

Health Economics: Concepts and Challenges from the European Perspective

Lecturer: Eva Hromádková, Ph.D.

Contact: eva.hromadkova@cerge-ei.cz

Course Description:

The course aims to provide students with an introduction to the key concepts, methods and understanding of the application of economics to health and health care. Students will gain knowledge of the core theories underpinning health economics, and by looking at the empirical evidence they will learn to evaluate whether they give correct predictions for real health care market. The differences between US and European approach toward health care financing and provision will be discussed to stimulate students' critical thinking about the major challenges health care systems face and how health economics can play a role in understanding and mitigating those challenges.

Course Prerequisites:

One introductory-level economics course

Course Requirements:

- Active class participation: 20%
- Mid-term exam: 20%
- Final exam: 30%
- Final research paper and oral presentation: 30%

Rules for the paper:

- Topics must be selected (and discussed with the lecturers) by October 9.
- Papers must be submitted by December 14th, papers can be submitted by email.
- Standard forms of citations are expected, any widely used form of citations is fine.
- Any attempts at plagiarism will be (i) announced to your home universities, (ii) "rewarded" by F. Expected length of the paper: 5-10 pages / 2500-3000 words

Mandatory Completion Policy

Note that all mandatory assignments and exams must be completed to the best of your ability in order for your final grade to be issued. Failure to complete a mandatory assignment or exam may result in a failing grade.

Letter Grade	Percentage	Description
A+	97-100	Excellent Work
A	93-97	Outstanding Work
A-	90-92	
B+	87-89	Good work
B	83-86	
B-	80-82	
C+	77-79	Acceptable Work
C	73-76	
C-	70-72	
D+	67-69	Work that is significantly below average
D	63-66	
D-	60-62	
F	0-59	Work that does not meet the minimum standards for passing the course

AEP Academic Integrity Policy

Plagiarism and other forms of academic dishonesty are not tolerated. The use of Artificial Intelligence (AI) for the development of knowledge and learning is encouraged at many stages of the learning process. While we value technology for educational purposes, we also value originality and the retainment of knowledge, and thus using AI for assignments and examinations, even if rephrased, is strictly prohibited and considered an academic integrity violation, unless the instructor explicitly allows for it in the context of evaluated work

AEP Non-Discrimination/Harassment Policy

The AEP program in Prague promotes a diverse learning environment where the dignity, worth, and differences of each individual are valued and respected. Discrimination and harassment, whether based on a person's race, gender, sexual orientation, color, religion, national origin, age, disability, or other legally protected characteristics, are repugnant and completely inconsistent with our objectives. Retaliation against individuals for raising good faith claims of harassment and/or discrimination is prohibited.

AEP Diversity Policy

AEP is committed to fostering an inclusive and welcoming community that values diversity in all its forms. We believe that one of the most meaningful lessons of studying abroad is learning to navigate and appreciate differences with curiosity and an open mind. While engaging across differences can sometimes be challenging or uncomfortable, these moments are essential for growth and learning. We recognize that every member of our community, even with the best intentions, may occasionally make missteps. Our commitment is to provide a supportive environment where respectful and honest dialogue helps us learn from these experiences, ensuring that every student has the opportunity to thrive and broaden their perspective.

Weekly Schedule

Week 1

CEE Introductory Lecture Series

AEP Introductory Lecture Series

Week 2: Introduction to Health Economics – Global and European view

Outline of the course, requirements and motivations.

Introductory lecture and discussion: How is health care related to economics? Health care and its financing in the historical and geographic context. Specifics of health care market – what is different and why does it matter?

- Case, Anne, and Angus Deaton, “Mortality and Morbidity in the 21st Century,” Brookings Papers on Economic Activity, 2018. www.gapminder.org

Week 3: Demand for Health Services

What determines how healthy people are and how they demand health services? Is health care a special type of service (good), or is it like anything else? Disparities in health across countries – causes and how to address them.

- Grossman, M., 2000. The human capital model. In Handbook of health economics (Vol. 1, pp. 347-408). Elsevier.
- Cutler, D.M. and Lleras-Muney, A., 2010. Understanding differences in health behaviors by education. Journal of Health economics, 29(1), pp.1-28.
- Becker, GS., Tomas JP, and RR. Soares, “The Quantity and Quality of Life and the Evolution of World Inequality,” American Economic Review, 2005, 95(1), 277-291.

Week 4 - 5: Economics of Health Insurance

What purpose does insurance serve – presence of uncertainty, risk aversion and affordability. Moral hazard and adverse selection. Design of optimal insurance schemes in the context of health reform efforts.

- Cutler, D.M. and Zeckhauser, R.J., 2000. The anatomy of health insurance. In Handbook of Health Economics (Vol. 1, pp. 563-643). Elsevier.
- Akerlof, GA., "The Market for 'Lemons': Quality Uncertainty and the Market Mechanism," Quarterly Journal of Economics, 1970, 84(3), 488-500.

Week 6: Systems of Health Financing – Comparison Across Countries

What types of health financing and health provision systems have evolved around world? How do they compare in terms of efficiency, access and equity?

- Cutler, David M., "Equality, Efficiency, and Market Fundamentals: The Dynamics of International Medical Care Reform," Journal of Economic Literature, 2002, 40(3), 881-906.
- Health system reviews from European Observatory on Health Systems and Policies - <https://eurohealthobservatory.who.int>

Week 7: Midterm Exam

Preparation and Exam

Week 8: Supply of Health Care – Physicians, Hospitals and Pharmaceutical Industry

- Martin Gaynor and Robert J. Town, "Competition in Health Care Markets," in Handbook of Health Economics, Volume 2.
- Cutler, David, and Fiona Scott-Morton, "Hospitals, Market Share, and Competition," JAMA, 2013, 310(18), 1964-1970.
- Lakdawalla, Darius N. 2018. "Economics of the Pharmaceutical Industry," Journal of Economic Literature, 56 (2): 397-449.

Week 9: Risky Health Behavior

Economics of addiction and harmful health behaviors – smoking, drinking and unprotected sex

- Cawley, John, and Chris Ruhm, “The Economics of Risky Health Behaviors,” Handbook of Health Economics, Volume 2.
- Gruber, Jonathan and Botond Koszegi, “Is Addiction 'Rational'? Theory and Evidence,” Quarterly Journal of Economics, 2001, 116(4), 1261-1303.
- Evans, William, Ethan Lieber, and Patrick Power, “How the Reformulation of OxyContin Ignited the Heroin Epidemic,” NBER Working Paper No. 24475, 2018.

Week 10: Health in Developing Countries

Theoretical and empirical relationship between disease burden and development. Problems of health care in developing countries. Interventions and their efficiency.

- Acemoglu, Daron, and Simon Johnson, “Disease and Development: The Effect of Life Expectancy on Economic Growth,” Journal of Political Economy, 2007, 115(6), 925-985.
- Jack, William, and Maureen Lewis, “Health Investments and Economic Growth: Macroeconomic Evidence with Microeconomic Foundations,” chapter 1 in Michael Spence and Maureen Lewis, Health and Growth, World Bank, Commission on Growth and Development, available online.
- Kremer, Michael, and Rachel Glennerster, Improving Health in Developing Countries: Evidence from Randomized Evaluations, Handbook of Health Economics, Volume 2.

Week 11: Economics of Covid Pandemics

Primary (physicians labor market, health system reorganization) and secondary (value of lost education, value of lost productivity) effects of covid pandemics.

Week 12

Final project presentations and discussion.

Week 13

Final Exam Week

Readings:

List of readings will be provided and updated via an online platform.