

# ECON 418: Health Economics

University of Illinois at Urbana-Champaign  
College of Liberal Arts & Sciences  
Department of Economics

Dr. Bryan Buckley

Spring 2020

209 David Kinley Hall

**Meeting Time:**

Tuesday and Thursday 11:00 to 12:20

**Communication:**

**Office:** Room 29, David Kinley Hall

**Office Phone:** 217-300-3771

**E-mail:** [bbuckley@illinois.edu](mailto:bbuckley@illinois.edu)

**Office Hours:** Monday: 9:30 to 12:00 and 1:00 to 2:30  
Wednesday 9:30 to 12:00

**Catalog Description:**

Economic analysis of the health care industry to explain the demand for and supply of medical care. Includes analysis of behavior of consumers, producers, and insurers; and public policies to regulate the industry and to provide services for the poor and elderly. (3 Hours) Prerequisite: ECON 302

**Course Outcomes:**

- Become familiar with trends in data in the health care industry.
- Model health care markets in the competitive and imperfectly competitive frameworks.
- Discuss arguments for natural monopoly within health care products.
- Develop the economic model for insurance and the problems of adverse selection and moral hazard.
- Discuss the role of government in addressing market failures and analyze the actions of government interventions in health markets from a public choice perspective.
- Discuss current health care reform and the changes it has created in health care markets.

**Course Format:**

This course will be lectures and PowerPoint presentations which will discuss elements from the reading and go into examples and deeper analysis. There will be readings from articles which will be provided online. The grade in the class will come from three exams, several problem sets and reading assignments that will come throughout the semester.

**Student Assessment:**

Final grades will be rounded to the nearest integer. There is no curve in this class.

***Grade Weights***

- Homework Assignments (25%)
- Midterm Exam 01 (20%)
- Midterm Exam 02 (20%)
- Final Exam (35%)

***Plus/Minus Grade Cutoffs***

A+ ≥ 97	90 > B+ ≥ 87	80 > C+ ≥ 77	70 > D+ ≥ 67	60 > F
97 > A ≥ 93	87 > B ≥ 83	77 > C ≥ 73	67 > D ≥ 63	
93 > A- ≥ 90	83 > B- ≥ 80	73 > C- ≥ 70	63 > D- ≥ 60	

***Homework Policy***

- *Late Assignments:* Homework will not be accepted late. Homework is late if it is not turned in at the beginning of the class or via email on the date that the assignment is due. The homework average will drop the lowest homework grade.

***Exam Policy:***

- The midterm exams will be given during the normal class time and at the usual room.
- There is no makeup for missing midterms.
- If a student misses a midterm exam, the weight from the missed exam will be redistributed to the final exam.
- Students cannot take an exam and then drop the exam. Receiving the exam on exam day means that you will receive a grade for that exam.
- Students cannot miss the final. Missing the final exam will result in a grade of "Absent from Exam" (ABS) which appears as an "F" on transcripts.
- For each exam, you will be required to bring a Number 2 pencil, calculator, and your student ID Card. You will also be required to know your NET ID.
- No outside materials are permitted which includes, notes, textbooks, computers and tablets. Cell phones are not permitted in the exam room. If we see your cell phone, you will be considered to be cheating.
- All requests for grading corrections must be submitted with two weeks of receiving the graded exam.

*Final Exam Policy:*

Students who would like a conflict exam must contact the professor before the last day of classes ([http://studentcode.illinois.edu/article3\\_part2\\_3-201.html](http://studentcode.illinois.edu/article3_part2_3-201.html)). In the event that a student cannot attend the exam or the conflict exam, undergraduate students must obtain the approval of the dean of their college to defer a final examination without receiving a grade of "Absent from Exam" (ABS). The conflict exam will be scheduled by the Department of the Economics during the exam week. Undergraduate students who must miss a final examination should report this fact to the dean of their college as soon as possible. For satisfactory reasons, students may be "excused" by the dean of their college and be examined later by their instructor (<http://www.las.illinois.edu/faculty/advising/incompletes/>). The date of the deferred exam will be during the beginning of the next full semester and scheduled by the Department of Economics.

Students who miss their scheduled exam time will receive an ABS grade. Students in this situation may take the deferred final if and only if they have taken the midterm exam. The ABS grade will be replaced by the grade earned with the deferred final.

**Statement on Accommodations:**

To obtain disability-related academic adjustments and/or auxiliary aids, students with disabilities must contact the course instructor and the Disability Resources Educational Services (DRES) as soon as possible. To contact DRES you may visit 1207 S. Oak Street, Champaign, call 333-4603 (V/TTY), or email a message to [disability@uiuc.edu](mailto:disability@uiuc.edu).

**Academic Integrity:**

"The University has the responsibility for maintaining academic integrity so as to protect the quality of education and research on our campus and to protect those who depend upon our integrity.

*Expectations of Students:*

It is the responsibility of each student to refrain from infractions of academic integrity, from conduct that may lead to suspicion of such infractions, and from conduct that aids others in such infractions. Students have been given notice of this Part by virtue of its publication. Regardless of whether a student has actually read this Part, a student is charged with knowledge of it. Ignorance is not a defense."

Readings:

Finkelstein et al. (2011) The Oregon Health Insurance Experiment: Evidence from the First Year. *NBER Working Paper*.

Becker and Elias. (2007) Introducing Incentives in the Market for Live and Cadaveric Organ Donations. *Journal of Economic Perspectives Vol 21 Number 3*.

Akerlof (1970) The Market for Lemons: Quality, Uncertainty and the Market Mechanism. *Quarterly Journal of Economics Vol 83*.

Day	Date	Topic	Lesson	Assignment Due
T	21-Jan	Intro	01	
TH	23-Jan	Intro	01	
T	28-Jan	Cost-Benefit Analysis	02	
TH	30-Jan	Cost-Benefit Analysis	02	
T	4-Feb	Demand and Supply in Health Care	03	CBA HW
TH	6-Feb	Demand and Supply in Health Care	03	
T	11-Feb	Demand and Supply in Health Care	03	Finkelstein Paper
TH	13-Feb	Competition and Monopoly	04	
T	18-Feb	Competition and Monopoly	04	Becker Paper
TH	20-Feb	Competition and Monopoly	04	
T	25-Feb	Wrap Up and Review		Markets HW
TH	27-Feb	<b>Exam 1</b>		
T	3-Mar	Externalities	05	
TH	5-Mar	Externalities	05	
T	10-Mar	Asymmetric Info	06	Externalities HW
TH	12-Mar	Asymmetric Info	06	
<b>Spring Break</b>				
T	24-Mar	Asymmetric Info	06	Akerlof Paper
TH	26-Mar	Government Intervention	07	
T	31-Mar	Government Intervention	07	
TH	2-Apr	Government Intervention	07	
T	7-Apr	Wrap Up and Review		
TH	9-Apr	<b>Exam 2</b>		
T	14-Apr	Insurance	08	
TH	16-Apr	Insurance	08	
T	21-Apr	Insurance	08	Insurance HW
TH	23-Apr	Insurance	08	
T	28-Apr	International Comparisons	09	
TH	30-Apr	International Comparisons	09	
T	5-May	Wrap Up and Review		
F	8-May	Final Exam- 8:00 AM to 11:00 AM		