

## Health Law, Economics, and Policy

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Proposed Course for Fall 2007 (Penn) and Spring 2008 (Columbia)

**Objective:** This seminar will proceed in two parts. In the first half of the semester we will discuss the tools of microeconomics and statistical analysis as they apply to questions of health law and policy, including the general topics of insurance markets (both private and public), healthcare financing, medical malpractice and medical errors, and the labor market for healthcare professionals. During the second half of the semester, we will examine the recent empirical literature on a host of topics within health law and policy.

**Text:** For the first half of the semester, we will use Sherman Folland, Allen Goodman, and Miron Stano, *The Economics of Health and Healthcare* (Upper Saddle River, NJ: Prentice Hall). Note that the most recent edition (5<sup>th</sup>, 2007) is quite expensive, so feel free to use an older edition to prepare for class discussions. Papers for the second half of the class will be posted at <http://mailer.fsu.edu/~jklick/classes.html>.

**Evaluation:** 75 percent of the semester grade will be determined by your semester paper (see details below). The remaining 25 percent of the grade will come from the short article synopses (described below). Grades will be curved according to law school policy.

**Semester Paper:** There will be a semester paper due on the last day of class. I do not have any particular length guidelines for this paper. Schedule a meeting to discuss paper topics with me before the middle of the semester (the earlier the better, especially for those choosing the high risk model). Papers can follow one of two models:

**High Risk (High Return) Model:** Identify a state level legal or policy change relating to the health area and formulate a hypothesis regarding what changes in health behaviors or outcomes are likely to follow this legal/policy change. Collect data on these behaviors or outcomes (at least for the state(s) making the change but, ideally, for some comparison states not exhibiting the change as well) and compare the before and after experience of the state(s) with respect to these behaviors or outcomes. Document your results and discuss them in terms of a simple policy evaluation and in terms of what insight your analysis provides more generally, noting the shortcomings of the analysis and potential solutions for these shortcomings

**Low Risk (Low Return) Model:** Find a health law or policy topic not covered in the second half of the semester and provide a critical literature review of the empirical work done by economists and public health analysts on the topic in recent years, noting the shortcomings of the existing literature and providing some suggestions for future empirical projects in this area.

**Article Synopses:** During the second half of the semester, as discussed below, there are both assigned articles and optional articles for each topic we will be addressing. For each week, each student must choose one of the optional articles and write a very short (2 pages maximum) review of the article addressing the following questions: 1) what is the hypothesis of the article; 2) why is this question important for law and policy discussions; 3) what method(s) does the author use to address the question; 4) what are the general results/conclusions of the article; and 5) identify at least one shortcoming of the analysis, perhaps suggesting a way to address this shortcoming. These synopses are due to me (by email) before class starts on the day we will be discussing the topic. I will include each student's six best scores toward the class grade (i.e., a student can choose to not turn in one of the synopses without hurting his/her grade, or, alternatively, the student can choose to do an article synopsis each week and I will exclude the one that is worst for each student).

**Schedule:** As described above, we will cover theoretical and empirical tools of health policy analysis during the first half of the semester (denoted below as "Tools of Policy Analysis") using the text listed above as a point of reference for each week's discussion. For the second half of the semester (denoted below as "Topics in Health Law and Policy"), students should read the "assigned" articles before each class and as many of the "optional" articles that engage the student's interest.

Week 1: Introduction

### *Tools of Policy Analysis*

Week 2: Basic Microeconomics, Statistics, and Cost-Benefit Analysis

Background in Text: Chapters 1-4

Questions for Discussion: Are healthcare decisions different than other consumption decisions?  
Is efficiency a desirable criteria in making health policy decisions?

Week 3: Health as a Consumption, Capital, and Status Good and the Production of Health

Background in Text: Chapters 5-9

Questions for Discussion: Why does insurance exist?  
Is health insurance really insurance?

Week 4: Information Problems in Healthcare Markets: Moral Hazard and Adverse Selection

Background in Text: Chapters 10-12

Questions for Discussion: Should individuals with preexisting conditions pay more for health insurance?

Does tying health insurance to employment make things better or worse?

- Week 5: Social Insurance  
Background in Text: Chapters 18-22  
Questions for Discussion: Should public health insurance programs favor the old or the young?  
Should public health systems subsidize the first or the last dollars spent on health?
- Week 6: Incentives and Organization in the Healthcare Industry  
Background in Text: 13-17  
Questions for Discussion: Why are HMOs unpopular even though they seem to generate good health outcomes?  
What do doctors maximize?
- Week 7: Equity vs. Efficiency  
Questions for Discussion: How should donor organs be allocated?  
Should doctors engage in racial profiling?

*Topics in Health Law and Policy*

- Week 8: Medical Malpractice  
Question for Discussion: What role does medical malpractice law play in public health?  
Assigned:  
Daniel P. Kessler; William M. Sage; David J. Becker (2005), "Impact of Malpractice Reforms on the Supply of Physician Services," *JAMA* 293(21): 2618-2625.  
Daniel Kessler and Mark McClellan (1996), "Do Doctors Practice Defensive Medicine?" *Quarterly Journal of Economics*, 111(2): 353-390.  
Optional:  
Daniel Kessler and Mark McClellan (2002), "Malpractice Law and Healthcare Reform: Optimal Liability Policy in an Era of Managed Care," *Journal of Public Economics*, 84(2): 175-197.  
Katherine Baicker and Amitabh Chandra (2004), "The Effect of Malpractice Liability on the Delivery of Healthcare," in *Frontiers in Health Policy Research*, vol 8, edited by David Cutler and Alan Garber (Cambridge, MA: MIT Press).  
Jonathan Klick and Thomas Stratmann (2007), "Medical Malpractice Reform and Physicians in High Risk Specialties," unpublished working paper.
- Week 9: The Effects of Abortion Access on Crime, Risky Sex, and the Condition of Women  
Question for Discussion: What would a cost benefit analysis of abortion policy look like?  
Assigned:  
Jonathan Klick (2004), "Econometric Analyses of U.S. Abortion Policy: A Critical Review," *Fordham Urban Law Journal*, 31: 751-782.  
Elizabeth Ananat, Jonathan Gruber, Philip Levine, and Douglas Staiger (2006), "Abortion and Selection," *NBER Working Paper*, 12150.  
Optional:  
Jonathan Klick and Thomas Stratmann (2008), "Abortion Access and Risky Sex Among Teens," *Journal of Law, Economics, and Organization*.  
John Donohue and Steven Levitt (2004), "Further Evidence that Legalized Abortion Lowered Crime: A Reply to Joyce," *Journal of Human Resources*, 39(1): 29-49.  
Theodore Joyce (2006), "Further Tests of Abortion and Crime: A Response to Donohue and Levitt (2001, 2004, 2006)," *NBER Working Paper*, 12607.  
John Donohue and Steven Levitt (2001), "The Impact of Legalized Abortion on Crime," *Quarterly Journal of Economics*, 116(2): 379-420.
- Week 10: Obesity  
Question for Discussion: Will junk food lawsuits follow the path of the tobacco lawsuits?  
Assigned:

Darius Lakdawalla and Tomas Philipson (2002), "The Growth of Obesity and Technological Change: A Theoretical and Empirical Examination," *NBER Working Paper*, 8946.

David Cutler, Edward Glaeser, and Jesse Shapiro (2003), "Why Have Americans Become More Obese?" *Journal of Economic Perspectives*, 17(3): 93-118.

Optional:

Jonah Gelbach, Jonathan Klick, and Thomas Stratmann (2007), "Cheap Donuts and Expensive Broccoli: The Effect of Relative Food Prices on Obesity," *unpublished working paper*.

Jonathan Klick and Thomas Stratmann (2007), "Diabetes Treatments and Moral Hazard," *Journal of Law and Economics*.

Shin-Yi Chou, Michael Grossman, and Henry Saffer (2004), "An Economic Analysis of Adult Obesity: Results from the Behavioral Risk Factor Surveillance System," *Journal of Health Economics*, 23(3): 565-587.

Week 11:

Addiction

Question for Discussion: Should law view addiction as a disease or as a rational choice and does it matter?

Assigned:

Gary Becker, Michael Grossman, and Kevin Murphy (1994), "An Empirical Analysis of Cigarette Addiction," *The American Economic Review*, 84(3): 396-418.

John Gruber and Botond Koszegi (2001), "Is Addiction 'Rational'? Theory and Evidence," *Quarterly Journal of Economics*, 116(4): 1261-1303.

Optional:

Jonathan Klick and Thomas Stratmann (2006), "Subsidizing Addiction: Do State Health Insurance Mandates Increase Alcohol Consumption?" *Journal of Legal Studies*, 35(1): 175-198.

John Gruber and Sendhil Mullainathan (2005), "Do Cigarette Taxes Make Smokers Happier?," *Advances in Economic Analysis and Policy*, 5(1): Article 4.

Michael Grossman and Frank Chaloupka, "The Demand for Cocaine Among Young Adults: A Rational Addiction Approach," *Journal of Health Economics*, 17(4): 427-474.

Week 12:

The Health Insurance Market

Question for discussion: Is health insurance "unaffordable" in the U.S.?

Assigned:

M. Kate Bundorf and Mark Pauly (2006), "Is Health Insurance Affordable for the Uninsured?" *Journal of Health Economics*, 25(4): 650-673.

Optional:

Helen Levy and Thomas DeLeire (2003), "What Do People Buy When They Don't Buy Health Insurance and What Does That Say About Why They Are Uninsured?" *NBER Working Paper*, 9826.

David Cutler and Jonathan Gruber (1996) "Does Public Insurance Crowd Out Private Insurance?" *The Quarterly Journal of Economics*, 111(2): 391-430.

John Cawley and Kosali Simon (2003), "Health Insurance Coverage and the Macroeconomy," *NBER Working Paper*, 10092.

Week 13:

Class Choice (We will discuss what topic the class prefers in the middle of the semester)

Week 14:

Wrap Up