

**ECO4934**  
**Competition Policy in Health Care Markets**  
**Fall 2020**

**Instructor:** Roger D. Blair

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**Office Phone:** (352) 392-0179

**Office Hours:** I will be available by phone Mondays and Wednesdays 11:30am – 1:00pm and Fridays 1:00pm – 3:00pm. Please call my office phone number. If necessary, you may set up an alternate time by sending me an email.

**Teaching Assistant:** Mitchell Babka

**Email:** babkam@ufl.edu

**Virtual Office Hours:** Mitchell will be available on Fridays from 9:35am-11:30am. The link to the virtual office hours will be on the Canvas.

**Class Schedule:**

The class “meets” on Mondays and Wednesdays 3<sup>rd</sup> and 4<sup>th</sup> periods. All of the lectures will be prerecorded (asynchronous) and released through Canvas at the scheduled time. The lecture along with some PowerPoint slides will be available on Canvas for your convenience.

**Required Text:**

The required reading materials will be available on the Canvas course site.

**Optional Text:**

*Antitrust Economics*, 2<sup>nd</sup> ed, by Roger D. Blair and David L. Kaserman

**Prerequisite:**

ECO3101 or equivalent and MAC2233 or MAC2311 or equivalent

**Purpose of the Course:**

In the U.S., expenditures on health care are measured in trillions of dollars. Consequently, it is extremely important to promote and preserve competition in health care markets. Even small deviations from competitive prices will result in billions of dollars of extra costs to patients and society at large.

The purpose of this course is to examine the role of our antitrust laws in health care markets. Since all of this is in the health care context, you will also learn a good deal

about the health care industry. We will develop and employ models of monopoly, monopsony, bilateral monopoly, and collusion in health care. You will solidify your understanding of microeconomics. In addition, you will learn a good deal about the law and economics of antitrust policy in the U.S.

For the most part, the required reading consists of draft chapters of *Monopoly and Monopsony in Health Care Markets*, which I am coauthoring with Christine Durrance and Tirza Angerhofer. These will be posted on Canvas for your convenience. You should try to keep up with the reading rather than cram. The lectures will be more meaningful if you are prepared.

In addition to the reading, you will be required to complete a *substantial* project, which will greatly increase your understanding of some health care policies.

### **Exams:**

Exam 1: September 28<sup>th</sup>

Exam 2: November 2<sup>nd</sup>

Exam 3: December 9<sup>th</sup>

Exams will cover readings and lectures to date and will be scheduled for the usual class time (synchronous). Exams will be conducted online. More information will be given prior to the first exam.

### **Grade Determination:**

Your grade in this course will depend upon your performance on three exams and a project; each will be worth 25% of your final grade.

At the end of the semester, I will post your Exam 3 grade and your project grade as well as your final grade on Canvas.

The grading scale is as follows:

<b>A:</b>	<b>90.0 – 100</b>
<b>A-:</b>	<b>87.0 – 89.99</b>
<b>B+:</b>	<b>83.0 – 86.99</b>
<b>B:</b>	<b>80.0 – 82.99</b>
<b>B-:</b>	<b>77.0 – 79.99</b>
<b>C+:</b>	<b>73.0 – 76.99</b>
<b>C:</b>	<b>70.0 – 72.99</b>
<b>C-:</b>	<b>67.0 – 69.99</b>

<b>D+:</b>	<b>63.0 – 66.99</b>
<b>D:</b>	<b>60.0 – 62.99</b>
<b>D-:</b>	<b>57.0 – 59.99</b>
<b>E:</b>	<b>0.0 – 56.99</b>

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**NOTE:** The numerical grades will not be rounded up or down.

My responsibility is to make my expectations and the course requirements as clear as possible and to present the material in an organized, clear, and professional manner. It is your responsibility to complete assignments on time and to let me know when clarification is needed. I will be available to assist you throughout the term to help you to succeed in this course. Ultimately, however, the grade that you earn in this course is **your** responsibility. If, at the end of the semester, you have not earned the grade that you initially set your sights on, I will not change your grade for any reason.

### **Policy Matters:**

The University requires that I set out my policies on certain matters so you will be fully informed about my expectations.

1. You are required to comply with the University's honesty policy regarding cheating and the use of copyrighted materials. Cheating will not be tolerated – if you cheat, you will fail and you will be reported to the Dean of Students for disciplinary action. Here is some guidance from the UF policy statement, prohibited collaboration or consultation shall include but is not limited to:

- a. Collaborating when not authorized to do so on an examination, take-home test, writing project, assignment, or course work.
- b. Collaborating or consulting in any other academic or co-curricular activity after receiving notice that such conduct is prohibited.
- c. Looking at another student's examination or quiz during the time an examination or quiz is given. Communication by any means during that time, including but not limited to communication through text messaging, telephone, e-mail, other writing or verbally, is prohibited unless expressly authorized.

Plagiarism. A student shall not represent as the student's own work all or any portion of the work of another. Plagiarism includes but is not limited to:

1. Quoting oral or written materials including but not limited to those found on the internet, whether published or unpublished, without proper attribution.
2. Submitting a document or assignment which in whole or in part is identical or substantially identical to a document or assignment not authored by the student.

The honor code can be found here: <http://www.dso.ufl.edu/sccr/process/student-conduct-honor-code/>

2. If you have an excused absence, exams can be made up at a mutually agreed date.
3. Students with disabilities who require classroom accommodation should contact me early in the semester, so we can discuss individual needs.
4. Please check your e-mail for announcements. This is your responsibility. If you miss any important information because you failed to check your email, no accommodation will be made – *you* will bear the consequences.
5. Your exams will be returned to you through Canvas. You have one week to appeal the grades that you receive. If you do not begin the appeal process by that date, your grade will be final. Any appeal must begin with your contacting my TA by e-mail. If you appeal your grade, the exam will be re-graded in its entirety. As a result, your grade may go up or down depending upon the circumstances.

**Project:**

**You must complete a written project and turn it in to me via Canvas by noon on December 7. It should be typed in Times New Roman 12pt font, single-spaced.**

To make sure that you can complete your project in a timely fashion, you will have interim deliverables:

Project Selection Deadline: Monday, September 28

Progress Report: Monday, November 2

Project Deadline: Monday, December 7

I will provide feedback but will not provide interim grades. If you are headed in the wrong direction, I will head you off. In your progress report, I do not want a partial draft. What I want is for you to tell me how far along you are in completing your project. Your project must be your own work. You can get advice from me and others, but the final product must be yours. If you plagiarize someone else's work, you will receive no credit for the assignment.

Plagiarism will be dealt with harshly. Plagiarism is cheating and those who cheat will fail the course and be reported to the Dean of Students Office.

**Note:** If you are concerned about such misfortunes as inclement weather, flat tires, destructive canines, etc., then I recommend that you plan on submitting the required materials prior to the deadline. (Consider the meaning of the word deadline: "the date by which something must be done" and its source: "a line drawn in a military prison, by going beyond which a prisoner makes himself liable to be shot instantly." Webster's New Dictionary and Thesaurus, New York, NY: Windsor Court, 1989.

### Course Outline and Assignments:

Session	Date	Topic	Readings/Deadlines
1	August 31	Health Care Markets	Session 1 folder in 'Files'
2	September 2	Antitrust Policy	Session 2 folder in 'Files'
	September 7	no lecture – Labor Day	
3	September 9	Monopoly and Dominant Firms	Session 3 folder in 'Files'
4	September 14	Pharmaceutical Pricing	Session 4 folder in 'Files'
5	September 16	Product Hopping	Session 5 folder in 'Files'
6	September 21	Hatch-Waxman Act & Reverse Payments	Session 6 folder in 'Files'
7	September 23	Bundled Discounts	Session 7 folder in 'Files'
	September 28	<b>EXAM 1</b>	<b>Project Selection due</b>
8	September 30	Economic Theory of Cartels	Session 8 folder in 'Files'
9	October 5	Price Fixing of Generic Drugs	Session 9 folder in 'Files'
10	October 7	Licensing of Health Care Professionals	Session 10 folder in 'Files'
11	October 12	Monopsony and Dominant Buyers	Session 11 folder in 'Files'
12	October 14	Collusion Among Buyers; Collusion in the Nurse Labor Market	Session 12 folder in 'Files'
13	October 19	No Poaching Agreements	Session 13 folder in 'Files'
14	October 21	Oocyte Market	Session 14 folder in 'Files'
15	October 26	Group Purchasing Organizations	Session 15 folder in 'Files'
16	October 28	Pharmacy Benefit Managers	Session 16 folder in 'Files'
	November 2	<b>EXAM 2</b>	<b>Progress Report due</b>
17	November 4	Oligopoly and Tacit Collusion	Session 17 folder in 'Files'
18	November 9	The Alleged Insulin Conspiracy	Session 18 folder in 'Files'
	November 11	no lecture – Veteran's Day	
19	November 16	Exclusive Dealing	Session 19 folder in 'Files'
20	November 18	Exclusive Contracts	Session 20 folder in 'Files'
21	November 23	Horizontal Mergers	Session 21 folder in 'Files'
	November 25	No lecture – Thxgiving Break	
22	November 30	Examples of Horizontal Mergers	Session 22 folder in 'Files'
23	December 2	Vertical Mergers	Session 23 folder in 'Files'
24	December 7	Vertical Merger Policy; St. Luke's	<b>Final Project due</b> Session 24 folder in 'Files'
	December 9	<b>EXAM 3</b>	

## Final Project Description

### Project Instructions:

Your project is a substantial portion of this course. The project will account for 25% of your final grade. Consequently, I expect a substantial research effort and careful economic analysis of the issues involved in the project that you select. This project cannot be left until Thanksgiving – you must start now.

First, you will have to select a topic from the Approved List, which is at the end of this document. You must do enough research on your selected topic to prepare a tentative outline and an initial bibliography. No more than **four** students may work on the same topic, so choose quickly. Second, you will have to do enough work on the project to give me an interim progress report by the deadline. Third, you must submit your completed project on or before the deadline.

### Critical Dates:

Monday, September 28 – Project Selection Deadline

Monday, November 2 – Progress Report

Monday, December 7 by noon – Project Deadline

### Deadlines:

The deadlines are not negotiable. If you miss a deadline, there will be penalties. Missing an interim deadline will result in a five point reduction in your project grade. Missing the final submission deadline will result in your receiving a zero for the assignment. Bottom line: PLAN AHEAD.

Your written report should begin with an introduction that motivates the subsequent analysis:

- a. What is the economic problem?
- b. What are the antitrust issues?
- c. What do you plan to do in your analysis?

Each subsequent section should move the reader forward in his or her understanding. You are economists. Use your economic tools – supply and demand, theory of the firm, analysis of market structures, and analysis of market failure. Use what you need to develop your analysis. Your focus should be on the antitrust law and economics problem(s) that you are addressing. You must provide thorough explanations. Pretend that you are writing for an intelligent reader with very little training in Economics.

You may not plagiarize someone else's work. You may, however, consult any materials that you can find: textbooks, journal articles, news media accounts, and so on. You should cite your sources – for formatting, please look at the draft chapters. I want footnotes, not endnotes. I want references listed at the end of your report.

Be sure to submit your report on Canvas no later than noon on December 7. All reports must be in Times New Roman, 12pt font, single spaced. Do not fail to meet the deadline!

**Length:**

Many of you are probably wondering just how long the final product should be. The length should be appropriate for the project. Some will be longer than others. You should use as much space as you need to treat your subject thoroughly. Look at the course materials. I have tried to explain issues thoroughly. In doing so, I have explained the economic models, the incentives of patients and providers, applicable antitrust principles, and you should do the same. Pretend that you are writing for an intelligent but uninformed reader.

Padding is neither necessary nor desirable. In fact, including a lot of irrelevant material will reduce your grade.

**Project Selection:**

By September 28, you must submit a brief report to me via Canvas with the project that you have selected. This should be accompanied by a preliminary outline and a preliminary bibliography.

**Progress Report:**

By November 2, you must submit a progress report on Canvas. I do not want a partial draft. I do want an outline of the report, your assessment of how much you have completed, and an updated bibliography. If it looks to me as though you have gone astray, I will intervene and provide some guidance.

**Final Report:**

The final report must be submitted no later than noon on December 7.

**Approved List of Suggested Projects:**

1. Proposals for price regulation of pharmaceuticals
2. Sanctions for generic drug manufacturers if they are found guilty of price fixing. Likely impact of private damage suits following conviction.

3. Market Structure (select one):

- Pharmaceuticals
- Medical devices
- Health insurance
- Hospital beds

Note: In analyzing market structure, I am interested in the sizes of the firms, their sales, production facilities, major products, marketing methods, and an assessment of the competitive environment.

4. Analysis of collusion in *all* of the following:

- Generic pharmaceutical drugs
- Pay-for-delay under the Hatch-Waxman Act
- Medical devices

5. Analysis of St. Luke's merger (Idaho)

6. State Action Doctrine and licensing of health care professionals (select one):

- North Carolina Dental
- Texas

7. Pricing Decisions in the pharmaceutical industry:

- EpiPens

8. Law and economics analysis of the decision in *U.S. v Anthem and Cigna*

9. Staff privileges and possible abuses

10. Economic analysis of contract restrictions on a health insurer's ability to steer patients away from higher priced providers. (*U.S. v. Carolina Health System*)

11. Analyze the role of pharmacy benefit managers (PBMs) in our health care system.

One of the largest, ExpressScripts, has been charged with eliminating some small specialty pharmaceutical products in an effort to steer the business to its own specialty producer.

12. Analysis of licensing requirements for general practitioners in California, Florida, Maryland, New York, and Wisconsin. Include: education, internships, residencies, continuing medical education (CME), and anything else that occurs.