Lesson Plan - Introduction

(1) Preliminaries

- Attendance Role Call
- How to run a 3 hour class
- Getting to know each other. On a separate sheet of paper write the following:
  - name
  - age (optional)
  - year in school
  - major/minor
  - economics and math background (relevant courses taken).
  - why are you taking this class?
  - what do you expect from the class?
  - what is your biggest fear about ECO/HCM 504?
  - Tell me 2 interesting facts about yourself.

(2) The Social Contract

- What I will do.
  - class attendance and preparation.
  - office hours.
  - review sessions.
  - sample papers.
- What the student is expected to do.
  - have already taken ECO 165 or equivalent.
  - textbook.
  - attendance.
  - assignments.
- Exams, term paper, grading philosophy, grading.
- course policies.
  - course calendar
  - no makeup exams (except in extreme circumstances).
  - no extra credit.
  - all exams in class at the scheduled time; paper outline and paper due at the scheduled times (see course calendar).
  - cheating and penalties for doing so.

(3) Introduction to Health Economics

- why is the study of the health system interesting/important?
- why economics? how does it help our understanding of the health system?
  - examples
  - student questions (i.e., questions you've always wondered about Health Care but been afraid to ask.)
Economic Tools

- Review Demand and Supply.
  - Demand, S, law of D & S, equilibrium.
  - Elasticity.
  - Allocative efficiency
  - Applications to health care.

- Consumer Choice.
  - Budget constraints for consumers.
  - Consumer preferences, indifference curves.
  - Total utility, marginal utility, etc.
  - Maximizing utility.
  - Deriving demand curves.
  - Applications to health care.

- Production and Profit Maximization.
  - Production and production functions.
  - Marginal product (MP) and average product (AP).
  - Cost curves.
  - Technological efficiency.
  - Profit maximization.
  - Applications

- Statistical Tools (This material is all new)
  - Hypothesis testing
  - Difference in means tests
  - Regression analysis
    - What does it do?
    - Ordinary least squares (OLS) regression
    - Multiple regression analysis
      - Multiple explanatory variables (why?)
      - Statistics
      - How do we interpret coefficients?
      - Dummy variables

Cost/Benefit Analysis – and other types (This material is all new)

- Definitions of three different types of approaches

- Cost/Benefit analysis
  - How do firms/individuals behave – MB/MC approach
  - Marginal analysis
    - Marginal social benefit (MSB) vs. Marginal Social Cost (MSC)
    - What is the social optimum?
    - Discounting

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\(^1\) = Review from ECO 165, \(^N\) = New material.
- Cost/benefit
  - What is the net benefit?
  - What are problems with this approach?
- CBA in health care
- Cost Effectiveness analysis
  - Differences from CBA
  - Advantages of CEA
- Cost/Utility Analysis
  - CUA as a special case of CEA
  - QALYs
  - Problems with QALYS