Instructor: Tony Sinay, Ph.D.  
E-Mail: t.sinay@csulb.edu  
Class Location: E-Tec 107  
Office Hours: MTuW 4:00 to 5:00  
And by appointment  
Office Location: E Tec 107  
Tel: 562/985-5304  

Call Number: 10177  
Class Meets: TuTh, 5:00 to 9:15  
July 12 through August 18, 2011  

Additional Contact Information:  
HCA Dept. Administrative Coordinator:  
Deby McGill, dmcgill@csulb.edu  
Tel: 562/985-5694; Fax: 562/985-5886

Catalog Description  
Pre-requisites: ECON 101 or 300  
Application of microeconomics principles to the health care, the flow of funds through  
the health care system including physicians, hospitals, managed care, nursing homes and  
pharmaceutical firms. The third party payment, asymmetric information and health care  
systems.

Course Description  
This course studies basic health economic concepts such as opportunity cost, production  
of good health, the demand for medical care, production and cost theory, cost-benefit  
analysis, and health care systems and institutions. Other topics of interest include analysis  
of the behavior of health care providers, profit maximization, perfect and imperfect  
competition, and nonprofit firms’ objectives. The role of government in health matters  
and medical care markets as well as a review of limited health care policies are studied  
and discussed along with basic and applied research.

Learning Objectives, Domain and Competency Table  
The Health Care Administration Department has adopted a competency-based  
curriculum, based on the American College of Health Care Executives (ACHE)  
Competency Assessment Tool and Healthcare Leadership Alliance (HLA) Competency  
Directory. This course is designed to develop competencies in the Knowledge of  
Healthcare Environment (KHE) and Business Skills and Knowledge (BSK). This course  
also enhances students’ writing and presentation skills that address the domain,  
Communication and Relationship Management (CRM).

<table>
<thead>
<tr>
<th>Learning Objective</th>
<th>Domain</th>
<th>Competency</th>
<th>Activity (A1), Assignment (A2) or Assessment (A3)</th>
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<tbody>
<tr>
<td>demonstrate an understanding of the laws and principles of economics,</td>
<td>KHE</td>
<td>A. Healthcare systems and organizations</td>
<td>A1-Lecture/Class participation; A2-</td>
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<tr>
<td>Learning Objective</td>
<td>Domain</td>
<td>Competency</td>
<td>Activity (A1), Assignment (A2) or Assessment (A3)</td>
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<tr>
<td>and the impact of these laws and principles on healthcare organizations</td>
<td></td>
<td>D. The community and the environment</td>
<td>Discussion and article review; A3- Quiz and final exam</td>
</tr>
<tr>
<td>describe the various kinds of health care markets</td>
<td>KHE</td>
<td>A. Healthcare systems and organizations</td>
<td>A1-Lecture/Class participation; A2-Discussion and article review; A3-Quiz and final exam</td>
</tr>
<tr>
<td></td>
<td>KHE</td>
<td>D. The community and the environment</td>
<td></td>
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<tr>
<td>demonstrate an understanding of the cost-benefit concept and its application in health services delivery,</td>
<td></td>
<td>KHE-A. Healthcare systems and organizations</td>
<td>A1-Lecture/Class participation; A2-Discussion and article review; A3-Quiz and final exam</td>
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<tr>
<td></td>
<td>BSK</td>
<td>BSK-A. General management</td>
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<tr>
<td>demonstrate an understanding of governmental regulations and analyze the economic impact of various healthcare policies on the health care</td>
<td></td>
<td>KHE-D. The community and the environment</td>
<td>A1-Lecture/Class participation; A2-Discussion and article review; A3-Quiz and final exam</td>
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<tr>
<td></td>
<td>BSK</td>
<td>BSK-G. Risk management</td>
<td></td>
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<tr>
<td>analyze the health care system from economics point of view</td>
<td>BSK</td>
<td>A. General management</td>
<td>A3. Term paper</td>
</tr>
<tr>
<td>Demonstrate writing and oral communication skills</td>
<td>CRM</td>
<td>B. Communication skills</td>
<td>A2-Article review and discussion questions; A3 Article review</td>
</tr>
</tbody>
</table>

**Texts and other course material**


**Please note** there are additional reading assignments that can be found online at: [http://ereserves.library.csulb.edu](http://ereserves.library.csulb.edu) or [http://coast.library.csulb.edu](http://coast.library.csulb.edu) and click the link (E-Reserves). You will be asked to select a department (Health Care Administration) or to select an instructor (Tony Sinay). After making the selection click the "Go" button and look for your course. Next you will see a page listing the course - please select it and you will be prompted for a password (hca503). Enter the password and accept the usage policy. You will then see the list of additional readings. If you have any problems accessing this information, please visit the eReserves Problem Report or let Tech Support know and they will help you.

**Course Format**

Quizzes/Examination
Each quiz will include about 10 multiple choice questions and be offered each week **online during the class time on Thursday**. You will have one hour to answer 10 questions starting at 8:00 PM in the second class of the week (Thursday) and ending at 9:00. You may use your notes, textbook and any other material available to you to answer quiz questions. The final exam is a take home which will be provided at the conclusion of the course. It is a comprehensive exam with integrative components which requires thorough analysis of economic principles and health care policies. Under no circumstances, make up quizzes/exams will be given unless the student has proven medical and other problems.

**Assignment/Online Discussions**

Each week there will be class discussion(s) of assigned readings and related questions **online during the class time on Thursday**. Group and question assignments will be made in the first class. There will be five or ten questions in each week to discuss (depending on the schedule). Students are expected to address questions according to the group in which the student is assigned. Each student is required to post a response (or two responses) to the assigned question before the class discussion begins online. We will use Beachboard, Discussions tool for this purpose. Each response (posting) should be no longer than one page, single-spaced, and 11 or 12 character per inch. Feedback to students will be provided on a timely basis by the instructor during online discussions. Also, students are expected to post three postings commenting on the other students’ responses in their own group. These discussions will begin at 5:00PM on Thursdays until the quiz becomes available at 8:00PM. The discussion questions will deal with the specific assignment, and it will be important that the student carefully review the readings before responding. The questions and comments on the material presented should be as brief and concise as possible.

**Article Review**

In the beginning of class, each student who wants to talk about an article (max 5 students per class) will summarize the article for about 5 minutes to earn up to 20 points. The article chosen by the student has to be related to the topic/chapter scheduled for the day’s lecture. Each day maximum 5 articles will be discussed. Each student need to submit a copy of the article to the instructor and needs to cover at least how the article is related to the day’s topic, basic economic principles in the article, methods and the conclusion of the article.

**Term Paper**

This paper should be high-quality, appropriate for graduate study, and must be APA style, 10-12 inch font, and double spaced. The paper topic must be chosen from recent news reports published in newspapers, journals, magazines or Internet. The key to success in this paper is to explain the economics foundations of the underlying issue or problem appeared in the news. The chosen topic should be currently important and must be cleared with the
instructor before proceeding. Work-in-progress may reviewed with the instructor for preliminary feedback. The paper should educate the reader and at least:

a. clearly state and explain the underlying health care and economic issue(s) and problem(s)
b. describe and explain relevant health, economic, political, and historical background of the issue
c. explain how economics is related to the chose topic and what economics laws and principles are applicable
d. describe potential solutions for the issue and policy
e. explain how this issue, problem or policy is viewed by relevant interest groups and how it affects (or is likely to affect) various health care organizations
f. suggest what you think will be done nor or in the future
g. suggest how health care administrators and their organizations could influence the outcome

Course Evaluation and Grading

<table>
<thead>
<tr>
<th>Component</th>
<th>Points</th>
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<tbody>
<tr>
<td>Final Exam</td>
<td>100</td>
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<tr>
<td>Quizzes</td>
<td>100</td>
</tr>
<tr>
<td>Class Discussions</td>
<td>80</td>
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<tr>
<td>Term Paper</td>
<td>80</td>
</tr>
<tr>
<td>Class Participation</td>
<td>20</td>
</tr>
<tr>
<td>Article Review</td>
<td>20</td>
</tr>
<tr>
<td>TOTAL</td>
<td>400</td>
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Cutoff Points

In this course, students can accumulate up to 320 points from all course requirements. Course grades will be determined based on the following schedule:

- 360 points or greater: A
- Less than 360 and greater than 320 points: B
- Less than 320 and greater than 280 points: C
- Less than 280 and greater than 240 points: D
- Less than 240 points: F

Cheating and Plagiarism

Please ensure that your behavior conforms to University Policy. See:
http://www.csulb.edu/divisions/aa/undergrad/senate/documents/policy/2008/02/

Plagiarism

Plagiarism is the dishonest act of presenting the words or thoughts of another writer as if they were your own. You commit plagiarism whenever you use a source in any way without indicating that you have used it. If you quote anything at all, even a phrase, you
must put quotation marks around it, or set it off from your text; if you summarize or paraphrase an author’s words, you must clearly indicate where the summary or paraphrase begins and ends; if you use an author’s idea, you must say that you are doing so. In every instance, you must also formally acknowledge the written source from which you took the material.


If there is anything about plagiarism you do not understand, ask your professor. The Student Handbook may provide you additional information concerning plagiarism.

Withdrawal policy

Per University policy; see

COURSE OUTLINE, READINGS AND QUESTIONS

WEEK I
July 12, 14

Review of basic economic concepts
Economic resources
Opportunity cost
Production possibilities curve
Demand and supply
Competition
Profit maximization
Utility Theory
Types of Markets

Readings/CD-ROM


QUIZ I (Beachboard starting at 8:00 PM on Thursday July 14)

WEEK II
July 19, 21

Sources and uses of health care funds
Flow of funds
Income and ethnicity as determinants of mortality
Cost-Benefit analysis (CBA) is about making choices
Example of marginal analysis
Value, benefits, costs
The value of life
Need versus demand
Demand for medical care

Readings

Chapter 1, 2, 3 in Getzen, Health Economics and Financing, 2010
Thompson, RS, & et al. (1993). Cost Effectiveness Analysis of Bicycle Helmet Subsidies in a Defined Population, Pediatrics, 91 (5); 902-907 (CLASSIC).
Week II
Questions
1. What happened to the health care spending in the 1990s and 2000s, increased or decreased? List the most important reasons for this trend and discuss?
2. If most college students are poor, why do they spend so much on discretionary goods such as CDs? Are the ones who go on to medical school richer or poorer than the ones who take jobs upon graduation?
3. Many experts recommend that people get at least 30 minutes of vigorous exercise three to five times a week; is the actual participation in exercise less than the amount (a) needed or (b) demanded. Why do most college students get more exercise in the summer than the winter? Does need, demand, or differences in opportunity cost of time account for the fact that most actors get more exercise than most accountants?
4. Which are more elastic, dental visits or visits for the treatment of diabetes? Physician visits or hospital days? Psychiatry or orthopedics? Why?
5. Who pays for health care? Is there any change in the composition of payers or their share in the last decade or two?

QUIZ II (Beachboard starting at 8:00 PM on Thursday on July 21)

WEEK III
July 26, 28

Methods of covering risks
Risk aversion & adverse selection
Moral hazard
Third party transactions
Fixed premiums, ASO, and self-Insurance
ERISA, taxes and mandated benefits

Readings
Chapters 4, 5 in Getzen, T.E. *Health Economics and Financing*, 2010

Increased Ambulatory Care Copayments and Hospitalizations among the Elderly, Trivedi, AN, and et al., NEJM, 2/2/2010; 1-6.


Questions
1. When medical care is reimbursed through employer-provided insurance, whose welfare is ultimately affected when the cost of medical care rises: the owners of the firm that pays the premiums, the people in government whose revenues are reduced because insurance benefits are not taxable like wages, or the public at large in their roles of workers, consumers, and taxpayers? Is there any difference between short-run and long-run effects?
2. The law now gives a worker who becomes unemployed the right to buy continuing health insurance coverage after leaving the company. Why might it be rational for a factory worker who loses their job to give up this legal right to purchase coverage and be uninsured, even knowing that he or she is at risk for high medical expenditures?

3. Why are the markets for health insurance so much more price-competitive than the markets for medical care?

4. Does insurance increase or decrease the demand for medical care? Does this represent a problem for any parties involved in health care? Why?

5. Contact six people (or read required readings to respond) and find out how much they spent on health care last year. Try to estimate how much they spent out of their own pocket, and how much was spent by their employer, insurance company, or government. Did they personally end up paying a larger or smaller percentage of their total health bills?

QUIZ III

WEEK IV
August 2, 4

Range of managed care plans
Controlling costs
The evolution of an HMO
Ownership & capital markets: signs of failure
Managed competition

Readings

Chapter 10. Managed Care, Getzen TE and Allen, BH, 2010, John Wiley Publishing (HANDOUT)

Composite Health Plan Quality Scales, Caldis, T., Health Care Financing Review, Spring 2007 28(3); 95-107


Questions
1. What incentives does a capitated physician have to keep his patients happy? What incentive does a FFS physician have? If Mr. Jones is a cranky old man who smokes and drinks so much that his liver and other organs are going downhill, which payment system provides more incentive to keep Mr. Jones satisfied? Which provides the most incentive to render extra care? Which provides the most incentive to make sure that the level of care is optimized?

2. If an HMO reduces the patient’s marginal cost of surgery, hospitalization, chemotherapy and other expensive items to zero, how can it provide incentives for reduced utilization?
3. Does a surplus of hospital beds in an area make it easier or harder to start an HMO? A surplus of doctors? A surplus of insurance companies?
4. Does capitation payments shift the risks of paying for ill health to hospitals and physicians? How?
5. How do HMOs use financial contracts to align the interests of patients and doctors?

Aug 4

Physician payment, incomes, costs
Licensures: quality or profits
Medical education/adjusting physician supply
Price discrimination
Kickbacks, self-dealing & side payments
Practice variations

Readings
Chapters 6, 7 in Getzen, T.E. Health Economics and Financing, 2010


Licensing Doctors: Do Economists Agree? Svorney, S. Econ Journal Watch, August 2004 1(2); 279-305.


Innovative Health Reform Models: Pay-for-Performance Initiatives, Glickman, SW & Peterson, ED. American Journal of Managed Care, 2009; S300-S304.

Questions
1. Do you think that radiologists prefer to be compensated fee-for-service, by relative value scale, on salary, or as part of a capitated rate? Why? Why might different specialties prefer different forms of payment?
2. How do agency and information asymmetry lead to licensure? Do agents get more or less of the gains from trade as the degree of information asymmetry increases? Explain why and how the strength of licensure is related to the extent of information asymmetry.
3. What advantages does a large physician group have over a solo physician? What disadvantages?
4. What organization provides the largest amount of payment to physicians in the United States? How do they choose to make these payments? Has the form of payment changed over time? Why?
5. Is medical care “sold” like other goods and services? Explain how irregularities in health care markets differ from others?
WEEK V
August 9, 11

Aug 9

Development of the modern hospital
Revenues & costs
Organization: Who controls the hospital and for what ends
Economies of scale
Hospital competitions
Controlling cost through regulation

Readings

Chapters 8, 9 in Getzen, T.E. *Health Economics and Financing, 2010*

Competition Versus Regulation: Its Effect on Hospitals, Anderson, G, Heyssel, R and Dickler, R. *Health Affairs, 1993, v. 12(1).* (CLASSIC)


The Role of Accountable Care Organizations in Health Care Reform, Shortell, SM, Arizona State University Health Policy Brief, 2010; 1-21.

Questions

1. Which input accounts for the largest portion of hospital costs? Which input is responsible for most of the growth in hospital cost per patient day?
2. Over the past hundred years, the major source of hospital revenues has changed three times. Name these types of payments, and explain why each one gave way to the next.
3. Why do people spend so long waiting to be treated in the emergency room? Would it be more efficient if there were sufficient doctors available so that they could be treated right away?
4. Why have quality improvements in health care caused costs to rise while quality improvements in computers have caused costs to fall?
5. What major factors create economies of scale in hospitals? Diseconomies of scale? Are most hospitals of optimal size, too small, too large?

QUIZ IV

Aug 11

Development of the Long Term Care Market
Certificate of Need
CCRC’s & the wealthy elderly
History and Regulation of Pharmaceuticals
Research and development
Competition in Pharmaceutical Markets
Current trends

Readings


Controlling the Supply of Long Term Care Providers at the State, Wiener JM, Stevenson, DG and Goldenson SM, Urban Institute Web Site, http://www.urban.org/url.cfm?ID=308047


Questions

1. Hospitals compete for doctors, and for the newest technology. How do nursing homes compete? Does price play more or less of a role? Technology?
2. Marketing accounts for a much larger portion of the cost of pharmaceuticals than the cost of other forms of care. Why? To whom are most pharmaceutical marketing efforts targeted?
3. The major form of health insurance coverage for the elderly Medicare, and the elderly are much heavier users of pharmaceuticals than other groups. It would seem reasonable to expect that Medicare is the largest source of payment for drugs. Is it?
4. What fraction of the total cost of pharmaceuticals is paid for directly by patients? Does this mean that price is more or less important than for other types of medical care?
5. When a brand name drug loses patent protection after seventeen years and competing generic products enter the market, will the price of the brand name drug increase or decrease? Why?

QUIZ V

WEEK VI
July 16, 18

Aug 16

Wide differences between nations
Micro vs. Macro allocation: Health as a national luxury good
International trade in healthcare
Spending money or producing health
The future

Readings

Chapters 17, 18 in Getzen, T.E. Health Economics and Financing, 2010
Differences in Disease Prevalence As a Source of the US-European Health Care

Cross National Comparison of Health Systems Using OECD, 1999, Uwe Reinhardt, and
et al., 2002, Health Affairs, v. 21(3); 169-181.

Questions
1. As an officer of the World Health Organization, what programs would you fund if you
wished to make the largest impact on health, measured as the increase in life expectancy
multiplied by the number of people affected, for a given budgetary allocation of $100
million?
2. Which aspects of medical care are most international? The most parochial?
3. Will health care be more or less efficient in 2020? Will people spend more or less
money on health care?
4. What is the largest global health care market? Why?
5. How much is spent per person on health care in China? How much is spent per person
on health care in the US? In the United Kingdom? What are the primary factors
accounting for these differences?

TAKE HOME EXAM DISTRIBUTED (Aug 16)
TAKE HOME EXAM DUE on Aug 18
SUPPLEMENTAL READINGS


Davis, K. 1997. ‘Uninsured in an Era of Managed Care.’ Health Services Research 31(6), 641-649.


Fuchs V. in Mark Perlman, ed. ‘Some Economic Aspects of Mortality in Developed Countries,’ The Economics of Health and Medical Care, 1974.

Gardiner, L. R., Oswald, S. L., and Jahera, J. S. 1996. ‘Prediction of Hospital Failure: A Post-PPS Analysis.’ Hospital & Health Services Administration 41(4), 441-60.


Journal of Medicine 321(9), 607-611.


Name ________________________________

Name you prefer to use ________________________________

Address __________________________________________

_________________________________________________

Phone(s): _________________________________________

Best time/place to reach you: _________________________

Fax(es): __________________________________________

E-mail address: ____________________________________

Please describe briefly:

a. Your educational background and work experience:

b. Future educational and career plans:

c. Your reasons for taking this course, what you hope to learn from it:

d. Other HCA classes you are taking or have completed:

e. Languages you speak, read or write