Course Title: Health Economics and Policy

Course Code: LA6540

Credits: 3

Eligibility: There are no prerequisites for this course.

Course Objective:

The objective of this course is to build an understanding of economics of the health care delivery using fundamental knowledge in economic theory and empirical evidence based on the framework of these theoretical models. Particular attention will be devoted to Economic Theory, Industrial Organization, and Health policy.

Course Description:

This course starts with a discussion of the supply and demand for health and health care delivery. It then introduces the role of asymmetric information in the market for health insurance leading to adverse selection and moral hazard. It further introduces the concepts used to assess health technology. It then discusses the range of policies, such as nationalized health care and social health insurance, available to different countries to solve the problems that arise in both the health care and health insurance markets. In the end, it will focus on the economics of health externalities. The pedagogy will be through a combination of lecture sessions on conceptual areas, discussions of related research papers, and regular assignments/quizzes. The students are expected to complete the assigned readings to participate in the discussion sessions. The following list of topics should give an idea about topics that we expect to cover in class. However, it may change depending on the students' progress, their ability to learn the subject, and if any specific needs required to be addressed.

1. Demand for health and health care delivery
   - Demand for health care delivery
   - Price elasticity
   - The Grossman model – Human capital model of the demand for health
   - The efficient producer hypothesis
   - The thrifty phenotype hypothesis
   - The direct income hypothesis
   - The allostatic load hypothesis
   - The productive time hypothesis
   - The Fuchs hypothesis

2. Supply of health care
   - Differentiated product oligopoly
   - Price competition
   - Hospital competition and patient outcomes

3. Asymmetric information in the Health Insurance Market
   - Demand for Insurance
   - Akerlof's market for lemons
   - The adverse selection death spiral
   - The Rothschild–Stiglitz model
   - Moral Hazard in the insurance market

4. Assessment of Health Technology
   - Cost-effectiveness analysis
   - The cost-effectiveness frontier
   - Cost–benefit analysis

5. Health Policy
   - Arrow's Impossibility theorem
   - The health policy trilemma
   - The Beveridge model: nationalized health care
   - The Bismarck model: social health insurance
   - Population aging and the future of health policy

6. Public Health
   - Externalities in health
   - Pigouvian subsidies and taxes
   - The Coase theorem
   - Economic epidemiology

References:

1. Bhattacharya, J., Hyde, T., & Tu, P. (2013). *Health economics*. Macmillan International Higher Education. – Mandatory Text.

2. Angrist, J. D., & Pischke, J. S. (2008). *Mostly harmless econometrics: An empiricist's companion*. Princeton university press.

Evaluation procedure:

Class Participation: 5%
Class Assignment and Quizzes: 15%
Presentation: 10%
Midterm Exam: 20%
Final Exam: 50%