THE WHARTON SCHOOL
UNIVERSITY OF PENNSYLVANIA

THE HEALTH SERVICES SYSTEM - HCMG 841
FALL 2015

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

Course Instructor: Lawton Robert Burns, Ph.D., MBA
Professor - Department of Health Care Management

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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
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:

2. Robert Field, *Mother of Invention* (Oxford University, 2014)

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 is also covered during the first four lectures. The books include:

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

Five (5) Course Requirements

1. **2 Short Essays** [5 points each]  
   Tues. September 15th (3 P.M.)  
   Tues. November 3rd (3 P.M.)

   To help orient you to class and some of the key issues, you will be asked to write two (2) one-page essays on specific topics. The topics deal with themes discussed in the course. The two essays are due September 15th and November 3rd. For each essay, address the question(s) posted in the syllabus.

2. **Mid-Term Examination** [20 points]  
   Thurs October 22nd (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 10/22 by 3:00 PM. Students should not discuss the exam or work in groups.

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. Cases are due by 3:00 P.M. on the specified dates.

4. **Final Examination** [30 points] TBA

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 (12/8).

5. **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.

**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 Thursday October 22nd immediately following class.
INTRODUCTION TO HEALTHCARE PLAYERS

Thurs Aug 27  Hospitals: Yesterday & Today


*Strongly Recommended:*

- Slides: Burns, History of U.S. Hospitals and Health Systems (on Canvas with Readings)
- Video (on Canvas, Class Recordings, JMHG06_08022011_115548AM)

*Supplemental & Optional Reading:*


Tues Sept 1  Medical Profession: Yesterday and Today

Field. *Mother of Invention*, Chapter 5.

*Strongly Recommended:*

- Slides: Burns, The Rise of the Medical Profession (on Canvas with Readings)
- Video (on Canvas, Class Recordings, JMHG06_08032011_115548AM)

*Supplemental & Optional Reading:*


Thurs Sept 3  Overview of the Health Care Industry: Big Picture

[Jeff Goldsmith, Ph.D. - Associate Professor, Univ of Virginia]

Moses. “Supplementary Online Content.”
PART I: PAYERS & FISCAL INTERMEDIARIES

Tues Sept 8  Health Insurance Industry: Yesterday and Today

*Strongly Recommended:*

- Slides: Burns, History of the Health Insurance Industry in the U.S. (on Canvas with Readings)
- Video (on Canvas, Class Recordings, JMHG06_08042011_115548AM)

*Supplemental & Optional Reading:*


Thurs Sept 10  Rising Cost of Healthcare


Tues Sept 15  Population Health

[David B. Nash, M.D., M.B.A., Jefferson School of Public Health, Thomas Jefferson University]


*Optional Reading:*

*A Primer on Defining the Triple Aim*, Institute for Healthcare Improvement.

One-page Essay #1 due


**Thurs Sept 17**  
**Overview: Patient Protection and Affordable Care Act (PPACA)**  
[Ezekiel Emanuel, M.D., Ph.D – Vice Provost for Global Initiatives, Professor of Health Care Management and Chair of the Department of Medical Ethics, University of Pennsylvania]

*Summary of the Affordable Care Act*, Kaiser Family Foundation (2013).

*Optional Reading:*

*The Patient Protection and Affordable Care Act: Detailed Summary,* Responsible Reform for the Middle Class.


**Tues Sept 22**  
**Medicaid & State Healthcare Reform Initiatives: Massachusetts**  
[Nancy Turnbull, Senior Lecturer on Health Policy; Associate Dean for Professional Education, Department of Health Policy and Management, Harvard University]

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

*Massachusetts Health Care Reform: Six Years Later,* Kaiser Family Foundation (May 2012).

*Supplemental & Optional Reading:*


**Thurs Sept 24**  
**Quality**  
[Sanford Schwartz, M.D. – University of Pennsylvania School of Medicine]

TBA
**Tues Sept 29**

**Medicare & CMS (Centers for Medicare and Medicaid Services)**
[Stuart Guterman - Senior Scholar in Residence, AcademyHealth]


SKIM THE FOLLOWING:


**Thurs Oct 1**

**AQC**
[Dana Safran - Mass. Blue Cross & Blue Shield]

Song et al. “Changes in Health Care Spending and Quality 4 Years into Global Payment,” *NEJM* (October 30, 2014).

Optional Reading:

HBS Case: *Lowell Physician Hospital Organization* [Study.Net]

**Tues Oct 6**

**Insurers and Provider Networks**
[Jack Lord, M.D. - former Chief Innovation Officer, Humana]


**Case write-up assignment #1:**

1. The complaint suggests that Aetna is motivated by its effort to “provide affordable health care benefits to its members.” Is that its goal? (1 page)

2. How do patients end up going (or find themselves) out-of-network? Why would they want to go? (1 page)

3. Does it make a difference to Aetna and its contracted providers if Aetna's enrollees are covered by fully-insured versus self-insured plans? If so, why? (1 page)
4. Are the HVSC physicians involved in unethical activities or activities that violate their Aetna contracts, are they merely trying to “game the system”? (1 page)

5. If you were a patient of the HVSC and you read this complaint, how would you feel about Aetna, your doctors and the healthcare system? What information would you have wanted before agreeing to being treated at HVSC? (1 page)

Thur Oct 8  NO CLASS – Fall Break

Tues Oct 13  NO CLASS – Fall Break

Thurs Oct 15  Maryland’s All-Payer Approach and Coordination of Care  
[Robb Cohen – CEO, Advanced Health Collaborative]

Rajkumar et al. “Maryland’s All-Payer Approach to Delivery-System Reform,” *NEJM* (February 6, 2014).


**Midterm Exam to be distributed**

Tues Oct 20  Health Care Services and the Role of Venture Capital  
[Darren Black - Managing Director, Summit Partners]


**Optional Reading:**


Thurs Oct 22  Midterm Exams Due at 3:00 PM  
Exam Review
Tues Oct 27  Wellness Initiatives, Prevention, & Behavioral Economics  
[Kevin Volpp, M.D., Professor of Medicine, Univ of Pennsylvania;  
Director of Center for Health Incentives and Behavioral Economics]  


Optional Reading:


Asch, Muller, and Volpp. “Automated Hovering in Health Care – Watching Over the 5,000 Hours,” NEJM (July 5, 2012).

PART II: PROVIDERS & THE DELIVERY OF HEALTH CARE

Thurs Oct 29  Pharmacy Benefit Managers & Pharmacy Chains  
[Troyen Brennan, M.D. – Executive Vice-President and CMO, CVS Caremark]  


Tues Nov 3  Accountable Care Organizations  
[Anthony V. Coletta, M.D., M.B.A. – President and CEO, Tandigm Health]  

Accountable Care Organizations in California: Promise and Performance, School of Public Health, Berkeley (February 2015).

Optional Reading:

One-page Essay #2 due


Burns and Wholey. 2000. ‘Responding to a Consolidating Health Care System: Options for Physician Organizations,” In Advances in Health Care Management, Volume 1, pp. 273–335. (Elsevier 2000). Available at: https://docs.google.com/viewer?a=v&pid=sites&srcid=ZGVmYXVsdGRvbWFpbnxYXd0b25idXJuYmcsYnVmFsd2Vic2l0ZXXw6Do2Y2JjNWl0YmQ1NzQ3MjEx

Thurs Nov 5

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


Supplemental & Optional Reading:

FOR THOSE WITH NO HCIT BACKGROUND - - PLEASE SKIM:

Tues Nov 10

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.


Case write-up assignment #2:
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

Thurs Nov 12  Pharmaceutical vs. Device Therapy for Diabetes
[Jesper Hoiland – CEO, Novo Nordisk]


Tues Nov 17  Overview of the Biotechnology Industry
[Eric Schmidt, Ph.D. – Managing Director, Cowen]


Supplemental & Optional Reading:


Thurs Nov 19  Franchise Swaps in Pharma: GSK-Novartis Deal
[David Gluckman, M.D. – Co-Head, Global Healthcare Group, Lazard]

Novartis Press Release, “Novartis announces portfolio transformation, focusing company on leading businesses with innovation power and global scale: Pharmaceuticals, Eye Care, and Generics” (April 22, 2014.)
GSK Press Release, “GSK announces major 3-part transaction with Novartis to drive sustainable sales growth, improve long-term earnings and deliver increasing returns to shareholders” (April 22, 2014)

GSK Circular Summary (November 20, 2014)

Optional Reading:


**Tues Nov 24**  No Class

**Thurs Nov 26**  HAPPY THANKSGIVING [no class]

**Tues Dec 1**  Specialty Pharma

[Richard Evans – Founder and General Manager, SSR Health, formerly of Sanford C. Bernstein and Roche).


**Thurs Dec 3**  Overview of the Pharmaceutical Industry

[Aamir Malik – Global Co-convener, Pharmaceuticals and Medical Products, McKinsey & Co.]

Field. *Mother of Invention*, Chapter 3.


Supplemental & Optional Reading:


**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? (2 pages)

Some additional readings on this topic:


Tues Dec 8  

Medical Device Sector
[Ellie Pidot – Vice President, Strategy, Medtronic]


Medtronic + Covidien...1+1=5; We Reiterate our Buy Ratings, Deutsche Bank Markets Research Industry Update (June 17, 2014).


Supplemental & Optional Reading:

FOR THOSE WITH NO MEDTECH BACKGROUND - - PLEASE SKIM:

Final Exam Due (Take-home)

Case: to be distributed