COURSE INFORMATION

Course Number: MGT 669 E  
Course Title: Healthcare Economics  
Term and Year: Fall 2015  
Class Meeting Time, Day: Saturday, 11:30am-2:30pm, Room 4430  
Course Support: somfacultysupport@yale.edu

CONTACT INFORMATION

<table>
<thead>
<tr>
<th>Professor(s)</th>
<th>TA(s)</th>
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| Name: Jason Abaluck  
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Office Hours: By appointment | Name: Christine Lo  
E-mail Address: Christine.lo@yale.edu |

Review Sessions: None

TEXTBOOKS AND RECOMMENDED/REQUIRED READINGS

Textbook(s): None  
Required Readings: Please see detailed outline of class in syllabus.  
Recommended Readings: Please see detailed outline of class in syllabus.

SOFTWARE USED

None

COURSE DESCRIPTION AND OBJECTIVES

Course Description: This course will provide an introduction to the economics of healthcare markets with a focus on understanding what is inefficient, what reforms and innovations might make things better and how strategic interactions among firms impact profits, health outcomes, and social welfare. Topics covered will include: measuring the value of health and medical care; the efficiency of US healthcare relative to other countries with different modes of delivery; the role of health insurance and competition among insurers; assessing healthcare delivery facilities such as hospitals, nursing homes and retail clinics; the healthcare workforce and physician behavior; the market for pharmaceuticals; lessons from behavioral economics about the role of imperfectly informed consumers; and the impact of the Affordable Care Act on health care in the US.

Course Outline: See outline in syllabus  
Course Objectives:
### COURSE REQUIREMENTS AND SPECIFIC GRADING POLICY

#### Course Requirements

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<tr>
<th>Assignment</th>
<th>Date/Time</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Problem Sets</td>
<td>Date/Time: Start of class</td>
<td>35%</td>
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<tr>
<td>Final</td>
<td>Date/Time: Take Home, due 11/16</td>
<td>35%</td>
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<td>Attendance and Participation</td>
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<td>30%</td>
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#### Grades

There are five grades at Yale SOM: High Honors, Honors, Proficient, Pass, and Fail. The grade distribution that faculty use, and the policy with respect to the reporting of grades on official transcripts, are described below.

- **HH**: High Honors. Up to top 10 percent of class. Reported on transcript.
- **H**: Honors. Next 25 percent. Reported on transcript.
- **PR**: Proficient. Next 55 percent. Not reported on transcript.
- **P**: Pass. Lowest 10 percent in core courses; guideline of 5 percent in electives. Not reported on transcript.
- **F**: Fail. An absolute standard; no minimum requirement. To the extent it is used, the F grade counts toward the 10 percent Pass category. Not reported on transcript.*

Once grades are officially recorded, they may not be changed except in cases in which a mathematical error has been made in computing the grade or a clerical error has been made in recording it. Students seeking correction to a grading error must contact the instructor within two weeks (ten working days) from the receipt of the grade.

If a student takes a course in another school at Yale, the SOM registrar will ask the instructor to submit the grade according to the SOM grade scale.

*F grades in core courses require remediation. The failed core course is not reflected on the official transcript until remediated. Elective courses with F grades are not reflected on the official transcript. Students must replace failed electives with other electives to meet total credit requirements for graduation.

#### DESCRIPTIONS OF ASSIGNMENTS/PROJECTS

Each week, you should submit a 1 page (double spaced, 12 pt font) answer to one of the discussion questions listed. The grade will be based on whether your response demonstrates that a) You have done the readings for that week, and b) You have attempted to critically grapple with the readings.

The final exam will be a take home exam. You will have two weeks to complete it.

#### YALE SOM HONOR CODE

**Guiding Principles**

Honesty is fundamental to the profession and practice of management. It is therefore the bedrock premise of management education at Yale. To the community of students, faculty, and staff of the Yale
School of Management, honesty and integrity build the trust essential to a free and lively exchange of ideas.

- The Yale SOM Honor Code is intended to foster the School’s exceptional learning environment and to support conduct that will distinguish the faculty, staff, and students in their lives as managers, at school, at school-related functions, and in the larger management community. The Honor Code will be referred to as the “Code” hereafter.
- The Honor Committee has jurisdiction over all Code violations including matters of academic dishonesty and egregious violations of the social and professional norms of behavior.

**Academic Integrity**
The Yale SOM community, including faculty, staff, and students, supports the highest standards of academic integrity. All academic work affords an unparalleled opportunity to put forward new and innovative ideas; at SOM, we aspire to always acknowledge the ideas upon which new solutions are based.

- When working on any assignment with a team, students must clarify the expectations for each member of the team.
- Faculty will provide clear guidelines for students on the parameters of any group work, as well as guidelines for proper citation.
- A student will contact the professor for clarification if there is a question about the way in which the group work is to be completed.
- Students are encouraged to consult print resources as well as online resources, available on the SOM portal, concerning proper citation.

**Community Standards**
A hallmark of the Yale SOM community is its inclusive nature, which respects the diverse backgrounds and views of its members. SOM faculty, students, and alumni aspire to standards of conduct while at Yale, and as they function in the larger management community, that will further distinguish SOM as a center of integrity and fair dealing.

- Students must uphold, among themselves, the highest standards of professional behavior.
- Students must strictly adhere to ethical guidelines during the job search—with interviewers, prospective employers, and their student colleagues.
- Students must remember that they represent the School as they take part in activities in the University, New Haven, and the larger management community.
- Standards of individual responsibility in the job search, and in the use of School and University information technology resources, are detailed under Policies and Guidelines of the Career Development Office and Policies on the Use of Information Technology Facilities in this chapter.

**GENERAL STATEMENTS**

**Attendance**
M.B.A. for Executives students are expected to attend classes regularly, be on time, and be prepared to contribute to class discussion. We recognize that there are times when circumstances may cause a student to miss class. If these absences are due to religious observance, unplanned hospitalization, extended illness, or a personal or family emergency that directly affects the student or an immediate family member, the absence would be considered excused. Students will be informed about whether their absence is excused or unexcused by a program administrator. Whenever students are unable to
attend class, they are required to notify a program administrator and then must inform the instructors. If the circumstances make advance notice impossible, an e-mail as soon as possible after the missed class is the next best alternative. The student must make arrangements with a classmate to get notes and copies of class handouts, and to complete all missed work.

Since participation and attendance are critical to the M.B.A. for Executives experience for students, their classmates, and study groups, an unexcused absence (any absence that does not fall into those listed above) may jeopardize a student’s academic standing in class. Under these circumstances, those students who miss more than 15 percent of the total number of class sessions for any given course may, at the discretion of the faculty, receive a final course grade of Pass or Fail. The threshold at which unexcused absences may affect a student’s grade varies depending on the number of the sessions in the class, as follows:
Six-session class  1 class session or 3 hours
Four-session class ½ class session or 1½ hours

No unexcused absences are allowed for a two- or three-session class. If a student has to leave town for a personal or family emergency, or will be out of class for an extended period because of illness, he/she must first contact the program director.

Using cell phones, browsing the Internet, or reading e-mail during class distracts the instructor and classmates and interrupts the learning experience. Cell phones and other electronic devices are to be turned off during class. Laptops and tablets are not to be used in the classroom unless explicitly permitted by the instructor.

Course Recording
All EMBA course lectures are recorded with permission of the faculty and posted to the specific course site.

Laptop/Device Policy
Usage not allowed without the express permission of the instructor.

DETAILED OUTLINE OF CLASS SESSIONS

Week 1: Is Healthcare Worth It? (August 22)

Discussion Questions:

a) Is too much money spent on healthcare?

b) Should public insurance programs like Medicare and Medicaid reimburse patients for expensive drugs like Kalydeco?

c) Why have healthcare costs increased over the last 60 years?
d) Will health care cost growth continue – and if so, will it accelerate or decelerate?


David Cutler, Your Money or Your Life, Chapter 2


Optional:

Rand Experiment Summary: http://www.rand.org/pubs/research_briefs/RB9174/index1.html


http://www.stanford.edu/~jay/health_class/Readings/Lecture10/newhouse_medical_costs.pdf

Week 2: Insurance, What Should It Do, What Does it Do and How Do Insurers Compete? (September 5)

a) Why do we have health insurance and not food insurance? Should the government be involved in providing health insurance?

b) Should insurance companies be allowed to charge different premiums to people with “pre-existing conditions”? What about smokers?

c) You are an employer. You can, a) Offer your employees a single generous health plan, b) Offer your employees a choice between a more and less generous health plan, or c) Offer your employees a choice between many plans with different levels of generosity, some of which include savings accounts. Which do you do and why?

d) Discuss something you think health insurance companies should do which would increase profits or reduce costs that they don’t currently do (or at least, that most do not currently do).


Consumer-Driven Health Care: Medtronic's Health Insurance Options (HBS 9-302-006)

Optional: Baicker, Katherine and Amitabh Chandra, —Myths and Misconceptions About U.S. Health Insurance, Health Affairs, 2008, 27(6), w533-543


Week 3: Healthcare Delivery Facilities (September 19)

a) How have changes in reimbursement impacted hospital profitability over time?

b) Was Davita’s success due to concrete economic factors or their culture? What steps did they take to develop a new culture?

c) Are retail clinics complements or substitutes for traditional forms of medical care? (note: based on optional readings)

d) Will market share for retail clinics continue to grow rapidly? (note: based on optional readings)

e) What other services should retail clinics provide that they don’t currently provide? What barriers currently exist that prevent them from providing these services and how could they be overcome?

PAGES 320-325 ARE REQUIRED (the remainder is helpful if you need a review of the “Five Forces”). Chapter 10, “Industry Analysis”, Economics of Strategy.

Kent Thiry and DaVita: Leadership Challenges in Building and Growing a Great Company (Stanford GSB Case OB-54) –READ UNTIL P. 18


Week 4: Pharmaceuticals (October 3)

Discussion Questions:

a) What explains the vertical disintegration of pharmaceutical companies over the last 20 years?

b) Should US consumers be allowed to purchase drugs in other countries and import them? How would this impact prices in the US and abroad? Would consumers in each country be better off? In what other ways might firms respond?

Fiona Scott Morton, Margaret Kyle, Handbook of Health Economics, Chapter 12: Markets for Pharmaceutical Products.


Week 5: Behavioral Economics and Healthcare (October 17)

a) Discuss an instance from your work experience where checklists are used. In your view, are they beneficial? Could they be improved? What are some of the challenges to their implementation?

b) Discuss a task from your work experience where you think a checklist might be helpful. Describe the checklist you would implement. Discuss the steps you would take to encourage regular use of the checklist.

c) One general difficulty with checklists is convincing practitioners that they should use them. What do you think are the best ways to convincing people to use checklists? How can you minimize the chance that these methods backfire?

d) Is Gawande overoptimistic about Checklists? Discuss some cases where you think an alternative is superior.

Atul Gawande, The Checklist Manifesto: How to Get Things Right.


Week 6: Healthcare Reform (October 31)

Discussion Questions:
a) Does the Massachusetts healthcare reform make you more or less confident that the ACA will be successful? Why?

b) What does the ACA do to try to control costs? Do you believe these measures will be effective?

c) If you could make one change to the ACA, what would it be?


The instructor reserves the right to modify and/or change the course syllabus as needed during the course.