

Credits: 2
Meeting Days: Online
Meeting Time: Online
Meeting Place: Online
Instructor: Roger Feldman, PhD, and John A Nyman, PhD
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I. Course Description

Health insurance is a vital enabling factor in the access of individuals to health care. People without health insurance are less likely to see medical providers and more likely to have poor health than those with insurance. In the United States, health insurance is provided by employers, government programs (primarily Medicare and Medicaid), and individually-purchased policies, yet a substantial fraction of the under-65 age population remains uninsured. This course will explore the topic of health insurance from both theoretical and applied perspectives. What motivates people to purchase health insurance or not? Will new options such as “consumer directed health plans” increase the number of people with health insurance, and at what cost? What are the policy options for reforming Medicare and Medicaid? What impact does health insurance have on health?

II. Course Prerequisites

None

III. Course Goals and Objectives

By the end of the course, the student will:

1. understand the theories behind the demand for health insurance.
2. be familiar with the classic insurance issues, such as, adverse selection, moral hazard, guaranteed renewability, self-insurance, self-protection, risk rating, employer vs. individual policies, etc.
3. have an appreciation for the current issues in the field: managed care and market power, consumer-driven health care and health savings accounts, health insurance regulation, covering the uninsured, Medicare and Medicaid policy reform, etc.
4. obtain an understanding of controversies regarding the value of health insurance in the promotion of health.

IV. Methods of Instruction and Work Expectations

14 online lectures, readings, discussion, 10 quizzes, midterm and final

V. Course Text and Readings

Required Text: Nyman, John A. The Theory of Demand for Health Insurance Stanford, CA: Stanford University Press, 2003.

Readings: (available at MNCAT)

VI. Course Outline/Weekly Schedule

Week	Topic/Lesson	Quizzes	Readings
1/22-25/08	1 – Conventional theory of demand for health insurance (JN)		Nyman, John A. <u>The Theory of Demand for Health Insurance</u> Stanford, CA: Stanford University Press, 2003, Chapters 1 and 2.
1/28-2/1/08	2 – Alternative theory (JN)	Quiz 1	Nyman, Chapters 3-5.
2/4-8/08	3 – Non-market insurance (RF)	Quiz 2	Isaac Ehrlich and Gary S. Becker, "Market Insurance, Self-Insurance, and Self-Protection," <u>Journal of Political Economy</u> , 80:4 (July/August, 1972), pp. 623-648. Andres G. Victorio, "Non-Market Insurance and Intrafamily Transfers," <u>Applied Economics Letters</u> , 9 (2002), pp. 99-102. Darius Lakdawalla and George Zanjani, "Insurance, Self-protection, and the Economics of Terrorism," <u>Journal of Public Economics</u> , 89 (2005), pp. 1891-2005.
2/11-15/08	4 – Employer-based versus individual health insurance (RF)	Quiz 3	Melissa A. Thomasson, "The Importance of Group Coverage: How Tax Policy Shaped U.S. Health Insurance," <u>American Economic Review</u> , 93:4 (September 2003), pp. 1373-1384. Mark Pauly, Allison Percy, and Bradley Herring, "Individual Versus Job-Based Health Insurance: Weighing the Pros and Cons," <u>Health Affairs</u> , 18:6 (November/December 1999), pp. 28-44. Alain C. Enthoven, "Employment-Based Health Insurance Is Failing: Now What?" <u>Health Affairs Web Exclusive</u> , May 28, 2003, pp. W237-W249.
2/18-22/08	5 – Alternative theory and empirical work (JN)	Quiz 4	Nyman, Chapters 6-10.
2/25-29/08	6 – Adverse selection (JN)	Quiz 5	Rothschild, Michael and Joseph Stiglitz. "Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information," <u>Quarterly Journal of Economics</u> vol. 90, no. 4, Nov. 1976, pp. 629-49. Siegelman, Peter. "Adverse Selection in Insurance Markets: An Exaggerated Threat," <u>Yale Law Journal</u> vol. 113, no. 6, April 2004, pp. 1223-82. Nyman, John A. "American Health Policy: Cracks in the Foundation," <u>Journal of Health Politics, Policy and Law</u> . Vol 32, No 5, October 2007, pp. 759-784..

3/3-7/08	7 – Managed care/HMOs (RF)	Quiz 6	Dana B. Mukamel, David L. Weimer, Jack Zwanziger, and Alvin I. Mushlin, "Quality of Cardiac Surgeons and Managed Care Contracting Practices," <u>Health Services Research</u> , 37:5 (October 2002), pp. 1129-1144. Embry M. Howell, Lisa Dubay, Genevieve Kenney, and Anna S. Summers, "The Impact of Medicaid Managed Care on Pregnant Women in Ohio: A Cohort Analysis," <u>Health Services Research</u> , 39:4, Part I (August 2004), pp. 825-846.
3/10-14/08	MIDTERM EXAM		
3/17-21/08	SPRING BREAK		
3/24-28/08	8 – Health insurers and providers (RF)		Feldman, Roger, Douglas Wholey, and Jon B. Christianson, "Do Medicare HMOs Cost-Shift?" <u>Inquiry</u> , 35:3 (Fall 1998), pp. 315-331. Roger Feldman and Douglas Wholey, "Do HMOs Have Monopsony Power?" <u>International Journal of Health Care Finance and Economics</u> , 1:1 (March 2001), pp. 7-22. Robert Town, Douglas Wholey, Roger Feldman, and Lawton R. Burns, "Did the HMO Revolution Cause Hospital Consolidation?" Division of Health Policy and Management, forthcoming in <u>Health Services Research</u> , 2006.
3/31-4/4/08	9 – I. Consumer-driven health plans and Health Savings Accounts (HSAs) (RF and JN) II. TBN (JN)		Stephen T. Parente, Roger Feldman, and Jon B. Christianson, "Evaluation of the Effect of a Defined Contribution Plan on Medical Care Expenditures and Utilization," <u>Health Services Research</u> , 39:4, Part II (August 2004), pp. 1189-1209. Stephen T. Parente, Roger Feldman, and Jon B. Christianson, "Employee Choice of Consumer Driven Health Insurance in a Multi-Plan, Multi-Product Setting," <u>Health Services Research</u> , 39:4, Part II (August 2004), pp. 1091-1111. De Meza, David. "Health Insurance and the Demand for Medical Care," <u>Journal of Health Economics</u> vol. 2, no. 1, 1983, pp. 47-54.
4/7-11/08	10 – Health insurance regulation (RF)	Quiz 7	Frank A. Sloan and Christopher J. Conover, "Effects of State Reforms on Health Insurance Coverage of Adults," <u>Inquiry</u> , 35:3 (Fall 1998), pp. 280-293. Supreme Court of the United States, "Aetna Health Care Inc. v. Davilla," 542 U.S. ____ (2004). Thomas Buchmueller and John DiNardo, "Did Community Rating Induce an Adverse Selection Death Spiral? Evidence from New York, New Jersey, and Pennsylvania," <u>American Economic Review</u> , 92:1 (March 2002), pp. 280-294.
4/14-18/08	11 – Covering the uninsured: New state and federal initiatives (RF)	Quiz 8	Marilyn Werber Serafini, "The Mass.-ter Plan," <u>National Journal</u> , June 10, 2006. Available at http://nationaljournal.com Michael Tanner, "No Miracle in Massachusetts: Why Governor Romney's Health Care Reform Won't Work," Cato Institute Briefing Papers, No. 97, June 6, 2006. Available at http://www.cato.org Feldman, Roger, Stephen T. Parente, Jean Abraham, Jon B. Christianson, and Ruth Taylor, "Health Savings Accounts: Early Evidence of National Take-up from the 2003 Medicare

			<p>Modernization Act and Future Policy Proposals," <u>Health Affairs</u>, 24:6 (November/December, 2005), pp. 1582-1591.</p> <p>Gruber, Jonathan, "The Cost and Coverage Impact of the President's Health Insurance Budget Proposals," Center on Budget and Policy Priorities, February 16, 2006. Available at http://www.cbpp.org</p>
4/21-25/08	12 – Medicare (RF)		<p>David M. Cutler and Louise Sheiner, "Generational Aspects of Medicare," <u>American Economic Review</u>, 90:2 (May 2000), pp. 303-307.</p> <p>Joseph P. Newhouse, "Medicare's Challenges in Paying Providers," <u>Health Care Financing Review</u>, 27:2 (Winter, 2005-2006), pp. 35-44.</p> <p>Bryan Dowd, Roger Feldman, John Nyman, and Robert Town, "Efficient Pricing for FFS Medicare," forthcoming in the <u>Health Care Financing Review</u>.</p> <p>Paul J. Wallace, "Physician Involvement in Disease Management as Part of the CCM," <u>Health Care Financing Review</u>, 27:1 (Fall, 2005), pp. 19-31.</p> <p>Various "Fact Sheets" from the Centers for Medicare and Medicaid Services (to be distributed).</p>
4/28-5/2/08	13 – Long term care insurance and guaranteed renewability (JN)	Quiz 9	<p>Pauly, Mark. "The Rational Non-Purchase of Long-Term Care Insurance," <u>Journal of Political Economy</u>, vol. 98, no. 1, February 1990, pp. 153-168.</p> <p>Brown, Jeffrey R. and Amy Finkelstein. "Supply or Demand: Why Is the Market for Long-Term Care Insurance So Small?" NBER Working Paper Series, Cambridge, MA, Sept. 2004.</p> <p>Patel, Vip and Mark Pauly. "Guaranteed Renewability and the Problem of Risk Variation in Individual Health Insurance Markets." <u>Health Affairs Web Exclusives 2002</u>, 28 August 2002, pp. W280-89.</p>
5/5-9/08	14 – Health insurance and health (JN)	Quiz 10	<p>Hadley, Jack. "Sicker and Poorer—The Consequences of being Uninsured: A Review of the Research on the Relationship between Health Insurance, Medical Care Use, Health, Work and Income," <u>Medical Care Research and Review</u> vol. 60., no. 2, Supplement to June 2003, pp. 3S-75S.</p> <p>Franks, Peter, Carolyn M. Clancy, Marthe R. Gold. "Health Insurance and Mortality," <u>JAMA</u> vol. 270, no. 6, August 11, 1993, pp. 737-41.</p> <p>Levy, Helen and David Meltzer. "What do We Really Know about how Health Insurance Affects Health?" <u>Health Policy and the Uninsured</u>, Chapter 6, ed. Catherine McLaughlin, Urban Institute Press, 2004.</p> <p>Nyman, John A. The Value of Health Insurance. In The Elgar Companion to Health Economics, Andrew M. Jones, Editor. Cheltenham, UK: Elgar, 2006.</p>
5/12-16/08	FINAL EXAM		

VII. Evaluation and Grading

Grades are based on performance on (1) a midterm, (2) a final, and (3) a series of 10 quizzes. The midterm, final and the combined quizzes will each account for 1/3 of your grade. The quiz grade is determined by your average score on 10 weekly quizzes. Each quiz has two questions and is worth a maximum of 10 points.

The course grade will be determined by the average of the 3 numerical scores on a 100 point scale. The instructors will determine letter grades by evaluating each student's relative performance against their determination of the difficulty of the exams and quizzes.

Because exams and quizzes emphasize the material covered in class, students will find it difficult to be successful in this course without a complete and detailed set of class notes. Indeed, some topics are covered by lecture alone, and students will be responsible for that material, just as they are for material covered in both lecture and the readings.

The weekly quizzes will be available on-line during the day on which they are scheduled. You will have 15 minutes from the time you log into the quiz to complete it. The graded quizzes will be returned by the date of the following lecture.

We have not yet determined the format for the midterm and final examinations. We prefer to administer the tests in-person, because graphical analysis is an important part of the course, and it is much easier to draw graphs in-person than on the computer. Therefore, if it is feasible, we will ask students to take these tests in-person, and we will schedule a time and place for the tests. We might, however, arrange for proctors to administer the tests to some students who cannot travel to Minneapolis.

Incomplete Grade

An incomplete grade is permitted only in cases of exceptional circumstances and following consultation with the instructor. In such cases an "I" grade will require a specific written agreement between the instructor and the student specifying the time and manner in which the student will complete the course requirements. Extension for completion of the work will not exceed one year.

University of Minnesota Uniform Grading and Transcript Policy

A link to the policy can be found at onestop.umn.edu.

VIII. Other Course Information and Policies

Grade Option Change (if applicable)

For full-semester courses, students may change their grad option, if applicable, through the second week of the semester. Grade option change deadlines for other terms (i.e. summer and half-semester) can be found at onestop.umn.edu.

Course Withdrawal

Students should refer to the Refund and Drop/Add Deadlines for the particular term at onestop.umn.edu for information and deadlines for withdrawing from a course. As a courtesy, students should notify their instructor and, if applicable, advisor of their intent to withdraw.

Students wishing to withdraw from a course after the noted final deadline for a particular term must contact the School of Public Health Student Services Center at sph-ssc@umn.edu for further information

Student Conduct, Scholastic Dishonesty and Sexual Harassment Policies

Students are responsible for knowing the University of Minnesota, Board of Regents' policy on Student Conduct and Sexual Harassment found at www.umn.edu/regents/polindex.html.

Students are responsible for maintaining scholastic honesty in their work at all times. Students engaged in scholastic dishonesty will be penalized, and offenses will be reported to the Office of Student Academic Integrity (OSAI, www.osai.umn.edu).

The University's Student Conduct Code defines scholastic dishonesty as "plagiarizing; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades,

honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.”

Plagiarism is an important element of this policy. It is defined as the presentation of another's writing or ideas as your own. Serious, intentional plagiarism will result in a grade of "F" or "N" for the entire course. For more information on this policy and for a helpful discussion of preventing plagiarism, please consult University policies and procedures regarding academic integrity: <http://writing.umn.edu/tww/plagiarism/>.

Students are urged to be careful that they properly attribute and cite others' work in their own writing. For guidelines for correctly citing sources, go to <http://tutorial.lib.umn.edu/> and click on “Citing Sources”.

In addition, original work is expected in this course. It is unacceptable to hand in assignments for this course for which you receive credit in another course unless by prior agreement with the instructor. Building on a line of work begun in another course or leading to a thesis, dissertation, or final project is acceptable.

If you have any questions, consult the instructor.

Disability Statement

It is University policy to provide, on a flexible and individualized basis, reasonable accommodations to students who have a documented disability (e.g., physical, learning, psychiatric, vision, hearing, or systemic) that may affect their ability to participate in course activities or to meet course requirements. Students with disabilities are encouraged to contact Disability Services to have a confidential discussion of their individual needs for accommodations. Disability Services is located in Suite 180 McNamara Alumni Center, 200 Oak Street. Staff can be reached by calling 612/626-1333 (voice or TTY).