Volumes and Reduce Hospital Prices For Orthopedic Surgery](#),” *Health Affairs*, 2013, 32(8), 1392-1397.

Shigeoka, Hitoshi, “[The Effect of Patient Cost Sharing on Utilization, Health, and Risk Protection](#),” *American Economic Review*, July 2014, 104(7):2152-84.

Is it really moral hazard?

Gladwell, Malcolm, "[The Moral Hazard Myth](#)," *The New Yorker*, August 29, 2005.

The Supply-Side:

Impact of Prices on Physician Behavior

Dafny, Leemore, "[How Do Hospitals Respond to Price Changes?](#)" *American Economic Review* 2005, 95: 1525-1547.

Jacobson, Mireille, Craig C. Earle, Mary Price, and Joe Newhouse, "[How Medicare's Payment Cuts for Cancer Chemotherapy Drugs Changed Patterns of Treatment](#)," *Health Affairs*, 2010, 29(7): 1391-1399.

Bundled Payments / Accountable Care Organizations

Barnett, Michael L., et al., "[Two-Year Evaluation of Mandatory Bundled Payments for Joint Replacement](#)," *New England Journal of Medicine*, January 2, 2019.

Song, Zirui, et al., "[The 'Alternative Quality Contract,' based on a global budget, lowered medical spending and improved quality](#)," *Health Affairs*, 2012, 31(8), 1885-94.

McWilliams, J. Michael, Bruce E. Landon, and Michael E. Chernew, "[Changes in health care spending and quality for Medicare beneficiaries associated with a commercial ACO contract](#)," *JAMA*, 2013, 310(8), 829-836.

Physician Responses to Information

Cutler, David, Robert S. Huckman, and Mary Beth Landrum, "[The Role of Information in Medical Markets: An Analysis of Publicly Reported Outcomes in Cardiac Surgery](#)," *American Economic Review*, 2004, 94(2), 342-346.

Dranove, David, "[Health Care Markets, Regulators, and Certifiers](#)," in *Handbook of Health Economics*, Volume 2, esp. section 5.

Dranove, David, Dan Kessler, Mark McClellan, and Mark Satterthwaite, "[Is More Information Better? The Effects of 'Report Cards' On Health Care Providers](#)," *Journal of Political Economy*, 2003, 111(3), 555-88.

Kolstad, Jonathan, "[Information and Quality When Motivation is Intrinsic: Evidence from Surgeon Report Cards](#)," *American Economic Review*, 2013, 103(7), 2875-2910.

Physician responses to malpractice

Avraham, Ronen, and Max Schanzenbach, "[The Impact of Tort Reform on Intensity of Treatment: Evidence from Heart Patients](#)," *Journal of Health Economics*, 2015, 39:273-88.

Baicker, Katherine, Elliott S. Fisher, and Amitabh Chandra, "[Malpractice Liability Costs and the Practice of Medicine in the Medicare Program](#)," *Health Affairs* 2007, 26(3), 841-852.

Kessler, Daniel, and Mark McClellan, "[Do Doctors Practice Defensive Medicine?](#)" *Quarterly Journal of Economics*, 1996, 111(2), 353-390.

Lecture 15: Health Care Innovation

Key points:

- Insurance has dynamic as well as static effects
- The importance of intellectual property for investment

Pre-class readings

Budish, Eric, Benjamin N. Roin, and Heidi Williams, “[Do Firms Underinvest in Long-Term Research? Evidence from Cancer Clinical Trials](#),” *American Economic Review*, 2015, 105(7): 2044-85.

Finkelstein, Amy, “[The Aggregate Effects of Health Insurance: Evidence from the Introduction of Medicare](#),” *Quarterly Journal of Economics*, 2007, 122(1), 1-37.

Williams, Heidi, “[Intellectual Property Rights and Innovation: Evidence from the Human Genome](#),” *Journal of Political Economy*, 2013, 121(1), 1-27.

Supplemental readings

Carpenter, Daniel, “[Groups, the Media, Agency Waiting Costs, and FDA Drug Approval](#),” *American Journal of Political Science*, 2002, 46(3), 490-505.

Clemens, Jeffrey, “[The Effect of U.S. Health Insurance Expansions on Medical Innovation](#),” NBER Working Paper No. 19761, 2013.

Lakdawalla, Darius N. 2018. “[Economics of the Pharmaceutical Industry](#),” *Journal of Economic Literature*, 56 (2): 397-449.

Newhouse, Joseph P., “[Medical Care Costs: How Much Welfare Loss?](#)” *Journal of Economic Perspectives*, 1992, 6(3), 13-29.

Sampat, Bhaven, and Heidi L. Williams, “[How Do Patents Affect Follow-On Innovation? Evidence from the Human Genome](#),” *American Economic Review*, 2019, 109 (1): 203-36.

Lecture 16: Disability Insurance

Key points:

- Rapid increase in disability insurance (DI) program participation over time; but recently, caseload declines
- DI trends not strongly related to trends in population health
 - Incidence of severe health problems did not fuel historic rise
 - But treatment of pain is a major issue
- DI programs affect and are affected by health insurance programs
 - People w/ disabilities are high-cost, high-need, with comorbidities
- Changes in economic conditions affect DI claiming
- DI provides valuable social insurance but discourages labor supply (insurance-incentive tradeoff, moral hazard)

Pre-class readings

Maestas, Nicole, Kathleen Mullen, and Alexander Strand, “[Does Disability Insurance Receipt Discourage Work? Using Examiner Assignment to Estimate Causal Effects of SSDI Receipt](#),” *American Economic Review* 2013. 103(5): 1797-1829.

Supplemental readings

Overview of the Disability Insurance System

Morton, William R. “[Primer on Disability Benefits: Social Security Disability Insurance \(SSDI\) and Supplemental Security Income \(SSI\)](#).” 2014.

Liebman, Jeffrey B. “[Understanding the Increase in Disability Insurance Benefit Receipt in the United States](#),” *The Journal of Economic Perspectives*, 2015, 29(2): 123-149.

Disability Insurance and Labor Supply

Autor, David and Mark Duggan, “[The Rise in Disability Reciprocity and the Decline in Unemployment](#),” *Quarterly Journal of Economics*, 2003, 118(1), 157-206.

Autor, David, Nicole Maestas, Kathleen Mullen, and Alexander Strand, “[Does Delay Cause Decay? The Effect of Administrative Decision Time on the Labor Force Participation and Earnings of Disability Applicants](#),” NBER Working Paper No. 20840. January 2015.

Maestas, Nicole, Kathleen Mullen, and Alexander Strand, “[Disability Insurance and Health Insurance Reform: Evidence from Massachusetts](#),” *American Economic Review*, 2014, 104(5): 329-335.

Maestas, Nicole, Kathleen Mullen, and Alexander Strand, “[The Effect of Economic Conditions on the Disability Insurance Program: Evidence from the Great Recession](#),” NBER Working Paper No. 25338, 2018.

Welfare of the Disabled

Burkhauser, Richard V., and Mary Daly. "[The Economic Status of People with Disabilities](#)," in: *The declining work and welfare of people with disabilities: What went wrong and a strategy for change*, chapter 1, AEI Press, 2011, 10-20.

Pain

Case, Anne, and Angus Deaton. "[Rising morbidity and mortality in midlife among white non-Hispanic Americans in the 21st century](#)," *Proceedings of the National Academy of Sciences* 2015, 112.49: 15078-15083.

Optimal Social Insurance Programs

Chetty, Raj, "[A General Formula for the Optimal Level of Social Insurance](#)," *Journal of Public Economics*, 2006, 90(10-11), 1879-1901.

V. Productivity

Lectures 17, 18, & 19

Key points:

- The aggregate returns to health spending have been large
- Cross-section spending differences are often not associated with improved outcomes
- Healthcare productivity is low
- Theories for uneven productivity: flat of the curve medicine, increasing returns, general inefficiency

Pre-class readings

Lecture 17

Bloom, Nicholas, et al., “[Management Practices across Firms and Countries](#),” *Academy of Management*, 2012, 26(1), 12-33.

Lecture 18

Chandra, Amitabh and Douglas Staiger, “[Productivity Spillovers in Health Care: Evidence from the Treatment of Heart Attacks](#),” *Journal of Political Economy*, 2007, 115(1), 103-140.

Fisher, Elliott S. et al., “The implications of regional variations in Medicare spending. [Part 1: the content, quality, and accessibility of care](#),” and [Part 2: health outcomes and satisfaction with care](#),” *Annals of Internal Medicine*, 2003, 138(4), 273-287 and 288-298.

Lecture 19

Chandra, Amitabh, and Jonathan Skinner, “[Technology Growth and Expenditure Growth in Health Care](#),” *Journal of Economic Literature*, 2012, 50(3): 645-80.

Supplemental readings

Theory

Chandra, Amitabh, David Cutler, and Zirui Song, “[Who Ordered That?](#)” in *Handbook of Health Economics, Volume 2*.

Garber, Alan, and Jonathan Skinner, “[Is American Health Care Uniquely Inefficient?](#)” *Journal of Economic Perspectives*, 2008, 22(4), 27-50.

Skinner, Jonathan, “[Causes and Consequences of Regional Variations in Health Care](#),” in *Handbook of Health Economics, Volume 2*.

Time Series Returns to Spending

Cutler, David, *Your Money or Your Life*, Oxford: Oxford University Press, 2004, chapter 3-5.

Cutler, David, “[Are We Finally Winning the War on Cancer?](#)” *Journal of Economic Perspectives*, 2008, 22(4), 3-26.

Cutler, David, and Robert Huckman, “[Technological Development and Medical Productivity: The Diffusion of Angioplasty in New York State](#),” *Journal of Health Economics*, 2003, 22(2), 187-217.

Lichtenberg, Frank, “[The Impact of New Drugs on U.S. Longevity and Medical Expenditure, 1990-2003](#),” *American Economic Review*, 2007, 97(2), 438-443.

Cross-sectional Returns to Spending

Almond, Douglas, Joseph J. Doyle Jr., Amanda E. Kowalski, and Heidi Williams, “[Estimating Marginal Returns to Medical Care: Evidence from At-Risk Newborns](#),” *Quarterly Journal of Economics*, 2010, 125(2), 591-634.

Chandra, Amitabh, and Doug Staiger, “[Sources of Inefficiency in Healthcare and Education](#),” *American Economic Review: Papers & Proceedings* 2016, 106(5): 1–5.

Chandra, Amitabh, Any Finkelstein, Adam Sacarny, and Chad Syverson, “[Healthcare Exceptionalism? Productivity and Allocation in the U.S. Healthcare Sector](#),” *American Economic Review*, 2016, 106(8), 2110-2144.

Doyle, Joseph J., Jr., “[Returns to Local-Area Health Care Spending: Using Health Shocks to Patients Far from Home](#),” *American Economic Journal: Applied Economics*, 2011, 3(3), 221-243.

Doyle, Joseph, Todd Wagner, and Steven Ewer, “[Returns to physician human capital: Evidence from patients randomized to physician teams](#),” *Journal of Health Economics*, 2010, 29(6), 866-882.

McClellan, Mark, Barbara J. McNeil, and Joseph P. Newhouse. “[Does More Intensive Treatment of Acute Myocardial Infarction in the Elderly Reduce Mortality? Analysis using Instrumental Variables](#),” *JAMA* 1994, 272(11), 859-859.

Skinner, Jonathan, and Doug Staiger, “[Technology Diffusion and Productivity Growth in Health Care](#),” *The Review of Economics and Statistics*, 2015, 97(5): 951–964

More on Regional Variations in Spending

Cooper, Zach, Stuart V. Craig, Martin Gaynor, and John Van Reenan, “[The Price Ain’t Right? Hospital Prices and Health Spending on the Privately Insured](#),” *Quarterly Journal of Economics*, 2019, 134(1), 51-107.

Cutler, David, Jon Skinner, Ariel Stern, and David Wennberg, “[Physician Beliefs and Patient Preferences: A New Look at Regional Variation in Health Care Spending](#),” forthcoming, *American Economic Journal: Economic Policy*, 2019.

Finkelstein, Amy, Matthew Gentzkow, and Heidi Williams, “[Sources of Geographic Variation in Health Care: Evidence from Patient Migration](#),” *Quarterly Journal of Economics*, 2016, 131(4), 1681-1726.

Administrative costs

Cutler, David, and Dan Ly, "[The \(Paper\) Work of Medicine](#)," *Journal of Economic Perspectives*, 25(2), 3-25.

Workforce policy

Aiken, Linda, et al., "[Hospital nurse staffing and patient mortality, nurse burnout, and job dissatisfaction](#)," *JAMA*, 2002, 288(16), 1987-1993.

Propper, Carol, and John Van Reenen, "[Can Pay Regulation Kill? Panel Data Evidence on the Effect of Labor Markets on Hospital Performance](#)," *Journal of Political Economy*, 2010, 118(2): 222-273.

VI. Medical Care Markets

Lectures 20, 21, & 22: Provider Competition and Insurer-Provider Interactions

Key points:

- Both horizontal and vertical integration are common
- Consolidation has costs and benefits
- Equilibria with bilateral oligopoly
- Network formation is a Pareto inefficient equilibrium

Pre-class readings

Lecture 21

Gaynor, Martin, Rodrigo Moreno-Serra, and Carol Propper, “[Death by Market Power: Reform, Competition, and Patient Outcomes in the National Health Service](#),” *American Economic Journal: Economic Policy*, 2013, 5(4), 134-166.

Lecture 22

Clemens, Jeffrey, and Joshua Gottlieb, “[In the Shadow of a Giant: Medicare’s Influence on Private Payment Systems](#),” *Journal of Political Economy*, 2017, 125(1), 1-39.

Ho, Kate, “[Insurer-Provider Networks in the Medical Care Market](#),” *American Economic Review*, 2009, 99(1): 393-430.

Ho, Kate, and Robin Lee, “[Equilibrium Provider Networks: Bargaining and Exclusion in Health Care Markets](#),” *American Economic Review*, forthcoming, 2019. [To understand the estimates, you need to also read Ho and Lee, “[Insurer Competition in Health Care Markets](#),” *Econometrica*, 2017, 85(2), 379-417.]

Supplemental readings

Survey

Gaynor, Martin, Kate Ho, and Robert J. Town, “[The Industrial Organization of Health Care Markets](#),” *Journal of Economic Literature*, 2015, 53(2), 235-284. [For more on these issues, see Martin Gaynor and Robert J. Town, “[Competition in Health Care Markets](#),” in *Handbook of Health Economics*, Volume 2.]

Consolidation

Cutler, David, and Fiona Scott-Morton, “[Hospitals, Market Share, and Competition](#),” *JAMA*, 2013, 310(18), 1964-1970.

Dafny, Leemore, “[Hospital Industry Consolidation – Still More to Come?](#)” *New England Journal of Medicine*, 2013, December 11.

Dafny, Leemore, Kate Ho, and Robin Lee, “[The Price Effects of Cross-Market Hospital Mergers](#),” forthcoming, *Rand Journal of Economics*, 2019.

Kessler, Daniel and Mark McClellan, "[Is Hospital Competition Socially Wasteful?](#)" *Quarterly Journal of Economics*, 2000, 115(2), 577-615.

Scheffler, Richard M., Daniel R. Arnold, and Christopher M. Whaley, "[Consolidation Trends In California's Health Care System: Impacts On ACA Premiums And Outpatient Visit Prices](#)," *Health Affairs*, 2018, 37(9):1409-1416.

Insurance-provider interactions and competition

Cutler, David, Mark McClellan, and Joseph P. Newhouse, "[How Does Managed Care Do It?](#)" *Rand Journal of Economics*, 2000, 31(3), 526-548.

Gowrisankaran, Gautam, Aviv Nevo, and Robert Town, "[Mergers When Prices Are Negotiated: Evidence from the Hospital Industry](#)," *American Economic Review*, 2015, 105(1): 172-203.

Not-for-profit versus for-profit institutions

Baicker, Katherine and Douglas Staiger, "[Fiscal Shenanigans, Targeted Federal Health Care Funds, and Patient Mortality](#)," *Quarterly Journal of Economics*, 2005, 120(1), 345-386.

Duggan, Mark, "[Hospital Ownership and Public Medical Spending](#)," *Quarterly Journal of Economics*, 2000, 115(4), 1343-1373.

Horwitz, Jill, "[Making Profits and Providing Care: Comparing Nonprofit, For-Profit, and Government Hospitals](#)," *Health Affairs*, 2005, 23(3), 790-801.

Sloan, Frank, "[Not-for-Profit Ownership and Hospital Behavior](#)," in Anthony J. Culyer and Joseph P. Newhouse, eds., *Handbook of Health Economics*, Amsterdam: North-Holland, 2000.

Entry

Cutler, David, Robert S. Huckman, and Jonathan T. Kolstad, "[Input Constraints and the Efficiency of Entry: Lessons from Cardiac Surgery](#)," *American Economic Journal: Economic Policy*, 2010, 2(1), 51-76.

Clark, Jonathan R. and Robert Huckman, "[Broadening Focus: Spillovers, Complementarities and Specialization in the Hospital Industry](#)," *Management Science*, 2012, 58(4), 708-722.

Gaynor, Martin, Carol Propper, and Stephan Seiler, "[Free to Choose? Reform, Choice, and Consideration Sets in the English National Health Service](#)," *American Economic Review*, 2016, 106 (11): 3521-57.

Pharmaceuticals

Duggan, Mark and Fiona Scott-Morton, "[The Effect of Medicare Part D on Pharmaceutical Prices and Utilization](#)," *American Economic Review*, 2010, 100(1): 590-607.

Scott-Morton, Fiona, and Margaret Kyle, "[Markets for Pharmaceutical Products](#)," in *Handbook of Health Economics, Volume 2*.

Lakdawalla, Darius, and Wesley Yin, "[Insurers' Negotiating Leverage and the External Effects of Medicare Part D](#)," *Review of Economics and Statistics*, 2015, 97(2), 314-331.

Lecture 23: Insurance selection

Key points:

- Perfect and imperfect information in insurance are each problematic
- The right model of insurance choice is difficult
- Market design is a major issue

Pre-class readings

Einav, Liran, Amy Finkelstein, and Mark Cullen, “[Estimating Welfare in Insurance Markets Using Variation in Prices](#),” *Quarterly Journal of Economics*, 2010, 125(3), 877-921. [See also Einav, Liran, and Amy Finkelstein, “[Selection in Insurance Markets: Theory and Empirics in Pictures](#),” *Journal of Economic Perspectives*, 2011, 25(1), 115-138.]

Hackmann, Martin B. Jonathan T. Kolstad, and Amanda E. Kowalski, “[Adverse Selection and an Individual Mandate](#),” *American Economic Review*, March 2015, 105(3):1030-66.

Hendren, Nathaniel, “[Private Information and Insurance Rejections](#),” *Econometrica*, 2013, 81(5): 1713-1762.

Classic papers

Akerlof, George A., “[The Market for 'Lemons': Quality Uncertainty and the Market Mechanism](#),” *Quarterly Journal of Economics*, 1970, 84(3), 488-500.

Rothschild, Michael and Joseph E. Stiglitz, “[Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information](#),” *Quarterly Journal of Economics*, 1976, 90(4), 629-650.

Supplemental readings

Breyer, Friedrich, M. Kate Bundorf, and Mark Pauly, “[Health Care Spending Risk, Health Insurance, and Payment to Health Plans](#),” in *Handbook of Health Economics*, Volume 2.

Cutler, David, Amy Finkelstein, and Kathleen McGarry, “[Preference Heterogeneity and Insurance Markets](#),” *American Economic Review*, 2008, 98(2), 157-62.

Cutler, David, and Sarah Reber, “[Paying for Health Insurance: The Tradeoff between Competition and Adverse Selection](#),” *Quarterly Journal of Economics*, 1998, 113(2), 433-466.

Finkelstein, Amy and Kathleen McGarry, “[Multiple dimensions of private information: evidence from the long-term care insurance market](#),” *American Economic Review* 2006, 96(4), 938-958.

Handel, Ben, “[Adverse Selection and Inertia in Health Insurance Markets: When Nudging Hurts](#),” *American Economic Review*, 2013, 103(7): 2643-2682.

Handel, Ben, Igal Hendel, and Michael D. Whinston, “[Equilibria in Health Exchanges: Adverse Selection vs. Reclassification Risk](#),” *Econometrica*, 2015, 83(4), 2015, 1261-1313

Shepard, Mark, “[Hospital Network Competition and Adverse Selection: Evidence from the Massachusetts Health Insurance Exchange](#),” mimeo, 2014.

Risk Adjustment

Van de Ven, Wynand P.M.M., and Randall Ellis, "[Risk Adjustment in Competitive Health Plan Markets](#)," in Anthony J. Culyer and Joseph P. Newhouse, eds., *Handbook of Health Economics*, Amsterdam: North-Holland, 2000.

Mahoney, Neale, and E. Glen Weyl, "[Imperfect Competition in Selection Markets](#)," *Review of Economics and Statistics*, 2017, 99(4), 637-651.

Lecture 24: Insurer competition

Key points:

- The insurance industry is relatively low profit, but not that competitive
- People do not make the best choices in insurance, and this influences equilibria

Pre-class readings

Dafny, Leemore, Mark Duggan and Subramaniam Ramanarayanan, "[Paying a Premium on Your Premium? Consolidation in the U.S. Health Insurance Industry](#)," *American Economic Review*, 2012, 102(2), 1161-1185.

Starc, Amanda, "[Insurer Pricing and Consumer Welfare: Evidence from Medigap](#)," *Rand Journal of Economics*, 2014, 45(1): 198-220.

Supplemental readings

Theory

Ericson, Keith, and Amanda Starc, "[How Product Standardization Affects Choice: Evidence from the Massachusetts Health Insurance Exchange](#)," *Journal of Health Economics*, 2016, 50, 71-85.

Frank, Richard, and Richard Zeckhauser, "[Health Insurance Exchanges – Making the Markets Work](#)," *New England Journal of Medicine*, 2009, 361(12), 1135-1137.

How competitive is insurance?

Cabral, Marika, Michael Geruso, Neale Mahoney, "[Does Privatized Health Insurance Benefit Patients or Producers? Evidence from Medicare Advantage](#)," *American Economic Review*, 2018, 108(8): 2048-2087.

Duggan, Mark, Amanda Starc, and Boris Vabson, "[Who Benefits when the Government Pays More? Pass-Through in the Medicare Advantage Program](#)," *Journal of Public Economics*, 2016, 141, 50-67.

Dafny, Leemore, "[Are Health Insurance Markets Competitive?](#)" *American Economic Review*, 2010, 100(4), 1399-1431.

Starc, Amanda, "[Insurer Pricing and Consumer Welfare: Evidence from Medigap](#)," *Rand Journal of Economics*, 2014, 45(1): 198-220.

How People Make Choice Decisions

Abaluck, Jason T., and Jonathan Gruber, “[Choice Inconsistencies among the Elderly: Evidence from Plan Choice in the Medicare Part D Program](#),” *American Economic Review*, 101(4): 1180-1210.

Barseghyan, Levon, Francesca Molinari, Ted O'Donoghue, and Joshua C. Teitelbaum, “[The Nature of Risk Preferences: Evidence from Insurance Choices](#),” *American Economic Review*, 2013, 103(6), 2499-2529.

Ericson, Keith, and Amanda Starc, “[Pricing Regulation and Imperfect Competition on the Massachusetts Health Insurance Exchange](#),” *Review of Economics and Statistics*, 2015, 97(3), 667-682

Ericson, Keith Marzilli, and Amanda Starc, “[Heuristics and Heterogeneity in Health Insurance Exchanges: Evidence from the Massachusetts Connector](#),” *American Economic Review*, 2012, 102(3): 493-97.

Handel, Ben, and Jonathan Kolstad, “[Health Insurance for Humans: Information Frictions, Plan Choice, and Consumer Welfare](#),” *American Economic Review*, 2015, 105(8), 2449-2500.

Heiss, Florian, Adam Leive, Daniel McFadden, and Joachim Winter, “[Plan Selection in Medicare Part D: Evidence from Administrative Data](#),” *Journal of Health Economics*, 2013, 32(6), 1325–1344.

Bhargava, Saurabh, George Loewenstein, and Justin Sydnor, “[Choose to Lose: Health Plan Choices from a Menu with Dominated Options](#),” *Quarterly Journal of Economics*, 2017, 132(3): 1319–1372.

Dynamics

Ericson, Keith, “[Consumer Inertia and Firm Pricing in the Medicare Part D Prescription Drug Insurance Exchange](#),” *AEJ: Economic Policy*, 2014, 6(1): 38-64.

Curto, Vilsa, Liran Einav, Jonathan Levin, and Jay Bhattacharya, “[Can Health Insurance Competition Work? Evidence from Medicare Advantage](#),” NBER Working Paper No. 20818, 2014.

Lecture 25: Antitrust Analysis (joint with Leemore Dafny)

Key points:

- How antitrust enforcers evaluate proposed mergers (with hospital sector as example)
- How economic research has impacted these evaluations in the healthcare sector
- The scope of antitrust law (specifically, its limits)

Pre-class readings

Dafny, Leemore S., Katherine Ho, and Robin S. Lee, "[The Price Effects of Cross-Market Mergers: Theory and Evidence from the Hospital Industry](#)," forthcoming, *RAND Journal of Economics*, 2019.

Supplemental readings

Capps, Cory, David Dranove, and Mark Satterthwaite, "[Competition and market power in option demand markets](#)," *Rand Journal of Economics*, 2003, 34(4): 737–763.

Dafny, Leemore, "[Estimation and Identification of Merger Effects: An Application to Hospital Mergers](#)," *Journal of Law & Economics*, August 2009, 52(3): 523-550

Dafny, Leemore, and Thomas Lee, "[The Good Merger](#)," NEJM Perspective, *New England Journal of Medicine*, 2015; 372:2077-2079

Dafny, Leemore. "[Hospital Industry Consolidation — Still More to Come?](#)" *New England Journal of Medicine*; 370: 198-199. January 16, 2014.

Farrell, Joseph, et al., "[Economics at the FTC: Hospital Mergers, Authorized Generic Drugs, and Consumer Credit Markets](#)," *Review of Industrial Organization*, 2011, 37, (read pp. 271-282).