THE WHARTON SCHOOL  
UNIVERSITY OF PENNSYLVANIA  
THE HEALTH SERVICES SYSTEM - HCMG 841  
FALL 2009

Class Meetings: Tuesday/Thursday, 3:00-4:20 p.m.  
Huntsman Hall G60

Course Instructor: Lawton R. Burns, Ph.D., MBA  
Chair, Department of Health Care Management
Office: 203 CPC  
Telephone: 898-3711 burnsL@wharton.upenn.edu
Office Hours: Tuesday and Thursday, 12:00-2:00 PM

Teaching Assistants: Vikas Goyal vikasg@wharton.upenn.edu
Patrick Lee leepc@wharton.upenn.edu
Neil Parikh npar@wharton.upenn.edu
Sharon Warren shwarren@wharton.upenn.edu

Grading Assistant: Rocky Lee, MBA rockylee@wharton.upenn.edu

Course Objectives

The course describes the major actors and institutions within any country’s healthcare system, and the key strategic, managerial, and financial issues facing industry executives and public policy-makers. To simplify the exposition of all this material, we focus sequentially on three major segments in the healthcare value chain:

1. **Payers** (employers, government, individual consumers)
2. **Providers** (hospitals, physicians)
3. **Producers** (pharmaceuticals, biotechnology, medical devices, IT firms)

The course also covers some of the major intermediaries that connect these segments: insurance companies, pharmacy benefit managers (PBM), and wholesalers.
This course has several objectives:

1. Describe the major players along the healthcare “value chain” (payers, providers, and producers), their interactions, and their divergent incentives.
2. Provide global comparisons of the US and ROW (rest of world) in terms of:
   a) Disease patterns / epidemiology
   b) Financing systems
   c) Delivery systems
   d) Insurance reform
   e) Technology development
3. Compare the different technology sectors in healthcare: pharmaceuticals, biotechnology, information technology, and medical devices.
4. Analyze the factors and conditions associated with entrepreneurship in life sciences and medical devices, including reimbursement & regulation.

Course Format

The course is divided into major sections covering each of the three industry segments. Classes involve a mix of the following:

a) lectures by the professor
b) case discussions
c) presentations by guest speakers from industry and government
d) warm calls on students responsible for summarizing the class readings for that date

NOTE #1: As common courtesy to our speakers and fellow students, you will please refrain from using all computers and electronic devices in class.

NOTE #2: As common courtesy to our speakers and fellow students, you will please turn off all cell phones prior to the start of class.

NOTE #3: The majority of the speakers have graciously agreed to have lunch with small groups of students the day of class from 12 – 1:30 PM. This is a great opportunity for networking (and recruiting). Class TAs will post sign-up sheets for each lunch on WebCafe for student registration. Please sign up for only one lunch (at least initially) to give all students the same opportunity.

Readings

Assigned readings for the course are found online or on WebCafe (organized into folders for each class). All HBS cases are in the course bulk-pack which is available from Study.Net / Wharton Reprographics.
Those of you who have relatively little background in health care are advised to consult an introductory text on the health care system. The books are primers that do not go into detail on any particular issue but may serve as a good road map. Unfortunately, they are all US-centric.


Also of interest are three first-rate histories of the US health care system (hospitals and physicians), which are useful for understanding why our system looks and functions the way it does. This material was covered during the pre-session lectures. The books include:

1. Rosemary Stevens, *American Medicine and the Public Interest* (Yale University)

---

**Five (5) Course Requirements**

1. **Mid-Term Examination** [20 points]  
   Tues October 20th

   The exam will be a take-home exercise. It will test your ability to interpret key industry trends (e.g., critique an article, draw conclusions from a set of charts/tables). It is due at the beginning of class on 10/20. Students should not discuss the exam or work in groups.

2. **Payer Industry Segment Paper** [20 points]  
   Tues November 5th

   At the beginning of the semester, each learning team will develop a research topic on the payer segment of the industry. Teams will be required to submit a written analysis on the critical issue(s) facing incumbents in the payer segment. The critical issue(s) should include, but not necessarily be limited to, that segment’s transactions with the other two segments (providers, suppliers). Teams must submit their paper topic to Dr. Burns in writing (one paragraph) for his approval by Thursday Oct 1st 25th, and then submit a detailed 1-2 page outline of their paper’s thesis, argument, and bibliographic sources for approval by Thursday, October 15th. The required format for the paper is discussed at the end of the syllabus, along with sample payer topics. A penalty of two points will be assessed for each deadline missed. No late papers will be accepted after 11/5.
3. **Provider/Supplier Industry Paper** [20 points] *Thur Dec 10th*

   Same format as before - focus here is on the provider or supplier segment. Papers are to be done in learning teams. Paper topics must be submitted for approval by Tuesday Nov 12th; detailed paper outlines must be submitted for approval by Tuesday Nov 19th. All papers are due 12/10. No late papers will be accepted.

4. **Final Examination** [25 points] *Wed Dec 16th*

   The exam will be in-class. The format of the exam will include short essay questions, as well as a case to be analyzed that draws on learning from the second half of the course. The case will be distributed prior to the exam date.

5. **Class Participation** [15 points]

   Students are expected to attend each class. The class participation grade will be partly assessed using a class sign-in sheet.

   In addition, small groups of students (3-4 students) will be responsible for one class session. The small group will have two tasks: prepare a set of 2-3 questions to ask the speaker, and summarize (in prose) the assigned readings and speaker presentation for that class. The questions should be emailed to Dr. Burns at least one hour prior to class. The student group will then initiate the class discussion with the speaker following the class presentation. The class summary should be two pages in length: one page on the readings, and one page on the speaker presentation. The sessions chosen may include any of the four pre-session classes. The group’s summary must be submitted electronically to Dr. Burns and posted on WebCafe. Teaching Assistants Goyal, Lee, Parikh, and Warren will facilitate the formation and matching of student groups with class sessions.

**Wharton MBA Grading System**

Per the MBA Program requirements, grades will be based on a A,B,C,D,F system, with +/- distinctions. The Class MBA grade point average cannot exceed 3.33. The Wharton MBA Program recommends a distribution of 25-35% A’s, 60% B’s, and 5-15% C or below.

**Quality Circle**

To enhance the learning process, it is important to evaluate the course on a real time basis and to make both short-run improvements and longer-term changes as needed. To this end, each learning team will select a representative to serve with Burns, Goyal, Lee, Parikh, and Warren as a Quality Circle to discuss course progress and provide feedback on any and all aspects of the course. A meeting is scheduled for Thursday November 5th immediately following class.
PRE-SESSION

Mon Aug 10  History of Hospitals and Current Hospital Issues

In-Class Powerpoint Slide Handout


Video on WebCafe: http://spike.wharton.upenn.edu/media/index.cfm?method=read&video_id=20978&play=true

Tues Aug 11  History of the Medical Profession and Current Manpower Issues

In-Class Powerpoint Slide Handout


Video on WebCafe: http://spike.wharton.upenn.edu/media/index.cfm?method=read&video_id=20979&play=true

Wed Aug 12  History of the Health Insurance Industry & Rise of Managed Care

In-Class Powerpoint Slide Handout

CMS. *Managed Care.* March 24, 2003. [WebCafe]

Video on WebCafe: http://spike.wharton.upenn.edu/media/index.cfm?method=read&video_id=20984&play=true
INTRODUCTION: GLOBAL ISSUES IN HEALTHCARE

Thur Sept 10  Introduction to the Course & Global Issues in Healthcare


PART I : PAYERS & FISCAL INTERMEDIARIES

Tues Sept 15  Activist Employers & The Struggle to Manage Cost and Quality
   [Michael Critelli - Executive Chairman, and Jack Mahoney, MD – Corporate Medical Director, Pitney Bowes]

   HBS Case: Pitney Bowes: Employer Health Strategy [Bulpack]

Thur Sept 17  The Rising Cost of Healthcare: Causes and Solutions


   OPTIONAL: Senate Finance Committee. Transforming the Health Care Delivery System: Proposals to Improve Patient Care and Reduce Health Care Costs (April 29, 2009) [Webcafe]

Tues Sept 22  Overview of the Health Care Market and Its Issues: The Big Picture
   [Jeff Goldsmith, President, Health Futures]

   HBS Case: The Challenge Facing the US Healthcare System [Bulpack]

Thur Sept 24  Insurance and Medicare

   Kaiser Family Foundation. Medicare: A Primer (2009) [Webcafe]

   SKIM: HBS Case: Note on Health Insurance Coverage, Coding, and Payment [Bulpack]

Paper #1 topic due (one paragraph description & team members)
Tues Sept 29  The Role of CMS: The Centers for Medicare and Medicaid Services  
[Lambert van der Walde, Capital Markets Advisor – CMS]


Thur Oct 1  Two Reforms: Pay-for-Performance (P4P) and Episode-Based Payment  
[Francois deBrantes, CEO - Bridges to Excellence]


deBrantes: “Building a Bridge from Fragmentation to Accountability – The Prometheus Payment Model.” *New England Journal of Medicine* ...


Paper #1 topic due (one paragraph description & team members)

Tues Oct 6  The Patients: Health Status of Global Populations  
[Robert Bollinger, M.D., Professor of Infectious Diseases, Johns Hopkins University School of Medicine]


Thur Oct 8  State Healthcare Reform Initiatives: California and Beyond  
[Mark Smith, M.D., MBA, President & CEO – California HealthCare Foundation]


Altman: “This Could Be the Next Big Thing in Health Reform.” Kaiser Family Foundation Blog [WebCafe]

PART II : PROVIDERS & THE DELIVERY OF HEALTH CARE

Tues Oct 13  Academic Medical Centers  
[Ralph Muller, CEO, University Pennsylvania Health System]

Brookings Institution: The Path Forward for Academic Medical Centers: Innovation, Economics, and Better Health [Webcafe]

Thur Oct 15  Pharmacy Benefit Managers (PBMs) & Pharmaceutical Wholesalers  
[Karl Kellner, Vice-President and Partner, Booz-Allen]


Paper #1 outline due (thesis, argument, bibliography)
Tues Oct 20  Global Health & Delivery Models

HBS Case: *Global Health Partner: Obesity Care* [Bulkpack]

Mid-Term Exams Due & Review of Mid-Term Exam

Thur Oct 22  NO CLASS

Tues Oct 27  NO CLASS

Thur Oct 29  Recent Hospital Trends & Issues: “How Do They Do That?”

Iglehart: “Low-Cost High-Quality Care.” [WebCafe]


HBS Case: *Virginia Mason Medical Center* [Bulkpack]

Tues Nov 3  The Medical Device Industry

[Dr. Stephen Oesterle, SVP for Medicine and Technology, Medtronic]


Thur Nov 5  Structure and Financing of Healthcare Globally

[Patricia Danzon, Ph.D., Professor of Health Care Mgmt, Wharton School]

Anderson and Frogner, “Health Spending in OECD Countries: Obtaining Value Per Dollar.” *Health Affairs* 2008 [WebCafe]


Paper #1 Due: Payer Segment

Quality Circle Meeting (directly following class)
Tues Nov 10  The Role of Venture Capital in Health Services
[Darren Black, Partner - SV Life Sciences Advisers]

Jefferies. This Month in Healthcare Services. (July 2009). [WebCafe]


Thur Nov 12  Ethics: The Topic of Health Care Reform
[Art Caplan, M.D. – Director, Center for Bioethics, Univ of Penn]


Paper #2 topic due (one paragraph description & team members)

PART III: PRODUCERS / SUPPLIERS

Tues Nov 17  Strategy & Structure of the Biotechnology Industry
[Scott Cannizzaro, Ph.D., MBA – Senior Director, Johnson & Johnson]


Additional/Optional Reading:

Thur Nov 19  New Startups in the Medical Device Industry
[David Cassak, Managing Partner, Windhover Information]

Cassak, Selection of *In Vivo* articles - TBA [WebCafe]

Paper #2 outline due (thesis, argument, bibliography)

Tues Nov 24  Overview of the Pharmaceutical Industry
[Ad Rawcliffe – Senior Vice President, Worldwide Business Development and Finance, Glaxo SmithKline]


Additional/Optional Reading:


Thur Nov 26  HAPPY THANKSGIVING [no class]

Tues Dec 1  Global Comparison with People’s Republic of China: Insurance Reform and Impact on the Pharmaceutical Industry
[Jonathan Wang – Boston Consulting Group, 2nd Year HCMG, Dr. Burns]


Regulation of the Pharmaceutical Industry: Role of the FDA
[Gerald Faich, SVP Epidemiology and Risk Management, United BioSource Corporation, Former Official of the Food & Drug Administration]


For Reference: Browse the Introductory Comments in the following documents

Guidance for Industry Premarketing Risk Assessment [WebCafe]

Guidance for Industry Pharmacovigilance [WebCafe]

Information Technology and The Future of Health Care
[Jeff Goldsmith, President, Health Futures]


Global Health: Diagnostics
[Kristian Olson, M.D. - Global Health Initiative, Center for Integration of Medicine and Innovative Technology (CIMIT)]


Paper #2 Due: Provider/Supplier Topic

FINAL EXAMINATION (12:00 PM – 2:00 PM)
Format for Two Industry Segment Papers

1. Payer Segment Paper (#1)
2. Provider or Supplier Segment Paper (#2)

Each paper should consist of (at least) three sections: a beginning, middle, and an end. The beginning section should explain what the issue/development is, why it is important, and what the paper’s content, organization, and thrust is. The middle of the paper should present the analysis/argument. The end section should summarize what has been learned from the analysis and point to the future (future changes needed, likely trajectory of change, need for further research, etc).

In sum, the paper should develop a thesis and an argument in support of that thesis that answers some key issues/questions or critically assesses some key developments. It should not merely describe what is happening in the healthcare industry. One way to tell whether you are developing an argument is to ask yourself at the end of the paper, “So What? Who Cares?” The paper will be graded on the basis of how well the key issue/development is framed up front, how well it is analyzed in the middle, and what conclusions and/or implications it draws. The paper will also be graded on its ability to portray the relationships between sectors (e.g., payer & provider, payer & supplier, provider & supplier). A portion of the paper’s grade will be based on composition (e.g., syntax, spelling, organization, etc.).

There are no specific formatting requirements, but based on past experience papers are usually 12-15 pages in length, and include references. We strongly recommend that your team begin work as early as possible. Teams are welcome to meet with the instructor to refine the topic and develop research sources. Topics must be approved by the instructor beforehand.

Some Examples of Payer Segment Topic Areas:
1. disease management
2. national health insurance
3. payer-provider contracting and negotiations
4. pay-for-performance programs (P4P)
5. consumer directed health plans (CDHP)
6. technology assessment
7. pharmacy benefit management programs (PBMs)
8. innovations in State Medicaid programs
9. cost-effectiveness of health promotion and prevention programs
10. merger & acquisition strategies of insurers
11. diversification strategies of insurers