

**University of Miami  
Department of Management  
School of Business Administration**

**MGT 684, Section 65 – Analysis of Health Care Delivery and Policy**

**Summer 2015 (Sessions 4-6)**

Professor: Michael T. French, Ph.D.  
Class Time: 4/10, 5/1, 6/5 (8:00-5:00); 4/11, 5/2, 6/6 (8:00-12:00)  
Classroom: SB 508  
Office: Merrick 121F  
Office Hours: Following class or by appointment  
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**Course Goals**

All societies must deal with the allocation of scarce resources. In our society, primary reliance is placed on markets and prices. Since most students are unfamiliar with the methods of decision-making from a manager's perspective, we will discuss criteria to evaluate the allocation of resources and analyze the behavior of two of the principal actors — consumers and firms. A careful analysis of the choices made by individuals, organizations, and governments will demonstrate that sensible “choice architecture” can successfully nudge people toward better decisions without restricting their freedom of choice. The principles of economic and management decision-making will be presented in the context of health care systems and markets. We will use numerous real-world issues and case studies to demonstrate decision-making techniques, especially for health care organizations and consumers.

**Learning Objectives**

Students will become familiar with (1) the principles of opportunity cost and elasticity, (2) supply and demand for health care, (3) imperfect information and physician-induced demand, (4) moral hazard and adverse selection in insurance markets, and (5) evaluation of health care programs. Students will also learn how to apply these techniques to current issues in health administration and policy such as (1) long-term care, (2) the pharmaceutical industry, (3) the market for health care workers, (4) physician and hospital performance, (5) government intervention, and (6) the knowledge, sensitivity, and awareness of the issues involved in conducting business in a diverse global environment. Insights gained from the course should be helpful in decision-making by health care administrators and managers, public health practitioners, clinicians, researchers, and health policy makers. The process of decision making will be introduced and discussed through case studies such as (1) efficient hiring of health care workers, (2) economies of scale in the delivery of health services, (3) government regulation of poor health decisions, and (4) cost-benefit analysis of brief physician interventions.

## **Executive MBA Program in Health Competency Model**

The University of Miami's Executive MBA in Health faculty has adopted the National Center for Healthcare Leadership Competency Model, Version 2 to guide curriculum and course development. This course was developed to address the following competencies:

Transformation Domain:

- Achievement orientation – focused on using economic analysis tools to measure results objectively and to strive for improvement and make effective cost-effective decisions.
- Analytical thinking – focused on using economic information to organize, track, and systematically analyze the financial consequences of key decisions related to resources recognizing multiple and complex relationships.

Execution and Accountability Domain:

- Performance measurement – monitors indicators of performance through application of economic principles and practices to evaluate performance and make evidence-based management decisions.

People and Human Resource Management Domain:

- Interpersonal understanding – commits to understanding others by engaging with classmates and others in class participation, discussions, and debates.

## **Course Requirements and Assessment**

The course grade will be based on three short quizzes (15%) that will be administered at 8:00am on April 10, May 1, and June 5; a mid-term exam (35%); and a final exam (50%). Borderline grades will be determined by class attendance and participation. A practice problem set will be assigned after the first weekend of class, but this assignment will not count toward the final grade. We will discuss the problem set during a voluntary review session that will be scheduled just prior to the second weekend of class. The mid-term exam will be completed outside of class. Students can consult with textbooks and other reference materials, but no assistance is permitted from other students, instructors, colleagues, etc. All students will complete the comprehensive final exam at the designated time during the last day of class. Each exam is due on the date listed below and no exceptions will be made short of an emergency and without prior approval.

## **Course Materials and Required Readings**

The required books for the course are:

Getzen, Thomas E. 2013. *Health Economics and Financing*, 5<sup>th</sup> Edition, New York, New York: John Wiley and Sons, Inc.

Thaler, R.H., and C.R. Sunstein. 2009. *Nudge: Improving Decisions About Health, Wealth, and Happiness* (Revised and Expanded Edition). New York, NY: Penguin Books.

The optional books for the course are:

Drummond, M. F., M. J. Sculpher, G. W. Torrance, B. J. O'Brien, and G. L. Stoddart. 2005. *Methods for the Economic Evaluation of Health Care Programmes*, (Third Edition), New York: Oxford University Press.

Bhattacharya, J., T. Hyde, and P. Tu. 2014. *Health Economics*, (First Edition), New York: Palgrave Macmillan.

Sloan, F.A., and C-R. Hsieh. 2012. *Health Economics* (First Edition). Cambridge, MA: The MIT Press.

Folland, Sherman, Allen C. Goodman, and Miron Stano. 2013. *The Economics of Health and Health Care* (Seventh Edition), Pearson.

Feldstein, Paul J. 2012. *Health Care Economics*. 7<sup>th</sup> Edition, Clifton Park, NY: Delmar Cengage Learning.

Ariely, D. 2010. *Predictably Irrational* (Revised and Expanded Edition). Harper Perennial.

Ariely, D. 2011. *The Upside of Irrationality: The Unexpected Benefits of Defying Logic at Work and at Home* (Revised and Expanded Edition). Harper Perennial.

Ariely, D. 2013. *The Honest Truth About Dishonesty: How We Lie to Everyone--Especially Ourselves* (Revised and Expanded Edition). Harper Perennial.

Levitt, S.D., and Dubner, S.J. 2009. *Freakonomics: A Rogue Economist Explores the Hidden Side of Everything*. William Morrow.

Whenever necessary and helpful, class handouts, research manuscripts, and recent journal, magazine, and newspaper articles will be provided throughout the semester to highlight current issues related to health care delivery and policy. Students are not expected to have a familiarity with health care policy concepts and principles prior to taking this course. In addition, students are not expected to use calculus in this course. However, students are expected to have an understanding of basic algebra and graphical analysis will be used often throughout the class.

### **Class Format and Attendance**

The class format will be designed to stimulate participation from all students. I encourage questions, comments, and debate. The quality of the class is a direct function of your preparation and discussion. Students are expected to be punctual for both the morning and afternoon sessions (i.e., arrive in the classroom at least 5 minutes before the start of each session), and attend every class. Unexcused late arrivals or absences will result in a lower final grade. Unavoidable absences (illness, work emergencies, etc.) should be confirmed with the instructor no later than one day prior to the class time. It will be very difficult to obtain a passing grade if you are not able to attend at least 80 percent of the contact time. All cell phones, computers, and other electronic devices must be turned off during class time. Emailing, texting, electronic surfing, and other forms of non-classroom communication are strictly forbidden.

## **Brief Professor Bio**

Dr. French ([www.mtfrench.com](http://www.mtfrench.com)) is a health economist and Professor in the Department of Sociology at the University of Miami, with secondary appointments in the Department of Economics, Department of Public Health Sciences, and Department of Health Sector Management and Policy. He is also Director of the Health Economics Research Group ([www.miami.edu/herg](http://www.miami.edu/herg)) in the College of Arts and Sciences, Research Director of the Health Sector Management and Policy Program in the School of Business Administration (<http://www.bus.miami.edu/undergraduate-programs/curriculum/majors/health-sector/index.html>), and a Senior Fellow of the Center for Health Sector Management and Policy (<http://www.bus.miami.edu/explore-the-school/health-programs/health-center/>). His research interests and experience includes health economics, health policy, program evaluation, substance abuse research, alternative health care delivery systems, pharmaco-economics, human resource economics, and the economics of crime. He has been principal investigator or project leader on numerous research grants with the National Institutes of Health, the Robert Wood Johnson Foundation, and several state agencies. He is currently editor of the *Journal of Mental Health Policy and Economics*; on the editorial boards for *Health Services Research*, *Evaluation and Program Planning*, and *Journal of Substance Abuse Treatment*; and serves on several research advisory boards for universities, national and international companies, government agencies, and health care organizations. Dr. French has published over 170 peer-reviewed scholarly articles in a variety of multidisciplinary professional journals including *Addiction*, *Addictive Behaviors*, *Alcoholism: Clinical and Experimental Research*, *American Journal of Drug and Alcohol Abuse*, *American Journal of Health Promotion*, *American Journal of Public Health*, *Applied Economics*, *Benefits Quarterly*, *Cancer Practice*, *Contemporary Economic Policy*, *Criminology*, *Drug and Alcohol Dependence*, *Eastern Economic Journal*, *Economic Inquiry*, *Economics of Education Review*, *Economics and Human Biology*, *Employee Assistance Quarterly*, *Evaluation and the Health Professions*, *Evaluation and Program Planning*, *Evaluation Review*, *Health Economics*, *Health Services Research*, *Implementation Science*, *Industrial Marketing Management*, *Industrial Relations*, *Journal of Addictive Diseases*, *Journal of Adolescent Health*, *Journal of the American Board of Family Medicine*, *Journal of Behavioral Health Services and Research*, *Journal of Employee Assistance Research*, *Journal of Experimental Criminology*, *Journal of Health Economics*, *Journal of Health and Social Behavior*, *Journal of Health and Social Policy*, *Journal of Human Resources*, *Journal of Internal Medicine*, *Journal of Maintenance in the Addictions*, *Journal of Mental Health Policy and Economics*, *Journal of Occupational Health Psychology*, *Journal of Occupational Medicine*, *Journal of Offender Rehabilitation*, *Journal of Public Health Policy*, *Journal of Quantitative Criminology*, *Journal of Research on Adolescence*, *Journal of Risk and Uncertainty*, *Journal of Studies on Alcohol and Drugs*, *Journal of Substance Abuse Treatment*, *Labour Economics*, *Justice Quarterly*, *LABOUR: Review of Labour Economics and Industrial Relations*, *Law and Policy*, *Medical Care*, *Medical Care Research and Review*, *Monthly Labor Review*, *Population Health Management*, *Public Health Reports*, *Risk Analysis*, *Social Science and Medicine*, *Social Science Quarterly*, *Social Science Research*, *Sociological Inquiry*, *Substance Abuse*, *Substance Use and Misuse*, *Southern Economic Journal*, *Telemedicine and e-Health*, and *The Gerontologist*.

## Course Schedule

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|------|--|--|
| I.   | Introduction to Economics and Economic Principles                  | Chapter 1 (Getzen)                         |
|      | A. Flow of funds   |  |
|      | B. Production of health  |  |
|      | C. Opportunity cost  |  |
|      | D. Scarcity  |  |
|      | E. Maximization/marginalism  |  |
|      | F. Market failure  |  |
|      | G. Economic policy   |  |
| II.  | Demand   | Chapter 2 (Getzen)                         |
|      | A. Price   |  |
|      | B. Creation of demand and demand curves                            |  |
|      | C. Demand for medical care   |  |
|      | D. Marginal revenue  |  |
|      | E. Elasticity  |  |
|      | F. Efficiency  |  |
|      | G. Price discrimination  |  |
|      | H. Physician-induced demand  |  |
| III. | Patients and Insurance   | Chapter 4 (Getzen)                         |
|      | A. Risk  |  |
|      | B. Third-party payment   |  |
|      | C. Risk aversion   |  |
|      | D. Adverse selection   |  |
|      | E. Moral hazard  |  |
|      | F. Health insurance and labor markets                              |  |
| IV.  | Libertarian Paternalism, Choice Architecture, and Health Insurance | Introduction (TS)<br>Chapters 1-5, 14 (TS) |
|      | A. The cafeteria   |  |
|      | B. Choice architecture   |  |
|      | C. Libertarian paternalism   |  |
|      | D. The “nudge”   |  |
|      | E. Humans and Econs  |  |
|      | F. Assumptions and misconceptions                                  |  |
|      | G. Choosing the correct deductible                                 |  |
|      | H. Waiving the right to sue for malpractice (default option)       |  |
|      | I. Scheduled payouts for predefined medical injuries               |  |

**PROBLEM SET** (Voluntary assignment, no due date)

**REVIEW SESSION** (Date, time, and location to be determined)

- V. Health Care Providers (Physicians) Chapter 6 (Getzen)
  - A. Physician revenues
  - B. Physician payments
  - C. Physician incomes
  - D. Physician costs
  - E. Asymmetric information (principal agent problem)
  - F. Licensure
  
- VI. Health Care Providers (Hospitals) Chapter 8 (Getzen)
  - A. Development of the modern hospital
  - B. Hospital revenues
  - C. Hospital costs
  - D. Cost shifting
  - E. Hospital competition
  
- VII. Nurses and Long-Term Care Chapter 10 (Getzen); Chapter 9 (TS)
  - A. Supply of Nurses
  - B. Demand for Nurses
  - C. Shortage?
  - D. Role of Medicaid in LTC
  - E. Certificate of Need (CON)
  - F. Substitution
  - G. Retirement communities
  - H. Role of government
  - I. Privatizing Social Security
  
- VIII. Pharmaceuticals Chapter 11 (Getzen); Chapter 10 (TS)
  - A. Prices and reimbursement
  - B. Research and development
  - C. Pharmacoeconomics
  - D. Structure and competition
  - E. Medicare Part D
  
- IV. Public Goods and Public Health Chapter 14 (Getzen); Chapter 11 (TS)
  - A. Law and order
  - B. Public goods and externalities
  - C. Market failure
  - D. Medicaid and Medicare
  - E. Regulation
  - F. How to increase organ donations

**MID-TERM EXAM** (Due May 18 at 9:00am)

- IX. Economic Evaluation of Health Care Chapter 3 (Getzen); Chapters 2-7 (Drummond)
- A. Measuring costs
  - B. Measuring benefits
  - C. Maximizing social welfare
  - D. Cost analysis
  - E. Benefits analysis
  - F. Quality-adjusted life-years (QALYs)
  - G. Cost-effectiveness analysis (CEA)
  - H. Cost-benefit analysis (CBA)
  - I. Perspectives
- X. Health Policy Chapters 15, 17, & 18 (Getzen); Chapter 15 (IS) (optional)
- A. What is a public good?
  - B. Pure public goods
  - C. Information asymmetries
  - D. Disease externalities
  - E. Public health vs. morality
  - F. Health policy
  - G. Patient Protection and Affordable Care Act (PPACA or ObamaCare)
  - H. Privatizing marriage (optional)

**FINAL EXAM** (June 6 from 9:00am to 11:00am)