Class Meetings: Tuesday/Thursday, 3:00-4:20 p.m.
Classroom: JMHH 365

Course Instructor: Lawton Robert Burns, Ph.D., MBA
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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, consumers)
2. **Providers** (hospitals, physicians, service providers)
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 specific aims:

1. Describe the major players along the healthcare “value chain” in the US (payers, providers, and producers), their interactions, and their divergent incentives

2. Analyze the major problems confronting the US (and all other) health care systems: controlling rising costs, providing insurance coverage to all, improving quality, and balancing all three goals

3. Provide global comparisons of the US and ROW (rest of world) in terms of: disease patterns / epidemiology, financing, delivery systems, insurance reform, and technology development

4. Compare the different technology sectors in healthcare: pharmaceuticals, biotechnology, information technology, and medical devices

5. 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

NOTE #1: As common courtesy to our speakers and fellow students, those who use computers and electronic devices in class should sit in the back row of the 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.
Readings

Assigned readings for the course are found online or on Canvas (organized into folders for each class). All HBS cases and some book chapters are available from Study.Net. Additional required readings, available at the bookstore, are found in:

(1) Lawton Burns, *The Business of Healthcare Innovation* 2nd Edition (Cambridge University, 2012) and
(2) Robert Field, *Mother of Invention* (Oxford University, 2014)

Those of you who have relatively little background in healthcare are advised to consult an introductory text on the healthcare 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** [25 points] Tues October 7th (3 P.M.)
   
   The exam will be a *take-home* exercise. It will test your ability to interpret key industry trends (e.g., draw implications of changes in one sector for firms in another sector, draw conclusions from a set of charts/tables). It is due at the beginning of class on 10/7. Students should not discuss the exam or work in groups.

2. **3 Case Write-ups – by Segment** [10 points each] Oct 2nd, Nov 11th, Dec 9th
   
   Learning teams will analyze three cases -- one for each segment of the course. These assignments are designed to give students a closer look at managerial and strategic issues across segments. For each case, teams should address the questions posed in the syllabus. Case write-ups should adhere to the following guidelines: 5 page limit, 1.5 spacing, single-sided, 12 point font, maximum of two additional pages for charts, etc.
3. **Final Examination** [35 points] **Dec 16th (2 P.M.)**

The exam will be a *take-home* exercise. 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 after the last class (12/9).

4. **Class Participation** [10 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 summarize (in prose) the assigned readings and speaker presentation for that class. The class summary should be two pages in length: one page on the readings, and one page on the speaker presentation. The sessions chosen should include the three pre-session classes. The group’s summary must be submitted electronically to Dr. Burns and posted on WebCafe. Teaching assistants 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 and the TAs as a Quality Circle to discuss course progress and provide feedback on any and all aspects of the course. A meeting is scheduled for Tuesday October 28th immediately following class.

**Drawing on Students’ Backgrounds**

Students who are expert on a given topic and wish to share during a given class (particularly when Professor Burns is teaching) should inform Dr. Burns ahead of time regarding the insights they wish to share.
ROLE OF PRIVATE SECTOR AND GOVERNMENT IN THE DEVELOPMENT OF THE US HEALTH CARE SYSTEM

Thur Aug 28  History of Hospitals and Current Hospital Issues


*Supplemental & Optional Reading*


Tues Sept 2  History of the Medical Profession and Current Manpower Issues

Field. *Mother of Invention*, Chapter 5.

*Supplemental & Optional Reading*


Thur Sept 4  History of the Health Insurance Industry & Rise of Managed Care


*Supplemental & Optional Reading*


GLOBAL ISSUES IN HEALTHCARE

Tues Sept 9  Overview of the Health Care Industry: “The Big Picture”
[Jeff Goldsmith, Ph.D., Associate Professor, Univ of Virginia]


Moses. “Supplementary Online Content.”

Thur Sept 11  The Rising Cost of Healthcare: Causes and Solutions


PART I : PAYERS & FISCAL INTERMEDIARIES

Tues Sept 16  Overview: Patient Protection and Affordable Care Act (PPACA)


Thur Sept 18  Medicare & CMS (Centers for Medicare and Medicaid Services)

SKIM THE FOLLOWING:


Tues Sept 23 Medicaid & State Healthcare Reform Initiatives: Massachusetts & Vermont
[Nancy Turnbull, Senior Lecturer on Health Policy - Harvard School of Public Health; Former First Deputy Commissioner, Mass. Division of Insurance]

Sanzenbacher. “What We Know About Health Reform in Massachusetts,” (Center for Retirement Research, Boston College, 2014).


Supplemental & Optional Reading


Thur Sept 25 Private Insurer Efforts to Manage the Chronically-Ill
[Chad Peel, MBA - V.P. for International Business Development, Optum Health - United Healthcare]


Tues Sept 30 Wellness Initiatives, Prevention, & Behavioral Economics
[Kevin Volpp, M.D., Professor Medicine, Univ of Pennsylvania; Director of Center for Health Incentives and Behavioral Economics]


Asch, Muller, and Volpp. “Automated Hovering in Health Care – Watching Over the 5,000 Hours,” NEJM (2012).
Thur Oct 2  Consumer-Directed Health Plans (CDHPs)
[Jack Lord, M.D., former Chief Innovation Officer for Humana]

CASE: Humana, Inc.: Turnaround of a Health Insurer. IBS-CDC Case # RTS0020. [Study.Net]

You will need to do some outside reading to prepare this case. Some suggestions for CDHP readings are:

http://en.wikipedia.org/wiki/Consumer-driven_health_care

Case write-up assignment:

1. What problems has Humana been facing at the end of the 1990s? Is Humana's approach a good strategy to reverse the situation? What do you think of SmartSuite as a product differentiation approach? (2 pages)

2. What are the barriers that Humana faces here? How realistic is it to think of people as real "consumers/purchasers" in the marketplace? Answer from the vantage point of 2000-2004. (~1.5 pages)

3. How do insurers compete and win in the marketplace in general, and how will Humana fare with its approach? (~1.5 pages)

*In answering these questions, do not be too general or broad. Analyze the information in the case carefully and be specific in your observations and insights that address the case questions.*

Tues Oct 7  Integrative Session: Review of Mid-Term Exam

Mid-Term Exams Due by Start of Class

*Email exam to grader before 3 P.M.*

Thur Oct 9  NO CLASS – Fall Break

Tues Oct 14  NO CLASS – Q1 Core Exams
PART II : PROVIDERS & THE DELIVERY OF HEALTH CARE

Thur Oct 16  Coordinating Care for the Chronically-Ill
[Katherine Schneider, M.D. – CMO, Medecision]


Tues Oct 21  Overview: Health Care Information Technology (HCIT)
[John Glaser, Ph.D., CEO - Siemens; former CIO at Partners Healthcare]

Skim the following:


Supplemental & Optional Reading

FOR THOSE WITH NO HCIT BACKGROUND - - PLEASE SKIM:

Thur Oct 23  Quality of Care, Hospital Process Improvement and the Toyota Production System (TPS)


HBS Case: Virginia Mason Medical Center. Case # 9-606-044.
Tues Oct 28  International Comparisons of Health Care Systems; Medical Tourism


*Supplemental & Optional Reading*


HBS Case: “Note on Medical Travel,” Case # 9-308-084. (Revised August 2012).

Thur Oct 30  Pharmacy Benefit Managers & Pharmacy Chains

[Troyen Brennan, M.D. – Executive Vice-President and CMO, CVS Caremark]


Tues Nov 4  IDNs, ACOs, and OWAs with TLAs


Burns and Pauly, “Accountable Care Organizations May Have Difficulty Avoiding the Failures of the Integrated Delivery Networks of the 1990s,” [and online appendix], *Health Affairs* (November 2012).

Thur Nov 6  Health Care Services and the Role of Venture Capital

[Darren Black, Managing Director – Summit Partners]

Case Analysis: The Cleveland Clinic
[Martin Harris, M.D. – CIO and Strategy, The Cleveland Clinic]

Porter & Teisberg, Redefining Health Care, Pp. 149-169, 202-218.

[Study.Net]

Case write-up assignment:

1. Discuss the impact of PPACA (health reform) on the Cleveland Clinic's current business model. What aspects of PPACA pose the greatest opportunity? What represents the biggest threats? (~ 1 page)

2. You are the CEO of the Cleveland Clinic. Of the growth strategies discussed in the case (starting on p. 12), which ONE would be the most promising avenue for growth and why? What problems do you see with the other strategies? What internal factors may constrain the Clinic’s growth? (~ 3 pages)

3. What is the Cleveland Clinic’s core capability, and why? How did they develop it? How does information technology support & develop it? (~1 page)

PART III: PRODUCERS / SUPPLIERS

Overview of the Pharmaceutical Industry
[Martin Reeves, Senior Partner & Managing Director, Boston Consulting Group]

Field. Mother of Invention, Chapter 3.

Supplemental & Optional Reading

Tues Nov 18  Medical Device Sector  
[Steven Oesterle, M.D. – Senior Vice-President for Medicine & Technology, Medtronic]  

Supplemental & Optional Reading  
FOR THOSE WITH NO MEDTECH BACKGROUND - - PLEASE SKIM:  

Thur Nov 20  Overview of the Biotechnology Industry  
[Eric Schmidt, Ph.D. – Managing Director, Cowen ]  
Ernst & Young, Beyond Borders: Matters of Evidence (2013).  

Supplemental & Optional Reading  
FOR THOSE WITH NO BIOTECH BACKGROUND - - PLEASE SKIM:  

Tues Nov 25  No Class

Thur Nov 27  HAPPY THANKSGIVING [no class]

Tues Dec 2  Pharmaceutical Industry – View From Wall Street  
[David Risinger – Managing Director, Morgan Stanley Research]  
KPMG. Future Pharma.
Thur Dec 4  **Pharmaceutical vs. Device Therapy for Diabetes**  
[Jesper Hoiland, CEO – Novo Nordisk]

HBS Case: The Race to Develop Human Insulin (# 9-191-121)


Tues Dec 9  **Innovation and R&D Creativity in the Life Sciences Industry**


Case write-up assignment #3:

1. Does “Big Pharma” have a pipeline productivity problem? Has there been an increase, decrease, or steady state in pharma productivity? You are encouraged to read broadly to address this question. (1 page)

2. What are some of the barriers to R&D productivity posed by mergers and acquisitions and large corporate size in the pharma sector? (2 pages)

3. Can scientific creativity be managed? What are the conditions needed for pharma R&D success? (1 page)

4. Evaluate Robert Ruffalo’s approach to managing the scientists at Wyeth? Will this yield success? (1 page)

Tues Dec 16  **Final Exam Due (Take-home)**

Case: to be distributed