

TITLE OF THE COURSE: AN INTRODUCTION TO THE ECONOMICS OF HEALTH AND HEALTH CARE

JSGP, O. P. Jindal Global University

Course Code: IHEC3051

Course Information

Course Duration: 1st week of August till November (tentatively) ~ about 14 teaching weeks

Credit Hours: 4 credits

Visiting Hours: To be shared later by email appointment

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Course Description

Health has a very special in lives of individuals and for the society. It constitutes on of the fundamental elements of human capability and hence societal development. Healthcare is one of the many inputs that we need to produce good health. Healthcare market is quite unique in the ways it produces market failures.

Health Economics has emerged as an important sub-discipline of economics over the last four decades. The analytical frameworks, insights, tools and methods adopted and applied by health economists have drawn considerable attention of health policymakers and become foundations of major health sector reforms across the world. Though the implications of these reforms have been contested by many. This course is aimed to introduce students to the contours of health economics; appraise them with the analytical frameworks, tools and techniques offered by health economics that help in dealing with problems of health and health care delivery.

An introduction to economics of health and healthcare would help students re-examine the assumptions on which the superiority of competitive approaches is based, in the context of healthcare, and how failure to meet those assumptions affect health policy choices. The course attempts to demonstrate that economic theory does not support the belief that competition in the health services sector will necessarily lead to superior social outcomes and role of state in healthcare is essential to correct some of key distortions created by market forces. Equity as a key objective of health systems would be studied thoroughly, with emphasis on the determinants, its measurement issues, and the empirical evidences.

Through this course students would be exposed to some emerging areas of health economics research including health care financing, pharmaceutical economics, economics of evaluation, trade and health. For instance, how in today's pandemic access to vaccines can be ensured, how applicable would patent protection be a situation of global public health emergency?

Learning Outcomes:

This course would expose undergraduate students to basic concepts of economics of health and health care. While laying out the broad contours of health economics, this module would expose students to study health from the lens of economics. Students who complete the course would:

- Understand how socio-economic forces shape health of the individual and the society as a whole
- Appreciate the market failures in health and role of government.
- Understand the role of insurance in fostering access to healthcare and role of health financing
- Acquire analytical understanding about the health policy trajectory and health system challenges in India
- Would be appraised about the health policy challenges across the world

Duration: 14 weeks.

Prerequisite: Basic understanding of micro and macroeconomics or public health; This course is for 3rd year UG or post-graduate students of economics, public policy, public health, liberal arts and law.

Assessment:

Internal (60%)

- Class tests (one)- 20%- September 8;
- Class participation (10%)- two structured class discussions
- Group Assignment/ presentation (30%)- to be submitted by October 25

External: Written test (40%)

Class tests syllabus would depend on the progress till the previous week of the test. There would be MCQs and short answers.

Students would be asked questions periodically based on readings/material provided in the class as part of the **class discussions**; students would be encouraged to ask questions on related topics based on current developments; there would be moderated class discussions

Group presentation:

- Each group would have three people
- Choose any Indian state; take a country which has per capita income (PPPs) and population similar to the chosen Indian state;

- Briefly compare burden of disease of the two setting, in terms of mortality/morbidity/DALY; LEB and maternal and child health;
- Compare health financing systems of the two settings: Analyse major sources, agents and providers;
- Analyse the role of direct Out of pocket expenditure (OOP) in health financing of these systems and its consequences on equity, financial protection, impoverishment;
- Compare public spending on health (trend analysis to the extent possible);
- General instructions: use various data sources, create your own graphs and figures, provide references whenever relevant;
- Mention contribution of each member in the presentation preparation.

Curriculum:

Week 1, 2 and 3: Introduction Health and Economics of Health: As an introductory module, this would expose students to basic concepts of economics of health and health care. While laying out the broad contours of health economics, this module would expose students to study health from the lens of economics.

- a. Basic understanding about Health and Health care
- b. Scope of health economics
- c. Health and health care from the lens of macro-economics
- d. Equity and Social determinants of Health

Readings:

- Anand, S., Peter, F. & Sen, A.K 2004. Public Health, Ethics, and Equity, Oxford University Press.
- Rice, T. (1998), The Economics of Health Reconsidered, Health Administrative Press, USA.
- Marmot M, et all. (2009). Closing the gap in a generation: Health equity through action on the social determinants of health. 2009. WHO and Commission on Social Determinants of Health. Available on the WHO website http://www.who.int/social_determinants/thecommission/finalreport/en/index.html
- [Shiela Zurbrigg \(1984\). Rakku's Story; Mardras, India](#)

Week 4-7: Microeconomics and health care: In this module students would be exposed to market failures in the context of health. Important microeconomic models of health care would be studied here. Structure and issues of health insurance would be studied here.

- a. Application of consumer theory
 - a. Valuing health and life: Cost Benefit Analysis, Cost Effectiveness, QALY
- b. Production of health and health care
- c. General equilibrium: Pareto Optimality
- d. Imperfect market for health and health care
- e. Human capital: Grossman Model
- f. Health Insurance: Principal-agent problem, moral Hazards, adverse selection

Readings:

- Rice, T. (1998), *The Economics of Health Reconsidered*, Health Administrative Press, USA.
- *The Handbook of Health Economics* (Anthony J. Culyer and Joseph P. Newhouse, eds., Elsevier Science, 2000) is available online at <http://www.sciencedirect.com/science/handbooks/15740064>
- Reinhardt Uwe E. (2001). Can efficiency in health care be left to the markets?. *Journal of Health Politics, Policy, and Law* 26(5):967-92.

Week 8-10: Health Financing: The module on health financing would be based on the understanding on role of state in health and health care. Different forms of health financing would be studied, and roles of agents including state, market and individuals would be looked analysed here. Major emphasis would be put on Out-of-pocket spending on health and its impact on equality and access. Health care and financing systems would be studied from historical perspective with special emphasis on developing countries.

- a. State vis-à-vis market: Public Good, Merit Good
- b. Different forms of Financing: role of state
- c. Private Out-of-pocket expenditure and its implications
- d. Developing Country experiences
- e. Health financing in India
- f. Analysis of health financing data

Reading:

- Arrow, K. J. (1963), "Uncertainty and the Welfare Economics of Medical Care", *The*

American Economic Review, 43(5), pp. 941-973.

- The Handbook of Health Economics (Anthony J. Culyer and Joseph P. Newhouse, eds., Elsevier Science, 2000) is available online at <http://www.sciencedirect.com/science/handbooks/15740064>
- La Forgia, G., & Nagpal, S. (2012). Government-sponsored health insurance in India: Are you covered? : World Bank Publications.
- World Health Organisation (2010). Health systems financing: the path to universal coverage; World Health Report 2010. Geneva, Switzerland.

Week 11-12: Module 4: In this module we would discuss some of the important elements of how life and health are valued. We would discuss the Human Capital Approach and Grossman model. We would also discuss the various ways through which disease burden, cost and benefits, effectiveness are measured: Specific topics are:

- Human Capital and Grossman Model
- Disability Adjusted Life Years
- Quality Adjusted Life Years
- Cost Effectiveness
- Cost Benefit Analysis
- Discrete Choice Experiments

Essential Readings:

- Peter Zweifel (2009). Health Economics, Second Edition. Springer
- Wagstaff A (1986). The demand for health: theory and applications; *Journal of Epidemiology and Community Health*, 1986, 40, 1-11

Week 14-15: Module 5: Health Policy and System in India: In this module we would study global and Indian experience of health policy making from a historical perspective with special emphasis on key landmarks like Alma Ata declaration, Health Sector Reforms and WTO. Emphasis would be to study health sector reforms in India.

- Indian experience: Inequities in health
- Health sector reforms
- Primary Health Care Approach and HSR
- Trade and Health: IPR, GATS etc

Readings:

- Government of India (2005), Report of National Commission on Macroeconomics and Health, Ministry of Health and Family Welfare, New Delhi
- The World Bank (1993), Investing in Health, World Development Report, World Bank, Washington
- Gangolli, L., Duggal, R. & Shukla, A. eds., 2005. Review of Healthcare in India, Mumbai: Centre for Enquiry into Health and Allied Themes

Session outlines: Session plans are suggestive, might be modified in due course keeping in mind improvements in teaching pedagogy and learning

| Session (with Date) | General Topic | Readings | Approach/ Pedagogy |
|---------------------|---|---|--|
| Week 1 | Introduction Health and medicine Scope of health economics; Health and development; | Rosen, G. (1958), Anthony J. Culyer (2000) Rice (1998) | Class lecture |
| Week 2 & 3 | Equity and Access; Social determinants of health; Measuring Health; Health system in India | Anand, S. (2004) Mooni (2009) Marmot M, et all. (2009) Zurbrigg (1984) | Class lecture; Class discussion on Rakku's story |
| Week 4 | Demand for health and health care; Human Capital | Zweifel (2009) | Class lecture |
| Week 5 | Market for healthcare; normative principles Public good and merit goods | Rice, T. (1998), Musgrave (1995) Reinhardt Uwe E. (2001). | Class lecture; |
| Week 6&7 | Theories of health Insurance; Principal-Agent Problem Adverse selection, moral hazards; | Rice, T. (1998), Wagstaff (1986); Grossman (1972) Musgrave (1995) | Class lecture; Class discussion on market failures |
| Week 7: Class test | | | |
| Week 8&9 | Health financing: Core principles; Health financing systems; | Arrow, K. J. (1963), Anthony J. Culyer (2000) | Class lecture; Mid term |

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| Week 10.&11 | Economic Valuation of Health and Life | Anthony J. Culyer (2000) Gottret P (2006), | Class lecture |
| Week 12 | Equity in financing, measurement; | Wagstaff, Adam (2007), Jimenez, E. (1989) | Class lecture/ Structured class discussion on health financing |
| Week 12: Written Assignment/Presentation | | | |
| Week 13 | Heath Policy developments in India: Universal Health Coverage | Gangoli (2005) GoI (2005); La Forgia, G (2012). | Class lecture |
| Week 14&15 | Recap & final exam | | |