ECON-312A: Health Economics
Spring 2015

Class meets: Tuesday and Thursday, 2:35pm-03:50pm, Calhoun Hall 423

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Office Phone: 615-322-1529
Office Location: Calhoun 302B (If I am not in 302B check the nearby RA room 304)
Office Hours: Wednesdays: 1.40–3.10pm, Fridays: 4.40–6.20pm

TA: Ben Ward (benjamin.c.ward@vanderbilt.edu)
Office Hours Room: Calhoun 116A
Office Hours: 11-12 Mondays and 4:30-5:30 Tuesdays

Short description: Conceptual and empirical analysis of the origins of health attributes; joint investments in skill and health capitals; health-related consumption and lifestyles; the value of health, life, and medical innovation; the demand for health insurance; and the supply of health care. Applied econometrics methods are a major part of the course, with a particular emphasis on comparisons among alternative methods used in health economics research.

Short Introduction: Health economics is a rapidly growing field of applied economic research. Since U.S. health spending has reached as much as 1/6th of the GDP and continues to grow, health economics research is becoming increasingly socially important. As a result, the demand for economists with expertise in health economics is strong and growing. Multiple employers such as economics departments, policy schools, medical schools, the government, international organizations, and the private sector hire experts in health economics.

This course will emphasize skills that are needed to write and present original research papers. To enhance skills essential for active research in an applied and policy-oriented area, students will be asked to write an original short essay with policy implications on a relevant issue in health economics. The quality of essays deserving an excellent grade is expected to be comparable to at least the quality of introductions to papers published in journals such as Health Economics or Journal of Health Economics. The aim of the short essay is to boost creative thinking, enhance writing skills, and create a seed for a possible future research paper. Students will also be asked to present a published research paper in class.

About me: My primary research interests are in the field of health economics and the emerging fields of the economics of human development and economics of personality. Prior to coming to Vanderbilt, I worked with Jim Heckman and other
co-authors at the University of Chicago on a reanalysis of the Perry Preschool Project.

**Sequence:**
This course (312B) can be taken as a part of the Health Economics sequence. Another course in the sequence (“Topics in Health Economics”, Econ 312A) is taught by Professor Kitt Karpenter.

**Reading:**
There is no required textbook. We will study the research papers listed below in this syllabus (for copies of papers see the course page on [www.vanderbilt.edu/oak](http://www.vanderbilt.edu/oak)). A Table below shows which papers are compulsory. I will make my lecture slides available through OAK. A helpful introductory supplementary reading is *Health Economics* by Charles Phelps, 5th edition. The Handbook of Health Economics in two volumes edited by Culyer and Newhouse (2000) makes a great advanced supplementary reading. The Handbook can be found in the Central library with codes RA410.H255 2000 v.1A for the first volume and RA410.H255 2000 v.1B for the second volume. Some of you may find the Handbook helpful for working on your short paper.

**Grading Scale:**
Three home assignments, 30% (10% each)
Presentation of a published paper in class, 10%
A short research paper, 20%
Presentation of your short research paper in class, 10%
Final exam, 30%

In addition, persistent and relevant participation in class discussions on top of excellent attendance will result in a higher grade in marginal cases (e.g., an A instead of A- if your score is close enough to an A)

**Presentation:**
You will present a published paper (see “important dates” section below for a time-table). You can chose to present any paper denoted with “*”. Please, choose based on your interests and curiosity thus contributing to the diversity of topics discussed in class. See the Table below for a summary of types of papers in the reading list.

**Status of Papers from the List by the Number of Asterisks**

<table>
<thead>
<tr>
<th>Marking of papers</th>
<th>Can be chosen by students for class presentations (one talk per student)</th>
<th>Compulsory reading</th>
</tr>
</thead>
<tbody>
<tr>
<td>****</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>*</td>
<td>Yes</td>
<td>Only those chosen by students for class presentations</td>
</tr>
<tr>
<td>[no asterisk]</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>
The TA will post a spreadsheet online where students will be able to post the paper of their choice and the chosen date of their presentation. You may not present a paper that another student has already chosen, so please check the spreadsheet right before posting your choice to make sure the paper is still available.

The difference between presenting your paper and somebody else’s paper is that possible failures of the paper are not your fault. Moreover, you are expected to critically comment on the paper while presenting it. A successful presentation should satisfy three criteria:

(1) Excellent knowledge and understanding of the presented paper; ability to answer questions about the paper

(2) Good and original critical comments about the paper (depending on quality of the paper, your list of critical comments may be longer or shorter, but remember that no research paper is perfect)

(3) Clear, well-structured, well-presented, and informative talk that is finished on time

At least one day before your talk, please share your slides with everybody related to this class including myself and the TA. It is possible to share things on OAK, and the TA can help organizing this. It is fine to use e-mail as well.

**Short Paper:**

Write no more than four pages of a high quality non-technical¹ analytic health economics paper (12pt font, double-spaced). As authors do in introduction sections of their technical research papers, express all your ideas clearly in words. The aim of the paper is to boost creative and policy-relevant thinking, enhance your writing skills, and create a seed for a possible future research paper. References, figures, tables, and other possible supporting materials are not included into the four-page limit. Place references after the text in a single-spaced reference list. There is no limit on the number of tables, figures, or supplementary materials as long all of them are sufficiently discussed and cited by number in your paper. Please argue why your paper is important, novel, and policy-relevant and how your paper relates to the literature. If your paper implies an empirical investigation (implemented or planned), explain your model identification strategy. The quality of essays deserving an excellent grade is expected to be comparable to at least the quality of introductions to papers published in journals such as *Health Economics* or *Journal of Health Economics*.²

Those students who already have some version of a relevant research paper by the time they start the class are permitted to continue their work on the paper as long

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¹ There is no need to write a formal model, an econometric model, a theorem proof, and the like. Original empirical results are welcomed but not required for an excellent grade.

² The difference between your paper and an introduction is that you are encouraged to introduce sections and to discuss your supporting materials such as tables and figures if you have any.
as they demonstrate a *substantial progress*. To prove that the progress was indeed substantial, students continuing their work on the paper need to submit three documents at the paper deadline (see the list of important dates below): (1) the short paper as required; (2) a version of their paper in progress as it was by the time this class started; (3) a cover letter arguing why their progress over the semester was so substantial that it can be compared with work of students who started from scratch. In this case, the short paper can include old results, but the cover letter must clearly specify which results were obtained before the class started and which results were obtained during the semester.

Students need to submit both hard and electronic copies of their papers. I would appreciate if all papers are transferred to the PDF format.\(^3\)

Since the quality of your writing and oral presentation may affect your grade,\(^4\) you may find it useful to read a short paper “*Writing Tips for Ph. D. Students*” by John H. Cochrane for advice about writing and presenting a paper in economics. Other excellent books on writing include “*Economical Writing*” by Deirdre McCloskey and “*Style*” by Joseph Williams (9th edition).

**Home Assignment:** There will be three home assignments (see the list of important dates below). One of the aims of home assignments is to make students familiar with the types of questions that may appear on the final exam. Students are encouraged to form groups of two or three and submit one work from each group. For the best exam preparation students are advised to take active part in solving all questions and use this opportunity to learn from peers.

**Final Exam:** There will be a 2-hour final exam testing your knowledge of the required reading, materials from lectures, and key results of the published papers that were presented by students in class. It is expected that students will show familiarity with both theoretical and empirical analysis in the field, as well as competence in analyzing economic problems particular to the field.

**Abstract:** A short paper preliminary title and a 100-150-word preliminary abstract are due early in the semester to encourage a quick start (see the list of important dates below). Please mention in your abstract why your paper is important and original, and which policy implications you expect to derive from your analysis. Soon after the abstract submission you will need to present your ideas in class (see the list of important dates).

**Important Dates:**
- January, 6: the first class
- January, 13: the first home assignment is out on OAK
- January, 20: the first home assignment is due in class
- January, 22, 12.30pm: deadline for using an online spreadsheet to choose a paper to present in class and chose dates for your talks

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\(^3\) Consider installing a free PDF printer such as Bullzip, which transfers any of your documents into PDF.

\(^4\) I will not evaluate your English directly, but unclear papers resulting from poor writing skills will get lower scores. Remember that people often get rejected in journals and fail on the job market just because of their poor writing skills.
January, 27: the second home assignment is out on OAK
February, 3: the second home assignment is due in class
February 12: Preliminary title and abstract for your short paper due in class
February 26: Discussion of each of the preliminary research papers in class (using slides or handouts is not required but is highly encouraged to make your presentation more efficient)
March 3, 5: No class (spring break)
March 10, 12, 17: Students’ presentations of published papers (please, use the slide projector)
March, 17: the third home assignment is out on OAK
March, 24: the third home assignment is due in class
April 2, 7, 14: Students’ presentations of their own research papers (please, use the slide projector)
April 9: no class, I am away at a conference
April, 16: the final version of your paper due in class (a hard copy) and the same version by e-mail (CC to the RA) any time the same day (a PDF file)
April, 16: the last class (a lecture)
April 30, Th, 9am-11am: final exam

Computer policy:  I allow the use of laptops and other electronic devices in class, but only for course-related purposes such as taking notes or reading electronic handouts.

Feedback: I highly encourage you to provide me with a feedback on how to improve this relatively new course.

Honor Code: I expect students to follow the Vanderbilt Honor Code. In particular, your short paper should be an original work citing all sources of information and ideas. See the Honor Council website for more information http://www.vanderbilt.edu/HonorCouncil.

Topic Outline:

Notation:
**– papers that cannot be chosen by students for a class presentation but are required for reading. Many of those are presented in class by the professor.

*– papers that can be chosen by students for a class presentation. Once a paper is chosen by a student it becomes required reading for the whole class.

No asterisk – other suggested reading that cannot be chosen by students for a class presentation and are not required reading. The set of papers without the asterisk for this course changes from year to year and has no relationship to the importance of the paper. Some very important papers may have no asterisk. Rather, in different years we explore various direction of research by assigning “**” and “***” to specific group of papers.

1 Introduction


2 Determinants of Health and Longevity


3 Demand for Health and Medical Care


4 Health Behaviors


5 Value of Health and Life


### 6 Demand for Health Insurance, Moral Hazard and Adverse selection


7 Health Insurance and Labor Markets


8 Supply of Health Care: Hospitals and Physicians


I reserve the right to alter the form and content of the course in order to adjust to the needs and level of students enrolled in the class.