Health Policy: The Firm, The Market & The Law
(Winter 2005)
Peter J. Hammer

This course explores problems of health law and policy from the perspective of modern institutional economics, including Coase's theory of the firm and Ken Arrow's seminal work on Uncertainty and the Welfare Economics of Health Care. The class will examine trends towards prepayment, vertical integration and the development of managed care networks. Legal questions include constructing a competition policy, defining physician rights and responsibilities within an integrated firm structure, the significance of social norms, and patient protection in a world of managed care. The course should be valuable to students interested in law and economics and contemporary policy analysis, as well as students particularly interested in the health care industry.

Statement of Educational Values and Principles
Learning should be fun and interesting, although it is also often challenging, requires hard work and can be difficult at times. No learning takes place without the full participation of the students. You are co-producers of your own education and, therefore, co-responsible for the results. You are invited to actively engage in that process. You may also find that your active participation is your best means of self-defense. I can speak quickly at times. The best way to slow me down is to intervene with your own comments and questions, even if those questions are simply “could you repeat that” or “I do not understand.”

The key to creating any successful educational environment is mutual respect. The UM Law School Educational Policy (March 1997) provides some useful ground rules: “All members of the community must be able to participate fully in the life of the Law School. Barriers to full participation can take many forms. Sometimes they fall along lines of race, gender, sexual orientation and religion. Sometimes they reflect intolerance of certain political beliefs or social attitudes. In order to best educate our students, the Law School must be a place for full and frank discussion of difficult issues. Law School classrooms are places where ideas are supposed to be expressed and to be challenged, and policy issues are supposed to be appreciated for their complexity. Discussions of this sort may be painful and uncomfortable. For that reason, it is important to ensure that mutual respect and attentiveness to diverse perspectives are always a part of the exchange of ideas.”

General Information
Materials: The primary text for the course is UNCERTAIN TIMES: KENNETH ARROW AND THE CHANGING ECONOMICS OF HEALTH CARE (Duke University Press) (2003). Additional readings will be distributed as necessary.

Office and Office Hours: My office is 3255. The telephone number is 577-0830. My e-mail address is phammer@wayne.edu. Office hours will be announced in class and posted on the TWEN site.

Attendance and Participation: Class attendance and participation is expected. Excessive
absences or repeated cases of unpreparedness may result in grade reduction.

Examination: The examination will be a three hour, open book, in-class essay test. As a default value, exams should be written in full, complete sentences. Deviations from that rule (abbreviations, shorthand phrases, outline form) are made at the exam-taker's assumed risk. What cannot be read and understood will not be graded. No one will be penalized for poor penmanship.

Reading Guide

Most readings come from UNCERTAIN TIMES: KENNETH ARROW AND THE CHANGING ECONOMICS OF HEALTH CARE. Other readings will be made available either in class or on the internet. The following schedule is tentative. Weekly assignments will be announced in class.

1 Uncertain Times: Victor Fuchs, Preface; Mark V. Pauly, Foreword; Peter J. Hammer, et al., Kenneth Arrow and the Changing Economics of Health Care: Why Arrow? Why Now? (vii-xxxii)


5 Uncertain Times: Kenneth J. Arrow, Uncertainty and the Welfare Economics of Medical Care, 53 Am. Econ. Rev. 941-73 (1963) (1-33)

6 Uncertain Times: Uwe E. Reinhardt, Can Efficiency in Health Care be Left to the Market (111-133)

7 Uncertain Times: Clark C. Havighurst, Health Care as a (Big) Business: The Antitrust Response (84-99)

8 Uncertain Times: Frank A. Sloan, Arrow’s Concept of the Health Care Consumer: A Forty-Year Retrospective (49-59)

9 Uncertain Times: Deborah Haas-Wilson, Arrow and the Information Market Failure in Health Care: The Changing Content and Sources of Health Care Information (169-180)

10 Uncertain Times: James C. Robinson, The End of Asymmetric Information (181-188)

11 Uncertain Times: Sherry A. Glied, Health Insurance and Market Failure Since Arrow (103-110)

12 Uncertain Times: Michael L. Millenson, Moral Hazard v. Real Hazard: Quality of Care Post-Arrow (202-211)

14 U NCERTAIN TIMES: Annetine C. Gelijns, et al., *Uncertainty and Technological Change in Medicine* (60-70)

15 U NCERTAIN TIMES: Richard A. Cooper and Linda H. Aiken, *Human Inputs: The Health Care Workforce and Medical Markets* (71-83)

16 U NCERTAIN TIMES: Gloria A. Bazzoli, *Medical Service Risk and the Evolution of Provider Compensation Arrangements* (142-155)

17 U NCERTAIN TIMES: Lawrence Casalino, *Managing Uncertainty: Intermediate Organizations as Triple Agents* (189-201)

18 U NCERTAIN TIMES: Jack Needleman, *The Role of Nonprofits in Health Care* (143-158)

19 U NCERTAIN TIMES: Richard Kronick, *Valuing Charity* (134-141)

20 U NCERTAIN TIMES: J. B. Silvers, *The Role of the Capital Market in Restructuring Health Care* (156-166)

21 U NCERTAIN TIMES: Mark A. Petersen, *From Trust to Political Power: Interest Groups, Public Choice, and Health Care* (272-289)

22 U NCERTAIN TIMES: Peter D. Jacobson, *Regulating Health Care: From Self-Regulation to Self-Regulation?* (290-301)


24 U NCERTAIN TIMES: Mark A. Hall, *Arrow on Trust* (259-271)

