

**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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Office Hours: Tuesday and Thursday, 12:00-2:00 PM

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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 (PBMs), 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.

3. **3 Case Write-ups – by Segment** [10 points each] Tues. Oct 6th, Tues. Nov 10th, Thurs. Dec 3rd^h-(3 P.M.)

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

Field. *Mother of Invention*, Chapters 2 & 4.

Strongly Recommended:

- Slides: Burns, History of U.S. Hospitals and Health Systems (on Canvas with Readings)
- Video (on Canvas, Class Recordings, JMHHG06_08022011_115548AM)

Supplemental & Optional Reading:

Lawton Burns, "The Transformation of the American Hospital: From Community Institution toward Business Enterprise." In *Comparative Social Research* Volume 12: 77-112. (Greenwich, CT: JAI Press, 1990).

Available at:

<http://assets.wharton.upenn.edu/~burnsl/html/Burns%20TransformationoftheAmericanHospital.pdf>

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, JMHHG06_08032011_115548AM)

Supplemental & Optional Reading:

Burns, Goldsmith, and Muller. "History of Physician-Hospital Collaboration," in Crosson and Tollen (Eds.), *Partners in Health* (2010).

Thurs Sept 3

Overview of the Health Care Industry: Big Picture **[Jeff Goldsmith, Ph.D. - Associate Professor, Univ of Virginia]**

Moses. Matheson, Dorsey et al. "The Anatomy of Health Care in the United States," *JAMA* (November 2013).
Moses. "Supplementary Online Content."

PART I: PAYERS & FISCAL INTERMEDIARIES

Tues Sept 8

Health Insurance Industry: Yesterday and Today

Field. *Mother of Invention*, Chapter 6.

Strongly Recommended:

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

-Video (on Canvas, Class Recordings, JMHHG06_08042011_115548AM)

Supplemental & Optional Reading:

Roberts. "History of Health Insurance in the US and Colorado". Read pp. 1- 26

How Private Health Coverage Works: A Primer, Kaiser Family Foundation. 2008 Update.

Thurs Sept 10

Rising Cost of Healthcare

Keehan et al. "National Health Expenditure Projections, 2014-2024: Spending Growth Faster than Recent Trends" *Health Affairs* (August 2015).

Tues Sept 15

Population Health

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

"A Conversation with David B. Nash, MD. MBA: Game Changers for Population Health," *Managed Care* (January 2014).

Nash. "The Population Health Mandate: A Broader Approach to Care Delivery," Boardroom Press (February 2012).

Optional Reading:

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

Guide to Measuring the Triple Aim: Population Health, Experience of Care, and Per Capita Cost, Institute for Healthcare Improvement (2012)

One-page Essay #1 due

Kissick. “Somebody has to Pay,” Chapter 1 in *Medicine’s Dilemmas* (Yale University Press 1994). [Study.Net]

Berwick et al. “The Triple Aim: Care, Health and Cost,” *Health Affairs* (May/June 2008).

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.

Establishing Health Insurance Exchanges. Kaiser Family Foundation (2013).

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:

Massachusetts Health Reform: A Five-Year Progress Report, Blue Cross of Massachusetts Foundation (November 2011).

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]

Abrams et al. “Realizing Health Reform’s Potential: The Affordable Care Act’s Payment and Delivery System Reforms: A Progress Report at Five Years,” Commonwealth Fund (May 2015).

Blumenthal et al. “Medicare at 50 – Origins and Evolution,” *NEJM* (January 2015).

SKIM THE FOLLOWING:

Medicare: A Primer. Kaiser Family Foundation (2010).

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: *AETNA v. Huntingdon Valley Surgery Center*. Civil Action No. 2:13 – 03101 (2013).

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).

Cohen et al. “Medicare Advantage Chronic Special Needs Plan Boosted Primary Care, Reduced Hospital Use among Diabetes Patients,” *Health Affairs* (January 2012).

Midterm Exam to be distributed

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

Becker et al. “Private Equity Investment in Healthcare: 15 Healthcare Investment Niches – A Review of Key Sectors for 2015,” *Becker’s Hospital CFO* (August 2015).

<http://www.beckershospitalreview.com/finance/private-equity-investment-in-healthcare-15-healthcare-investment-niches-a-review-of-key-sectors-for-2015.html>

Optional Reading:

Strategies for Health Care Leaders: 2015 Health Care Sector Outlook, Cain Brothers (Winter 2015).

**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]**

Lowenstein, Asch, Volpp. “Behavioral Economics Holds Potential to Deliver Better Results for Patients, Insurers, and Employers,” *Health Affairs* (July 2013).

Optional Reading:

Volpp, Asch, Galvin et al. “Redesigning Employee Health Incentives – Lessons from Behavioral Economics,” *NEJM* (August 4, 2011).

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]**

Shrank et al. “New Therapies in the Treatment of High Cholesterol: An Argument to Return to Lipid Goal-Based Guidelines,” *JAMA* (August 10, 2015).

Global Data. *CVS Caremark Corporation – Financial and Strategic Analysis Review*. (July 2014). [SKIM]

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:

Cameron. “Positively Deviant Organizational Performance and the Role of Leadership Values,” *The Journal of Values-Based Leadership* (Winter/Spring 2008).

One-page Essay #2 due

Friedberg, et al. “Background: Scan of the Literature on Effects of Payment Models on Physician Practice,” Chapter 3 in *Effects of Health Care Payment Models on Physician Practice in the United States*, pp. 9-30 (Rand 2015)

Burns, Goldsmith and Sen. “Horizontal and Vertical Integration of Physicians: A Tale of Two Tails,” *Annual Review of Health Care Management* (2014).

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=ZGVmYXVsdGRvbWFpbmXsYXN0b25idXJuc3BlcnNvbWVsd2Vic2l0ZXxneDo2Y2JjNWl0YmQ1NzQ3MjEx>

Thurs Nov 5

Overview: Health Care Information Technology (HCIT)

[John Glaser, Ph.D., CEO - Siemens; former CIO at Partners Healthcare]

Furukawa et al. “Despite Substantial Progress in EHR Adoption, Health Information Exchange and Patient Engagement Remain Low in Office Settings,” *Health Affairs* (September 2014).

Supplemental & Optional Reading:

FOR THOSE WITH NO HCIT BACKGROUND - - PLEASE SKIM:
Powell and Goldsmith. “The Healthcare Information Technology Sector.” In Burns (Ed.), *The Business of Healthcare Innovation* (Cambridge University Press, Cambridge UK, 2012). Chapter 7.

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.

HBS Case: *The Cleveland Clinic: Growth Strategy 2012*. Case # 9-709-473.[Study.Net]

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]

HBS Case: Eccles and Krzus. *Novo Nordisk: A Commitment to Sustainability*. (#9-412-053). [Study.Net].

Tues Nov 17

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

“Ernst & Young, Beyond Borders: Reaching New Heights. Biotechnology Report (2015).

Supplemental & Optional Reading:

FOR THOSE WITH NO BIOTECH BACKGROUND - - PLEASE SKIM:
 Pfeffer. “The Biotechnology Sector – Therapeutics.” In Burns (Ed.), *The Business of Healthcare Innovation* (Cambridge University Press, Cambridge UK, 2012). Chapter 4.

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:

Burns et al., *The Business of Healthcare Innovation* 2nd Edition, Chapter 3.

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).

The Bull Case for Specialty Drug Pricing, Sector and Sovereign Research (July 7 2014).

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.

Burns et al., “Pharmaceutical Strategy and the Evolving Role of Merger and Acquisitions.” in Burns (Ed.), *The Business of Healthcare Innovation* (Cambridge University Press, Cambridge UK, 2012). Chapter 3.

Supplemental & Optional Reading:

FOR THOSE WITH NO PHARMA BACKGROUND - - PLEASE SKIM:
Northrup et al. “The Pharmaceutical Sector: Rebooted and Reinvigorated.” In Burns (Ed.), *The Business of Healthcare Innovation* (Cambridge University Press, 2012). Chapter 2.

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:

<http://www.forbes.com/sites/medidata/2014/10/06/the-next-wave-of-pharmaceutical-innovation-an-interview-with-bernard-munos/>

<http://www.forbes.com/sites/medidata/2014/10/08/where-is-drug-rd-headed-an-interview-with-bernard-munos/>

Tues Dec 8

Medical Device Sector

[Ellie Pidot – Vice President, Strategy, Medtronic]

Hartford. “What Does the Future Hold for Medtech – Parts I, II, III, IV”

Laskow. “The Bleeding Edge,” *Foreign Policy Magazine* (2014).

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

Medtronic, Inc., Wells Fargo Securities Equity Research (July 16, 2015).

Supplemental & Optional Reading:

FOR THOSE WITH NO MEDTECH BACKGROUND - - PLEASE SKIM:

Kruger. “The Medical Device Sector.” In Burns (Ed.), *The Business of Healthcare Innovation* (Cambridge University Press, 2005). Chapter 6.

Final Exam Due (Take-home)

Case: to be distributed