

The University of Western Ontario
School of Health Studies
Health Sciences HS3090B
Special Topics: Health Economics

Winter 2016

Instructor: Shannon Potter
Email: spotter5@uwo.ca
Office Room Number: HSB 220
Office Hours: TBA

Prerequisite Checking

Unless you have either the requisites for this course or written special permission from your Dean to enroll in it, you may be removed from this course and it will be deleted from your record. This decision may not be appealed. You will receive no adjustment to your fees in the event that you are dropped from a course for failing to have the necessary prerequisites. A list of prerequisites and/or antirequisites is available in the current Western Academic Calendar at www.westerncalendar.uwo.ca.

Course Information

The objective of this course to introduce students to economic concepts as they apply to health and health care. No background in economics is required. Students will be taught the relevant economic concepts and any math which is used to illustrate them (although the math we use will be minimal).

Students will learn about the concepts of efficiency and equity, and how they inform the field of health economics. We will consider markets as a mechanism for allocating health resources, and illustrate the conditions under which a market is appropriate for this purpose. We will see that, for health care, the conditions required for a well-functioning market generally do not hold. This “market failure” is a result of informational asymmetries (a doctor being more well-informed than a patient), market power (a single regional hospital; a small number of buyers or producers of a pharmaceutical drug), and externalities (we are affected by the health of others). In the absence of well-functioning markets, we will look at the role of economic evaluation in comparing alternative policies.

An economic model of individual demand for health will be presented. We will then consider relationships which are observed in data (the correlation between health and education, the rise in obesity) and review the competing theories behind them. An economic model typically assumes that individuals will make decisions they perceive to be “optimal”. We will look at how addictive behaviours are modelled in economics, in

particular smoking as a “rational addiction” or as a “time-inconsistent” behaviour. We will look at the “socioeconomic gradient” in health: how health status depends on individual socioeconomic characteristics.

Uncertainty is inherent to the demand for health care. Individuals often do not know when they will need what health care, or when their health status may change. Students will be introduced to the concept of risk and the role of health insurance in pooling risk. We will consider “moral hazard” and “risk selection” and the role that these play in private insurance. We will see how health care systems are financed and the role of both public and private insurance. We will look in detail at the problem of “supplier-induced demand” (that a physician may influence a patient’s decision) and what can be learned from data. We will consider the incentives of hospitals, the question of efficiency in the absence of competition, and the role of not-for-profit institutions. Additional topics include: the pharmaceutical industry and the role of patents, technology, and an ageing population on health care.

Students will complete 4 quizzes, a midterm, a short paper, and a final exam. The purpose of the quizzes is to motivate students to keep up with the material, as the majority of it will be new to students, and the material will build on what was covered in earlier weeks. The midterm will break the course in half, with the objective that students will be comfortable with the first half of the material before we proceed to the second half. The purpose of the paper is for students to have an opportunity to apply the concepts in this course to an area they are interested in. The final exam will be cumulative.

Course Materials

There is no required textbook for this course. The required material will be contained in the slides that I will post on OWL throughout the semester. Supplemental material that may be of interest to you (such as journal articles) will be posted on OWL as well. These will be optional readings that are intended to help you gain a deeper understanding of the material covered in class. If you are interested in acquiring a health economics textbook, the recommended textbook is *Health Economics* by Jeremiah E. Hurley. I will include references to sections in this textbook in the course slides.

Evaluation

Student performance will be evaluated by quizzes, a midterm, a paper, and a final exam. The weight and dates of each are given below.

- Quizzes (15%)
Quizzes will be written at the end of classes on Tuesdays (January 19, February 2, March 8, March 15). Your grade will be based on the highest 3 marks received on 4 quizzes. If you are absent for 1 out of 4 quizzes, you will receive a grade of zero on that quiz and your mark will be based on the remaining 3. This will be the case no

matter what the reason for missing the quiz. If you miss more than 1 quiz, you will receive a zero on each missed quiz. If you miss more than 1 quiz due to a legitimate absence you should speak to an academic counsellor and submit appropriate documentation to the Dean's office. There will be no re-writing of quizzes, and a student with a valid reason for missing more than 1 quiz may have the weight deferred to the final exam.

- Midterm (30%)

This will be held in class on Tuesday, February 23. The format will be a combination of multiple choice and short answer. It will be designed to evaluate your understanding of concepts both through your knowledge (to be demonstrated in the multiple choice section) and your ability to apply your knowledge to different contexts (to be demonstrated in the short answer section). If a student misses the midterm they may receive a grade of zero. If a student misses the midterm due to a legitimate absence they should speak to an academic counsellor and submit appropriate documentation to the Dean's office. They will be offered to write an alternate midterm (consisting of short answer questions) Friday, February 26. Otherwise the midterm weight will be deferred to the final exam.

- Paper (20%)

This is due on the last day of class: Tuesday, April 5. You will be required to submit a hard copy in class as well as an electronic copy through OWL (which will be checked for plagiarism, see *Scholastic Offences* on page 5 of this outline). Late submissions will be deducted 20% each late day, including the weekend. A mark of zero will be assigned to papers not received by April 10. The paper should be no more than 1400-1600 words. The objective is not for you to do extensive research and present it to me. Instead, I would like you to pick a topic in health sciences that you are already familiar with (or interested in) and explain how the concepts in this course apply to it. Specific guidelines for the paper will be posted on OWL during the semester. You will be assessed as follows (for the total of 20% of your final grade):

- presentation, spelling, grammar (5%)
- clarity and flow (5%)
- the depth to which you explore the topic (5%)
- the understanding you demonstrate of concepts covered in this course (5%)

- Final (35%)

Date TBA. The format of the final exam will be similar to that of the midterm, a combination of multiple choice and short answer. It will be cumulative. It will be designed to evaluate your understanding of concepts both through your knowledge (to be demonstrated in the multiple choice section) and your ability to apply your knowledge to different contexts (to be demonstrated in the short answer section).

Statement on Use of Electronic Devices

The use of any electronic device is prohibited in all quizzes, the midterm and the final exam. A student violating these rules during a quiz may be given a grade of zero. A student who violates this rule on a midterm may be given a grade of zero and be subject to further penalties, depending on the nature of the violation. A student who violates this rule during a final exam will be subject to the university's policies.

During the class (when not writing a quiz or exam), students may use whatever electronic devices they wish. If your device is a source of distraction to other students, you may be asked to modify your use (ie. turn off the sound on your phone, no sound from your laptop even with headphones, no looking at things more entertaining than the class, etc.)

ADDITIONAL STATEMENTS

Student Code of Conduct

The purpose of the Code of Student Conduct is to define the general standard of conduct expected of students registered at The University of Western Ontario, provide examples of behaviour that constitutes a breach of this standard of conduct, provide examples of sanctions that may be imposed, and set out the disciplinary procedures that the University will follow. For more information, visit <http://www.uwo.ca/univsec/board/code.pdf>.

English Proficiency for the Assignment of Grades

Visit the website <http://www.uwo.ca/univsec/handbook/exam/english.pdf>.

Accommodation for Medical Illness or Non-Medical Absences

http://www.uwo.ca/univsec/handbook/appeals/accommodation_medical.pdf The University recognizes that a student's ability to meet his/her academic responsibilities may, on occasion, be impaired by medical illness. Illness may be acute (short term), or it may be chronic (long term), or chronic with acute episodes. The University further recognizes that medical situations are deeply personal and respects the need for privacy and confidentiality in these matters. However, in order to ensure fairness and consistency for all students, academic accommodation for work representing 10% or more of the student's overall grade in the course shall be granted only in those cases where there is documentation indicating that the student was seriously affected by illness and could not reasonably be expected to meet his/her academic responsibilities.

A UWO Student Medical Certificate (SMC) is required where a student is seeking academic accommodation. This documentation should be obtained at the time of the initial consultation with the physician or walk-in clinic. An SMC can be downloaded under the Medical Documentation heading of the following website:

<https://studentservices.uwo.ca/secure/index.cfm>.

Documentation is required for non-medical absences where the course work missed is more than 10% of the overall grade. Students may contact their Faculty Academic Counselling Office for what documentation is needed.

Whenever possible, students who require academic accommodation should provide notification and documentation in advance of due dates, examinations, etc. Students must follow up with their professors and their Academic Counselling office in a timely manner. Documentation for any request for accommodation shall be submitted, as soon as possible, to the appropriate Academic Counselling Office of the students Faculty of registration. For BHSc students, you may go to the School of Health Studies Office in HSB room 222.

Scholastic Offences

Scholastic offences are taken seriously and students are directed to read the appropriate policy, specifically, the definition of what constitutes a Scholastic Offence, at the following website:

www.uwo.ca/univsec/handbook/appeals/scholastic_discipline_undergrad.pdf

Additionally,

1. All required papers may be subject to submission for textual similarity review to the commercial plagiarism detection software under license to the University for the detection of plagiarism. All papers submitted for such checking will be included as source documents in the reference database for the purpose of detecting plagiarism of papers subsequently submitted to the system. Use of the service is subject to the licensing agreement, currently between The University of Western Ontario and Turnitin.com (<http://www.turnitin.com>).
2. Computer-marked multiple-choice tests and/or exams may be subject to submission for similarity review by software that will check for unusual coincidences in answer patterns that may indicate cheating.

Support Services

There are various support services around campus and these include, but are not limited to:

1. Student Development Centre – <http://www.sdc.uwo.ca/ssd/>
2. Student Health – <http://www.shs.uwo.ca/student/studenthealthservices.html>
3. Registrars Office – <http://www.registrar.uwo.ca/>
4. Ombuds Office – <http://www.uwo.ca/ombuds/>