

Economics 771: Health Economics II
Emory University
Spring 2011

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Classes: MW 10:00-12:00
Room: Rich 100
Office Hours: MW 9:30-10am &
MW 12-1pm

Course Description

This course examines the role of the government in health and health insurance. Federal and state/local spending on health represent approximately 25 % and 20 % of the respective budgets and these percentages have risen significantly in the last 50 years. Additionally, government expenditures on education and social services have implications for health outcomes. We will examine how government has intervened, and the effect of these interventions on health and economic outcomes. More specifically, this course will examine the impact of government intervention on health behaviors and individuals' behavioral responses to government intervention, the influence of anti-poverty and nutrition programs on health outcomes, and the influence of government intervention in health insurance markets on insurance coverage and health outcomes.

Prerequisites: Econ 500 (Micro I), Econ 521 (Econometrics)

Course Requirements

Paper	50 %
Presentations of Articles	10 %
Presentation of Your Paper	20%
Discussion of Classmate's Paper	10 %
Participation in Class Discussion	10 %

Presentations of Articles: Students will lead the discussion of two articles from different topics from the syllabus in class. This will consist of providing a summary presentation of the key points and methodology of the article and coming up with a few questions/comments/ideas for extensions to facilitate the discussion.

When you present an article, as well as when you read an article in preparation for class, you should think about the following overview questions:

What is the research question that the authors attempt to answer in this paper?

Why is this paper an improvement on the existing literature?

How could this paper be improved or extended to further contribute to the literature?

You should also think about the following specific questions (when applicable):

How did the authors attempt to answer their specific research question?

Are there/what are the sources of endogeneity related to this question?

What is the identification strategy used by the authors?

What assumptions are necessary for the identification strategy to answer the research question?

How could the authors demonstrate whether these assumptions are accurate?
Are the identifying assumptions likely to be accurate? Do you find their identification strategy convincing?
What data do the authors use to answer their research question?
What data would be ideal to answer their research question?
Which econometric techniques do the authors use?
What are the primary results of the paper?
What are the implications of these results?
How could/do the authors examine the robustness of the results?
Are the results convincing? Why or why not?
Are the results externally valid?
What are the overall strengths and weaknesses of the paper?
How could the weaknesses be improved?
What additional research questions are generated by this paper?

Paper: Students will prepare a paper on the topic of their choice. The paper should be at least 15 pages and should be prepared in a format similar to the journal articles that we will discuss in class. Students are encouraged to discuss their paper ideas with me and are required to submit a 300 word abstract of the paper by the end of week 5 (February 16 at 10am). The additional references related to the course topics are listed to help you find additional references about any topics that are of particular interest to you as you consider potential topics for this paper. You should begin thinking about a paper topic immediately. A polished draft of the paper will be due to the paper's discussant and me by the end of week 12 (April 7 at 4pm). The final paper, which should incorporate any helpful comments from the discussant, will be due on the date of the last day of finals (May 4 at 5pm). Students in the second year may, if they choose, write a paper that replicates a published paper in a top field or general interest journal provided that the data and code for the paper are not provided on the journal or authors' websites. Students in the third year or higher are expected to develop an original paper.

Presentation of Your Paper: Students will present their paper during the last few weeks of the course. The format will be similar to a conference presentation and students will have 18 minutes to present.

Discussion of Classmate's Paper: Students will discuss a classmate's paper following the classmate's presentation of their paper. The format will be similar to a discussant's role at a conference and students will have 7 minutes to discuss the paper. The discussion should describe the contribution of the paper to the literature and how the paper could be improved to make a greater contribution. I will provide examples of discussant comments.

Participation in Class Discussion/Literature Journal: Students are expected to attend class, read the assigned articles prior to class, and come to class prepared to discuss the readings. As preparation for each class, students are expected to write a brief summary of each article before class that describe the research question, contribution of the paper to the literature, methodology, data, results, and how the paper could be extended. The summary can be in paragraph or outline form. The summaries for all papers should be turned in as one document at the same time as the final paper.

Tentative Course Outline

Articles referred to in this outline are available online either through the Emory library, the organization's working paper series, or Google Scholar. Reading marked with an asterisk are required reading. Readings without an asterisk are recommended reading for students who are particularly interested in a topic. These readings were chosen to give students an introduction to a variety of methodologies, dataset, while combining newer with somewhat older papers.

Guide for the structure of each class: After the second class, each class will begin with a 25 minute overview and background of the topic, followed by 45 minutes of discussion about each paper with a 5 minute break in-between. Keep in mind that this is a rough outline for each class and it is subject to change depending on the material and discussion.

Week 1: 1/19

Introduction (1/19)

- Cutler, Handbook of Public Economics, Chapter 31, "Health Care and the Public Sector"
- Evans, W., H. Levy, and K. Simon (1996) "Data Watch: Research Data in Health Economics," *Journal of Economic Perspectives*, 14(4), 203-216.
- Morrisey, Michael A., and John Cawley. 2008a. "U.S. Health Economists: Who We Are and What We Do." *Health Economics*, 17(4): 535-543.
- Morrisey, Michael A., and John Cawley. 2008b. "The Production of Published Research by U.S. Academic Health Economists," *International Journal of Health Care Finance and Economics*, 8(2): 87-111.
- Morrisey, Michael A., and John Cawley. 2008c. "Health Economists' Views of Health Policy." *Journal of Health Politics, Policy, and Law*, 33(4): 707-724.
- Cawley, John, and Michael A. Morrisey. 2007. "The Earnings of U.S. Health Economists." *Journal of Health Economics*, 26(2): 358-372.

Week 2: 1/24 and 1/26

Review of applied microeconometrics (1/24)

Note that this course will involve reading many empirical papers, so we will begin with a review of applied microeconometrics. The following papers are summary papers; for additional readings about specific topics, see the references therein or ask me.

- * Imbens and Wooldridge (2009) "Recent Developments in the Econometrics of Program Evaluation," *JEL* 47(1), 5-86.
- Angrist and Krueger "Empirical Strategies in Labor Economics," *Handbook of Labor Economics*
- Heckman and Vytlačil (2007) "Econometric Evaluation of Social Programs, Parts I and II" *Handbook of Econometrics*, Volume 6B.
- Blundell, Richard and Monica Costa Dias (2009) "Alternative Approaches to Evaluation in Empirical Microeconomics," *Journal of Human Resources*, 44(3), 565-640.
- Lee, David S. and Thomas Lemieux (2009) "Regression Discontinuity Designs in Economics," NBER working paper 14723.
- Angrist and Pischke (2009) "Mostly Harmless Econometrics"
- Also recommended for background material is any econometrics text, such as Cameron and Trivedi, Wooldridge, Hayashi, and Greene, among others

Health Behaviors: Externalities and Overview of Approaches to Addressing Externalities

Manning, Willard et al., "The Taxes of Sin," *Journal of the American Medical Association* 1989 (261:11), 1604 – 1609.

Sturm, R., 2002. The effects of obesity, smoking, and drinking on medical problems and costs. *Health Affairs* 21, 245.

Health Behaviors: Smoking and Taxation (1/26)

* Carpenter and Cook (2008) "Cigarette Taxes and Youth Smoking: New Evidence From National, State, & Local Youth Risk Behavior Surveys," *JHE*

* Adda, Jerome and Francesca Cornaglia. (2006). Taxes, Cigarette Consumption, and Smoking Intensity. *American Economic Review*, 96(4) 1013-1028.

P DeCicca, D Kenkel, and A Mathios (2002) "Putting out the fires: Will higher taxes reduce the onset of youth smoking?" *JPE*

Evans, William N. and Matthew C. Farrelly. (1998). The Compensating Behavior of Smokers: Taxes, Tar, and Nicotine. *RAND Journal of Economics*, 29(3), 578-595.

Markowitz (2008) "The Effectiveness of Cigarette Regulations in Reducing Cases of Sudden Infant Death Syndrome" *JHE*

Chaloupka, F. and K. Warner (2000). "The economics of smoking," in *Handbook of Health Economics*, A. Culyer and J. Newhouse, Eds. Netherlands: North-Holland, Elsevier Science.

The Price of Smoking, by Frank A. Sloan, Jan Ostermann, Gabriel Picone, Christopher Conover, and Donald H. Taylor, Jr., MIT Press, 2004.

Week 3: 1/31 and 2/2

Health Behaviors: Smoking and Regulation (1/31)

* Evans, Farrelly, and Montgomery (1999) "Do Workplace Smoking Bans Reduce Smoking?" *American Economic Review*, 89(4), 728-747.

* Adda, Jerome and Francesca Cornaglia. (2010). The Effect of Bans and Taxes on Passive Smoking. *American Economic Journal: Applied Economics*.

Sloan, F. and J. Trogdon (2004). "The Impact of the Master Settlement Agreement on Cigarette Consumption," *Journal of Policy Analysis and Management*, 23(4): 843-855.

Cutler et al. (2002). "The Economic Impacts of the Tobacco Settlement," *Journal of Policy Analysis and Management*, 21(1), 1-19.

Health Behaviors: Alcohol (2/2)

* Manning, W.G., Blumberg, L., and L.H. Moulton (1995) "The Demand for Alcohol: The Differential Response to Price," *Journal of Health Economics*, 14, 123-148.

* DiNardo, J. and T. Lemieux (2001). "Alcohol, Marijuana, and American Youth: The Unintended Consequences of Government Regulation," *Journal of Health Economics*, 20(2001): 991-1010.

Cook, P.J., and M. Moore (2000), "Alcohol", in: A. Culyer and J. Newhouse, eds., *Handbook of Health Economics*, Vol. B (Elsevier, Amsterdam) pp. 1629-1673.

Paying the Tab, Philip J. Cook, Princeton University Press, 2007.

Dee, Thomas S. "Does Setting Limits Save Lives? The Case of 0.08 BAC Laws," *Journal of Policy Analysis and Management* 2001 20(1): 113-130.

- Markowitz and Grossman (2000) "The Effects of Beer Taxes on Physical Child Abuse," *Journal of Health Economics*, 19(2), 271-282.
- Carpenter, Christopher and Carlos Dobkin (2009) "The Effect of Alcohol Consumption on Mortality: Regression Discontinuity Evidence from the Minimum Drinking Age," *American Economic Journal: Applied Economics*, 1(1), 164-182.
- Dee, Thomas S. "Does Setting Limits Save Lives? The Case of 0.08 BAC Laws," *Journal of Policy Analysis and Management* 2001 20(1): 113-130.
- Watson and Fertig (2009) "Minimum Drinking Age Laws and Infant Health Outcomes," *JHE*.
- Carrell, Hoekstra, West (2010) "Does Drinking Impair College Performance? Evidence from a Regression Discontinuity Approach," NBER WP.
- Lovenheim and Slemrod (2010) "The Fatal Toll of Driving to Drink: The Effect of Minimum Legal Drinking Age Evasion on Traffic Fatalities," *JHE*.

Week 4: 2/7 and 2/9

Health Behaviors: Obesity (2/7)

- * Finkelstein, Ruhm, and Kosa (2005) "Economic Causes and Consequences of Obesity," *Annual Review of Public Health*, 26, 239-257.
- * Bhattacharya, Jay, Kate Bundorf, Noemi Pace, and Neeraj Sood (2009). Does Health Insurance Make You Fat? NBER Working Paper 15163.
- Bhattacharya and Sood (2005) "Health Insurance and the Obesity Externality," NBER WP 11529.
- Markowitz, Sara and Inas Rashad (2010) "Incentives in Obesity and Health Insurance" *Inquiry*.
- Finkelstein, E.A., Trogdon, J.G., Cohen, J.W., Dietz, W. 2009. "Annual Medical Spending Attributable to Obesity: Payer- And Service-Specific Estimates." *Health Affairs*, doi: 10.1377/hlthaff.28.5.w822
- Finkelstein, Fiebelkorn, and Wang (2003) "National Medical Spending Attributable to Overweight and Obesity: How Much, and Who's Paying?" *Health Affairs*, W3, 219-226.
- Thorpe, Florence, Howard, and Joski (2004) "The Impact of Obesity on Rising Medical Spending," *Health Affairs*, W4, 480-486.
- Cawley and Burkhauser (2006) "Beyond BMI: The Value of More Accurate Measures of Fatness and Obesity in Social Science Research" NBER WP 12291.

Health Behaviors: Obesity (2/9)

- *Anderson, Patricia M. and Kristin F. Butcher (2006) "Reading, Writing, and Refreshments: Are School Finances Contributing to Children's Obesity?" *Journal of Human Resources*, 41 (3), 467-494.
- * Bollinger, Leslie, and Sorensen (forthcoming) "Calorie Posting in Chain Restaurants," *AEJ: Economic Policy*
- Variyam and Cawley (2006) "Nutrition Labels and Obesity," NBER WP 11956
- Cawley, John, Chad Meyerhoefer, and David Newhouse. (2007). The Impact of State Physical Education Requirements on Youth Physical Activity and Overweight. *Health Economics*, 16(12), 1287-1301.
- Fletcher, Frisvold, and Tefft (2010) "The Effects of Soft Drink Taxes on Child and Adolescent Consumption and Weight Outcomes," *Journal of Public Economics*.

Week 5: 2/14 and 2/16

Health Behaviors: Interactions between policy and other behaviors (2/14)

- * Adams, Scott and Chad Cotti. (2008). Drunk driving after the passage of smoking bans in bars
Journal of Public Economics Volume 92, Issues 5-6, Pages 1288-1305
- * Courtemanche (2009) “Rising Cigarette Prices and Rising Obesity: Coincidence or Unintended
Consequence?” JHE
- Chou, S.-Y., M. Grossman and H. Saffer, “An economic analysis of adult obesity: results from
the behavioral risk factor surveillance system,” *Journal of Health Economics* **23** (2004),
pp. 565–587.
- Gruber, J and Frakes, M, (2006). “Does falling smoking lead to rising obesity?” *Journal of
Health Economics*, 25:2, 183-197.
- S. Chou, M. Grossman and H. Saffer, Reply to Jonathan Gruber and Michael Frakes, *Journal of
Health Economics* **25** (2006), pp. 389–393.

Paper abstracts due (2/16)

Discuss abstracts and brainstorm ideas

Week 6: 2/21 and 2/23

Poverty and Nutrition: Overview

- Holzer, Harry J., Diane Whitmore Schanzenbach, Greg J. Duncan, and Jens Ludwig (2007) “The
Economic Costs of Poverty in the United States: Subsequent Effects of Children Growing
Up Poor,” Institute for Research on Poverty Discussion Paper 1327-07.
- Bhattacharya, Jayanta, Janet Currie, Steven Haider (2004) “Poverty, Food Insecurity, and
Nutritional Outcomes in Children and Adults,” *Journal of Health Economics*, 23, 839-
862.

Poverty and Nutrition: School Nutrition Programs (2/21)

- * Schanzenbach, Diane Whitmore (2009) “Do School Lunches Contribute to Childhood
Obesity?” JHR.
- * Tchernis, Millimet, and Husain (2009) “School Nutrition Programs and the Incidence of
Childhood Obesity,” JHR.
- Bhattacharya, Jayanta, Janet Currie, and Steven J. Haider (2006) “Breakfast of Champions? The
School Breakfast Program and the Nutrition of Children and Families,” *Journal of
Human Resources*, 41 (3), 445-466.

Week 7: 2/28 and 3/2

Poverty and Nutrition: The Food Stamp Program (2/28)

- * Almond, Hoynes, and Schanzenbach (2008) “Inside the War on Poverty: The Impact of Food
Stamps on Birth Outcomes,” NBER WP 14306.
- * Kaushal (2007) “Do Food Stamps Cause Obesity? Evidence from Immigrant Experience,”
Journal of Health Economics, 26, 968-991.
- Currie, Janet (2002) “U.S. Food and Nutrition Programs,” available at:
http://www.econ.columbia.edu/currie/Papers/US_Food_and_Nutrition.pdf

Poverty and Nutrition: WIC/Head Start (3/2)

- * Joyce, Gibson, and Colman (2005) “The Changing Association between Prenatal Participation in WIC and Birth Outcomes in New York City,” *Journal of Policy Analysis and Management*, 24(4), 661-685.
- * Figlio, David, Sarah Hamersma, and Jeffrey Roth (forthcoming) “Does Prenatal WIC Participation Improve Birth Outcomes? New Evidence from Florida” *Journal of Public Economics*.
- Bitler and Currie (2005) “Does WIC Work? The Effects of WIC on Pregnancy and Birth Outcomes,” *Journal of Policy Analysis and Management*, 24(1), Winter 2005, pp. 73–91.
- Bitler and Currie (2005) “The Changing Association between Prenatal Participation in WIC and Birth Outcomes in New York City: What Does It Mean?” *Journal of Policy Analysis and Management*, 24(4), 687-690.
- Ludwig, Jens and Matthew Miller (2005) “Interpreting the WIC debate,” *Journal of Policy Analysis and Management*, 24(4), 691-701.
- Currie, J. & D. Thomas (1995) “Does Head Start Make a Difference?” *American Economic Review*, 85 (3), 341-364.
- Ludwig, Jens and Douglas L. Miller (2007) “Does Head Start Improve Children’s Life Chances? Evidence from a Regression Discontinuity Design,” *Quarterly Journal of Economics*, 122 (1), 159-208.
- Frisvold, David (2007) “Head Start Participation and Childhood Obesity,” *Early Childhood Research Collaborative Discussion Paper 108*.
- Frisvold and Lumeng (2011) “Expanding Exposure: Can Increasing the Daily Duration of Head Start Reduce Childhood Obesity?” *JHR*.

Week 8: 3/7 and 3/9

Spring Break: No Class

Week 9: 3/14 and 3/16

Poverty and Nutrition: I will present a paper on the School Breakfast Program (3/14)

I will present this paper during class. The main purpose of this presentation will be for you to have the opportunity to ask questions about the research process. I expect that you will have read this paper before class and will use this opportunity to ask questions and further understand how to develop a research paper and the details involved in the research process. By this point, I expect that you will have started your own paper so the timing of this presentation is designed to help you advance your project beyond the initial stages of the research process.

Health Insurance: Overview and discussion of market failures (3/16)

- * Cutler and Reber (1998) “Paying for Health Insurance: The Trade-Off between Competition and Adverse Selection,” *QJE*.
- * Gruber (2008) “Covering the Uninsured in the United States,” *Journal of Economic Literature*, 46(3), 571-606.
- Cutler, David M., and Richard J. Zeckhauser. 2000. “The Anatomy of Health Insurance.” In *Handbook of Health Economics, Volume 1a*, ed. A. J. Culyer and J. P. Newhouse, 563–643. Amsterdam; New York and Oxford: Elsevier Science, North-Holland.

Levy, Helen and David Meltzer (2001). "What Do We Really Know About Whether Health Insurance Affects Health?" University of Chicago Harris School of Public Policy, Unpublished Working Paper.

Helen Levy. "The Economic Consequences of Being Uninsured," Economic Research Initiative on the Uninsured Working Paper 12, October 2002.

Helen Levy and Thomas DeLeire. "What Do People Buy When They Don't Buy Health Insurance And What Does that Say About Why They Are Uninsured?" National Bureau of Economic Research Working Paper 9826, July 2003.

Week 10: 3/21 and 3/23

Health Insurance: Overview and Crowding Out (3/21)

* Manning, W.G., J.P. Newhouse, N. Duan, E.B. Keeler, A. Leibowitz (1987) "Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment," *American Economic Review*, 77(3), 251-277.

* Cutler and Gruber (1996) "Does Public Insurance Crowd Out Private Insurance?" QJE.

Gruber, Jonathan, and Kosali Simon. Forthcoming. "Crowd-Out Ten Years Later: Have Recent Public Insurance Expansions Crowded Out Private Health Insurance?" *Journal of Health Economics*.

Lo Sasso, Anthony T., and Thomas C. Buchmueller. 2004. "The Effect of the State Children's Health Insurance Program on Health Insurance Coverage." *Journal of Health Economics*, 23(5): 1059-82.

Ham, J. and L. Shore-Sheppard. 2005. "The Effect of Medicaid Expansions for Low-Income Children on Medicaid Participation and Private Insurance Coverage: Evidence from the SIPP" *Journal of Public Economics*, 89(1), 57-83.

Health Insurance: Medicaid (3/23)

* Currie, Janet and Gruber, Jonathan (1996a). "Health Insurance Eligibility, Utilization of Medical Care, and Child Health." *Quarterly Journal of Economics* 11: 431-66.

* Card, David and Lara D. Shore-Sheppard. "Using Discontinuous Eligibility Rules to Identify the Effects of the Federal Medicaid Expansions on Low-Income Children." *Review of Economics and Statistics* 86 (2004): 752-66.

Currie, Janet and Gruber, Jonathan (1996b). "Saving Babies: The Efficacy and Cost of Recent Changes in the Medicaid Eligibility of Pregnant Women." *Journal of Political Economy* 104: 1263-96.

Gruber, Jonathan. 2003. "Medicaid." In *Means-Tested Transfer Programs in the United States*, ed. Robert A. Moffitt, 15-77. Chicago and London: University of Chicago Press.

Davidoff, Kenney, and Dubay (2005) "Effects of the State Children's Health Insurance Program Expansions on Children with Chronic Health Conditions," *Pediatrics*, 116(1), e34-e42.

Week 11: 3/28 and 3/30

Health Insurance: Medicaid/Long-Term Care Insurance/Medicare (3/28)

* Finkelstein and Brown (2008) "The Interaction of Public and Private Insurance: Medicaid and the Long-Term Care Insurance Market," *American Economic Review*, vol. 98, no. 3, pp. 1083 - 1102.

* Card, Dobkin, and Maetas (2004) "The Impact of Nearly Universal Insurance Coverage on Health Care Utilization and Health: Evidence from Medicare," NBER WP 10365.

Pauly (1990) "The rational nonpurchase of long-term care insurance," JPE

Health Insurance: Medicare (3/30)

- * Finkelstein and McKnight (2008) "What Did Medicare Do? The Initial Impact of Medicare on Mortality and Out of Pocket Medical Spending," *Journal of Public Economics*, vol. 92, pp. 1644-1669.
 - * Finkelstein (2007) "The Aggregate Effects of Health Insurance: Evidence from the Introduction of Medicare," *Quarterly Journal of Economics*, vol. 122, no. 3, pp. 1-37.
- Bhattacharya, J. and D. Lakdawalla. 2006. "Does Medicare Benefit the Poor?" *Journal of Public Economics*, 90(1-2), January, 277-292.

Week 12: 4/4 and 4/6

Assignment: Paper due to discussant on 4/7 at 4pm

Guest speaker: Jim Marton (4/4)

Health Care Reform (4/6)

- * Kolstad and Kowalski (2010) "The Impact of Health Care Reform on Hospital and Preventive Care: Evidence from Massachusetts," NBER WP.
- * Point/Counterpoint in JPAM (Winter 2011) between Gruber and Holtz-Eakin

Week 13: 4/11 and 4/13

Student Presentations

Format: Presentation for 18 minutes; Discussant comments for 7 minutes; Audience discussion afterwards

Week 14: 4/18 and 4/20

Student Presentations

Other Course Details

Office Hours: My office hours are the hour following our class time and 30 minutes before class. If you are planning to see me during office hours, send me an e-mail ahead of time to let me know that you would like to see me and what you would like to discuss.

Course Management: I will likely not use Blackboard for this course. I will instead correspond with you directly through e-mail. Send me an e-mail after the first class so that I know your contact information.

This syllabus is not a fixed document and is subject to revisions.

Honor Code

The Emory University Honor Code is taken seriously and governs all work in this course. Details about the Honor Code are available at:

http://www.college.emory.edu/current/standards/honor_code.html