

## **HCMG 849: Financial Management of Health Institutions**

Fall 2013, MW 1:30-2:50, Vance Hall, B-10

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**Prerequisite:** Finance 601, equivalent, or instructor permission

### **Overview**

This is a health care finance course focusing on the application of quantitative financial analysis to investment, financing, and operating decisions in the health care sector, including life sciences, payers, and providers.

The course is structured around cases dealing with the biopharma, device, managed care, and health systems, which examine the following decisions/situations:

- Estimating the value of a publicly-traded medical device company acquisition
- Estimating the value of drugs in development using ENPV valuation and decision tree analysis
- Analyzing financing and deal structure for a start-up device company
- Evaluating risk and profitability of customer cohorts and associated strategy for a managed care plan
- Designing episode-based payments for physicians and hospitals

Analytical methods covered include:

- Discounted cash flow, comparable firm, and venture capital valuation
- ENPV and decision tree valuation of products in development
- Payer/provider risk analysis and contracting

### **Canvas site**

The cases and readings will be posted on the course Canvas site. A copy of the lecture slides usually will be distributed in class and posted after class.

### **Case teams, write-ups, and presentation**

Groups of **three or four** students should assemble to form a case team. Each team will be responsible for submitting 4-5 case write-ups and presenting one case in class. A case write-up should consist of no more than 6 pages of text, with as many supporting exhibits and figures as needed. More details on content and format will be provided in class.

### Cases, cont.

A team's oral presentation should take approximately 15-20 minutes. Each member is required to participate. The presenting team should turn in its slides/overheads and may also turn in a write-up if the presentation slides will not fully reflect adequately the team's analysis.

A team member's overall case grade may be adjusted based on teammate evaluations.

### Guest speakers (as of 8.15.13)

- Adam Koppel, Managing Director, Brookside Capital / Bain Capital
- Geoff Porges, Senior Analyst, Global Biotechnology, Sanford Bernstein
- Alexander Schuth, Head of Neuroscience Partnering, Genentech
- Michael Aberman, VP Strategy and IR, Regeneron Pharmaceuticals
- Cary Pfeffer, M.D., Partner, Third Rock Ventures
- Curtis Lane, Founder and Senior Managing Director, MTS Health Partners

### Exam

An exam will be given in class on November 25. All course material is eligible, including presentations by guest speakers. You can bring one sheet of paper with helps on one side. This exam may be made up subject to University rules for making up a final examination. If necessary, the makeup exam will be given at the final examination time for MW classes beginning at 1:30.

### Course grade

	<u>Numerical Weight</u>
Case write-ups	40%
Case presentation	15%
Class participation	20%
Exam (November 25 in class)	25%

### Protocol

- Attendance is important, **including all case and outside speaker dates. Missing class on those dates will significantly reduce your participation grade.**
- No laptops, tablets, smart phones, etc. during class.
- There will be a seating chart.

Date	Topic	Reading
Aug. 28	Introduction and overview	The slowing of health care spending
Sept. 4-9	Valuing health companies: the basics	Valuation multiples: a primer
Sept. 11	Cost of capital for healthcare companies	Cost of capital for biotech, pharma, and device firms
Sept. 16	ENPV of a drug in development	Trends in risks associated with new drug development
Sept. 18	<b>Case 1 due:</b> Medtronic/Kyphon	
Sept. 23	ENPV of a drug, cont.	
Sept. 25	<b>Guest Speaker</b> – Adam Koppel, Managing Director, Brookside Capital / Bain Capital	
Sept. 30	Understanding and valuing licensing arrangements	The economics of licensing contracts
Oct. 2	Valuing development flexibility	Getting real about valuation in biotech
Oct. 7	<b>Guest Speaker</b> – Geoff Porges, Senior Analyst, Global Biotechnology, Sanford Bernstein	
Oct. 9	<b>Case 2 due: ENPV of a drug / Valuing flexibility</b>	
Oct. 14	<b>Guest Speaker</b> – Alexander Schuth, Head of Neuroscience Partnering, Genentech	
Oct. 16	Life sciences venture capital	Strong momentum in healthcare: trends in M&A
Oct. 21-23	Deal structure, incentives, and innovative financing	An entrepreneur's guide to understanding the cost of VC Trends in terms of U.S. life sciences venture financings
Oct. 28	<b>Guest Speaker</b> – Michael Aberman, VP Strategy and IR, Regeneron Pharmaceuticals	
Oct. 30	<b>Case 3 due:</b> Financing an early stage device co.	
Nov. 4	Health insurance, managed care, and risk adjustment	Issues in risk adjustment for Medicare Advantage
Nov. 6	<b>Guest Speaker</b> – Cary Pfeffer, M.D., Partner, Third Rock Ventures	
Nov. 11	Health insurers and the Affordable Care Act	Analysis of HHS rules on reinsurance, risk corridors and risk adjustment
Nov. 13	<b>Guest Speaker</b> – Curtis Lane, Founder and Senior Managing Director, MTS Health Partners	
Nov. 18	<b>Case 4 due:</b> Risk adjustment and plan design	
Nov. 20	Health systems and payment design	Analyzing shifts in economic risks to providers
Nov. 25	<b>Exam</b>	
Dec. 2	Health systems and payment design, cont.	Evaluating bundled payment contracting
Dec. 4	<b>Guest speaker</b> – TBA	
Dec. 9	<b>Case 5 due:</b> Bundled payments	