

Managed Care and the Industrial Organization of Health Care

HCMG 845-001

Spring 2015

Instructors

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Class Information

Location: John M. Huntsman Hall
Time: Tuesdays, 6:00-9:00 p.m.

Overview

This course examines two large topics in the healthcare industry: managed care and the industrial organization of health care. Each topic is really an umbrella concept that covers a broad array of approaches and techniques. The course seeks to analyze the strategy, structure, and performance of developments in each area. Thus, we shall consider

- (a) Horizontal consolidation among payers and providers
- (b) The blurring of vertical distinctions
- (c) The role of managed care and
- (d) The impact of recent reform on each of these trends.

The goal of the course is to combine a grounding in the economics literature with practitioner perspectives. The course will draw on a range of information sources: presentations by industry experts and executives, recent, ongoing research investigations in these areas, recent cases, and selected industry publications. The course will also ask students (in teams) to conduct focused industry investigations into managed care and industrial organization that extend our knowledge of these topics. Student investigations will be shared with the class.

Conduct

This course is co-taught by Amanda Starc and Brad Fluegel, as well as several guest lecturers from the industry. It will meet every Tuesday evening from 6-9 p.m. Dr. Starc will hold office hours before class on Tuesdays from 5-6 p.m.

Course Requirements

Students will conduct two team projects. The team projects must be handed in and prepared for in-class presentation on March 3 and April 28, respectively. Consult these dates in the syllabus for possible topics. The project reports should be no more than 15-20 pages in length each. Student project teams for the first project should form by the third class of the semester; teams for the second should form by the second class following spring break (March 25th). Topics should broadly focus on the strategy/structure/performance of managed care and industrial organization or integrated healthcare. Where possible, teams will be matched with industry experts as advisors. Papers are due in class the day of the presentation.

The two project papers (approximately 15-20 pages) and class presentation (approximately 15 minutes) should focus on a specific aspect of managed care and industrial organization or integrated healthcare. You should stake out a position with regard to your topic and present evidence/research supporting your position. You should also discuss prevailing counter perspectives on the topic, and show why you believe these arguments fail. Interviews with individuals knowledgeable about the topic are strongly encouraged.

Potential topic areas include:

- Potential impact of health care reform on managed care organization
- Does managed care work for Medicare and Medicaid populations?
- Impact of contracting and payment methods on physician behavior or clinical outcomes
- Changing role of health care purchasers. Should employers continue to provide health coverage or should individuals purchase coverage for themselves?
- Should health plans compete on the public exchanges? If so, how?
- Physicians and hospitals: What models of integration work?
- Effectiveness of disease management
- Methods to achieve economies of scale in horizontal combinations
- What is the future of hospital systems?
- What is the future of physician organizations?
- Does diversification in the provision of healthcare services work?
- Mergers and acquisitions: How do you make them work?
- Value chain alliances in health care
- What is the effectiveness of various trends (ACOs, P4P, CDHP, HIT, etc.) in controlling costs and/or improving the quality of health care?

Grading

Grades will be based on a mixture of the two team projects (80% total, 40% each), and classroom attendance/participation (20%).

Schedule

Jan 20 Introduction

Readings:

1. Kongstvedt, Essentials of Managed Health Care
 - a. Chapter 1 (Origins of Managed Care)
 - b. Chapter 2 (Types of Managed Care Plans & Integrated Healthcare Delivery Systems)
 - c. Chapter 8 (Performance-Based Incentives in Managed Care: Pay-for-Performance)

Jan 27 Managed Care Overview & How Provider Organizations are Responding to Reform

Guest Speaker: Allen Smith, MD, MS, Partners Healthcare
 Jessica Dudley, MD, Partners Healthcare

Readings:

1. Kongstvedt, Essentials of Managed Health Care
 - a. Chapter 14 (Role of Health Plans in Preventing Disease)
 - b. Chapter 15 (Quality Management in Managed Care)
 - c. Chapter 18 (Claims Administration)
 - d. Chapter 19 (Member Services)
 - e. Chapter 20 (Healthcare Consumerism)
 - f. Chapter 21 (Sales and Marketing)
 - g. Chapter 22 (Employer's View of Managed Health Care)
 - h. Chapter 23 (Accreditation and Performance Measurement Programs for Managed Care Organizations)
2. Morgan Stanley, Managed Care Industry Handbook, Nov 2011.
3. Kaiser Family Foundation, "Consumer's Experience in Massachusetts: Lessons for National Health Reform," Sept 2009.
<http://healthreform.kff.org/>
4. Chernew et. al. "Private-Payer Innovation in Massachusetts: The 'Alternative Quality Contract,'" *Health Affairs*, Jan 2011 30:51-61.
5. Mechanic et. al. "Medical Group Responses to Global Payment: Early Lessons From the 'Alternative Quality Contract; in Massachusetts,'" *Health Affairs*, Sept. 2011 30:1734-1742.
6. Hussey et. al. "PROMETHEUS Bundled Payment Experiment: Slow Start Shows Problems in Implementing New Payment Models," *Health Affairs*, Nov. 2011, 30:2116-2124.
7. Werner et. al., "Effect of Pay-For-Performance in Hospitals: Lessons for Quality Improvement," *Health Affairs*, April 2011, 30: 690-698.

Feb 3

Antitrust

Guest Speaker: Jeff Perry, JD, Weil, Gotshal & Manges, LLP

Readings:

1. Dranove and Sfekas, "A Revolution in Health Care Antitrust: New Methods and Provocative Implications," *Milbank Quarterly* 2009, 87(3): 607-632.
<http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2881459/>
2. Gaynor and Vogt, "Antitrust and Competition in Health Care Markets," in *Handbook of Health Economics*. Read 1456-1478. (Study.net).

Feb 10

Costs

Guest Speaker: Jeffrey Levin-Scherz, MD, National Leader,
Health Management Practice at Towers Watson

Readings:

1. Boston Consulting Group, "Innovation, Diversification and a Focus on Fundamentals: How health Care Reform will Change the Insurance Landscape," (BCG: July 2011).
2. Moses, Matheson, Dorsey, et. al., "Anatomy of Health Care in the United States, *JAMA* 2013, 310(18):1947-1964.
Abstract: <http://jama.jamanetwork.com/articles.aspx?articleid=1769890>
Plan to read entire article and skim supplemental appendices, which will be provided separately.
3. Gawande, "Cost Conundrum," *The New Yorker*, June 1, 2009.
http://www.newyorker.com/reporting/2009/06/01/090601fa_fact_gawande
4. Levin-Scherz, "What Drives Health Care Costs and How to Fight Back," *Harvard Business Review* 2010, 88:72-73.
<http://hbr.org/2010/04/what-drives-high-health-care-costs-and-how-to-fight-back/ar/1> (Two pager will be provided separately.)
5. Emanuel, Tanden, Alteman, Armstrong, et. al., "A Systematic Approach to Containing Health Care Spending," *New England Journal of Medicine*, 2012; e-published Aug 1.
6. Antos, Pauly, and Wilensky, "Bending the Cost Curve Through Market-Based Incentives," *New England Journal of Medicine*, 2012; e-published Aug 1.
<http://www.nejm.org/doi/full/10.1056/NEJMs1207996>

Feb 17

Structure & Economics of the Managed Care Industry

Guest Speaker: Kurt Wrobel, MBA(Wharton Grad!), Humana

Readings:

1. Kongstvedt
 - a. Chapter 3 (Elements of Management Control & Gov Structure)
 - b. Chapter 4 (Common Myths and Assertions about Health Plans)
 - c. Chapter 5 (Physician Networks in Managed Health Care)
 - d. Chapter 6 (Basic Compensation of Physicians in Managed Health Care)
 - e. Chapter 7 (Hospitals, facilities and Ancillary Services)
2. Wrobel, "Economics of Health Insurance Plan Design," (Study.net)
3. Robinson, "Hospitals Respond to Medicare Payment Shortfalls by Both Shifting Costs and Cutting Them, Based on Market Concentration" *Health Affairs*, July 2011, 30:1265-1271.
4. Roehrig and Rousseau, "Growth in Cost Per Case Explains Far More of US Health Spending Increases than Rising Disease Prevalence," *Health Affairs*, Sept 2011 30:1657-1663.
5. HBS Case – Oxford Health Plans: Specialty Management (Study.net)

Feb 24 (Provider) Market Structure

Readings:

1. Cutler, "Where are the Health Care Entrepreneurs? The Failure of Organizational Innovation in Health Care," in *Innovation Policy and the Economy*, Volume 11, University of Chicago Press.
2. Besanko, Dranove and Shanley, "Horizontal Boundaries of the Firm: Economies of Scale and Scope," *Economics of Strategy* 2000 (Study.net).
3. Gaynor and Town, Chapter Nine – Competition in Health Care Markets, in *Handbook of Health Economics*, Elsevier, 2011 Volume 2: 499-637.
<http://sciencedirect.com/science/article/pii/B9780444535924000098>
4. American Medical Association, "Competition in Health Insurance: A Comprehensive Study of U.S. Markets," Executive Summary.
5. Capps and Dranove, "Hospital Consolidation and Negotiated PPO Prices," *Health Affairs* 23(2): 175-181.
<http://content.healthaffairs.org/content/23/2/175.long>

Mar 3 Project Presentations

Mar 17 Consumer Expectations

Readings:

1. Berwick, "Triple Aim: Care, Health, and Cost," *Health Affairs* 2008, 27:759-769.
2. Enthoven and Tollen, "Competition in Health Care: It Takes Systems to Pursue Quality and Efficiency," *Health Affairs Web Exclusive* (Sept, 2005): W5 420-533.

3. Kaiser Family Foundation, "Consumer's Experience in Massachusetts: Lessons for National Health Reform," Sept 2009.
<http://healthreform.kff.org/>
4. Kongstvedt
 - a. Chapter 18 (Claims Administration)
 - b. Chapter 19 (Member Services)
 - c. Chapter 20 (Healthcare Consumerism)
 - d. Chapter 21 (Sales and Marketing)
 - e. Chapter 22 (Employer's View of Managed Health Care)

Mar 24 Vertical Integration, The Kaiser Experience

Guest Speaker: Bernadette Loftus, MD, Permanete Medical Group

Readings:

1. Burns and Muller, "Hospital-Physician Collaboration: Landscape of Economic Integration and Impact on Clinical Integration," *Milbank Quarterly* 2008, 86(3) 375-434.
2. Besanko, Dranove, and Shanley, "Organizing Vertical Boundaries: Vertical Integration and it's Alternatives," *Economic of Strategy* (John Wiley, 2000): 169-196. (Study.net)
5. Gaynor, "Is Vertical Integration Anticompetition? Definitely Maybe (But That's Not Final)." *Journal of Health Economics*, 25:175-180.
6. Besanko, Dranove, and Shanley, "Organizing Vertical Boundaries: Vertical Integration and its Alternatives," *Economic Strategy* 2000: 169-196. (Study.net)
7. Gaynor, "Is Vertical Integration Anticompetitive? Definitely Maybe (But that's not final)," *Journal of Health Economics* 2006, 25:175-180.

Mar 31 Accountable Care Organizations

Guest Speaker: Rich Montville, SVP, Optum Corporate Strategy,
United Health Group

Readings:

1. Burns and Pauly, "Accountable Care Organizations May Have Difficulty Avoiding the Failures of Integrated Delivery Networks of the 1990s," *Health Affairs* Nov 2012, 31(11):2407-2416.

Apr 7

Information Technology

Guest Speaker: Raymond Falci, Managing Director,
Cain Brothers & Company LLC (Wharton Grad!)

Readings:

1. Kongstvedt
 - a. Chapter 16 (Data Analysis and Profiling in Health Plans)
 - b. Chapter 17 (Information Technology in the Healthcare Org)
2. Beeuwkes, et. al., "Benefits of Health Information Technology: A Review of the Recent Literature Shows Predominately Positive Results," *Health Affairs* 2011, 30:464-471.

Apr 14

Medicare and Medicaid

Guest Speaker: Stephen Wood, Senior Vice-President,
Ingenix Consulting

Readings:

1. Kongstvedt
 - a. Chapter 26 (Medicare and Managed Care)
 - b. Chapter 27 (Medicaid and Managed Care)
2. Sommers and Rosenbaum, "Issues in Health Reform: How Changes in Eligibility May Move Millions Back and Forth Between Medicaid and Insurance Exchanges," *Health Affairs*, Feb 2011, 30:228-236.

Apr 21

Premium Subsidized & Private Exchange Coverage

Guest Speaker: John Barkett, Director of Policy Affairs,
Towers Watson Exchange Solutions

Readings:

1. Bauman et. al., "Winning Strategies for Participating in Narrow-Network Exchange Offerings."
http://healthcare.mckinsey.com/sites/default/files/793541_Winning_Strategies_in_Network_Exchange.pdf

Apr 28

Project Team Presentations