# Health economics

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***COURSE AIMS AND INTENDED LEARNING OUTCOMES***

Health economics is a growing field of studies in economics concerned with the use of economic concepts to analyze issues related to health and healthcare. The goal of this course is to discuss selected topics within this field which are of utmost relevance for the management of healthcare organizations. The course will cover both micro- and macroeconomic issues. At the macro level, attention will be paid first to explaining cross country variation in health spending, with a particular emphasis on the role of productivity and the role of technology and innovation. At the micro level, the focus will be on the market for hospital services, which still represent about half of the healthcare spending in many countries. On the demand side, the course will analyze the choice of patients and the importance of information and networks. On the supply side, the course will focus on organizational design: at the firm level, discussing the role of not-for-profit hospitals as compared to physicians’ cooperative, for-profit clinics, public hospitals; at the market level, analyzing the quasi-market model and the role of incentives provided by different payment systems; at the sub-national level, providing a discussion of the implications of federalism and decentralization. Market outcomes will be finally considered in the light of inefficiency in spending and inappropriateness in the services provided. The discussion for all the topics will couple theoretical arguments with the analysis of real cases useful for the management of healthcare organizations.

After the course the student:

* Will have knowledge of the determinants of healthcare spending and their role in explaining the observed evolution of public and private expenditure.
* Will have knowledge of the economic arguments relevant for the analysis of the demand and the supply of hospital services.
* Will be able to apply the knowledge acquired during the course for critically discussing real world cases related to patients’ choice, the organization of hospitals, the organization of the market for hospital services, the decentralization of healthcare regulation to sub-national governments.
* Will be able to apply the knowledge acquired during the course to evaluate the efficiency and the inappropriateness of healthcare provision at different levels of aggregation.
* Will be able to use economic language and concepts in their analysis and reports.

***COURSE CONTENT***

The course is designed as an advanced course in health economics for students interested in becoming professional managers in the healthcare industry. The program is divided in four broad parts:

Part I: Understanding healthcare spending

*The economic approach to the analysis of health and healthcare*

– Inequalities in healthy life years across countries

*The determinants of healthcare spending*

– Observing the dynamics of expenditure

– The role of innovation and technology

Part II: The demand side of the market for hospital care

*The traditional approaches*

– The Grossman model: health shocks and the demand for care

*Information and networks*

– Availability of information and patients’ networks

– The quality of care

Part III: The supply side of the market for hospital care

*The hospital as a firm*

– Not-for-profit providers

– Incomplete contracts and a theory of the ownership of the firm

– Mixed oligopolies and beyond

*The hospital as a key market player*

– Incentives in the quasi-market model

– The behavior of different types of providers and the role of competition

*Decentralization and fiscal federalism*

– The regulation of hospitals at the sub-national level

– The differences across sub-national systems

Part IV: Inefficiency and inappropriateness

*How to evaluate outcomes*

– Methodologies to assess inefficiency and inappropriateness

– DEA and stochastic frontiers

*Case studies*

– De-hospitalization

– C-sections

***READING LIST***

Each topic is covered by a list of selected references (mostly scientific journal articles) that will be provided by instructors and discussed during the lectures. Additional readings will be taken also from:

B.H. Baltagi-F. Moscone(eds.) (2018), *Health Econometrics, Contributions to Economic Analysis*, Emerald Publishing.

Costa-Font, J., Turati, G., Batinti, A. (2020). *The Political Economy of Health and Healthcare: The Rise of the Patient Citizen*. Cambridge: Cambridge University Press.

S. Glied-P.C. Smith (eds.) (2011), *Oxford Handbook of Health Economics,* OUP.

***TEACHING METHOD***

Lectures and discussion of case studies.

***ASSESSMENT METHOD AND CRITERIA***

Evaluation is based only on a written exam lasting 60 minutes. The exam is made of three sections. Section 1 comprises 10 multiple choice questions on basic concepts discussed during the course. Each correct answer is worth 1 point; each wrong answer provides a penalty of 0.5 points. Sections 2 and 3 are open questions and are thought to test the ability of students to apply the knowledge acquired during the course and to communicate using key economic concepts what they have learned. Instructors will evaluate the completeness and accuracy in answers to mark exams.

***NOTES AND PREREQUISITES***

Students are required to have basic knowledge of key concepts in microeconomics and key concepts in statistical inference and regression analysis to fully understand the arguments discussed during the course.

Students are kindly asked to refer to the Blackboard website for updated information and additional teaching material related to the course.

***OFFICE HOURS***

The calendar for the office hours is published on the official personal website of the instructors. All the details will be made available on Blackboard at the beginning of the course.