EC581 Health Economics
Spring 2019
COM Room 215; 10:45am-12:00pm Monday and Wednesday

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Office hours: Monday 3:30-5pm, Thursday 2:00-3:30pm, or by appointment

This is Health Economics at the MA level. Students should have studied basic microeconomics and statistics. The following will be covered: insurance, risk aversion, insurance and mandate, moral hazard, adverse selection, prevention-insurance tradeoff, risk adjustment and subsidies, payment incentives, and competition.

Some discussions will be devoted to the Affordable Care Act, commonly known as Obama Care.

The paper “United States Health Care Reform: Progress to Date and Next Steps” by Barack Obama, Journal of the American Medical Association, 2016 is a summary of the US reform, and update till the middle of 2016:
http://jamanetwork.com/journals/jama/fullarticle/2533698
See also https://obamacare.com and

Students can use these as basic references of Obamacare.

The Boston University academic code of conduct is available here:
https://www.bu.edu/academics/policies/academic-conduct-code/

Each student will complete five to six assignments and be part of one class presentation. There will be a midterm examination and a final examination.

Grading will be as follows.

Assignments and Presentation: 30%
Midterm Examination: 30%
Final Examination: 40%

The Final Exam is at 9-11am, on Tuesday May 7, 2019, according to the official examination schedule.
I. Risk aversion and insurance

Notes on risk and preferences

*Games and Decisions* 1957, Ducan Luce and Howard Raiffa, p19-31

II. Moral hazard; tradeoff between insurance and ex ante moral hazard

Notes on Moral Hazard


**Presentation 1:** What is the individual mandate? What is the rationale behind it?

References:  
https://www.healthinsurance.org/glossary/individual-mandate/  
https://www.rand.org/pubs/research_briefs/RB9812z4.html

III. The Rand Health Insurance Experiment and the Oregon Health Insurance Experiment


**Presentation 2:** What is an insurance exchange? What are the subsidies?

References:  
https://fas.org/sgp/crs/misc/R44065.pdf  
https://www.thebalance.com/health-insurance-exchange-3306052

IV. Adverse selection; insurance mandate; health plan choice

Notes on Adverse Selection


Presentation 3: How are health plans within an insurance exchange organized? What do the tiers refer to?
References:
https://www.healthcare.gov/choose-a-plan/plans-categories/

V. Risk adjustment and competition


Presentation 4: What is risk selection? How does risk adjustment work in Obamacare?

VI. Payment and incentives


Presentation 5: What is an Accountable Care Organization? What are the incentive issues?
References:
http://obamacarefacts.com/aco-accountable-care-organizations/
https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/ACO/
http://content.healthaffairs.org/content/29/7/1293.full.pdf+html
https://www.aha.org/accountable-care-organizations-acos

VII. Experiments


