

Healthcare Services Delivery: A Managerial Economic Approach

HCMG 852 / 352

Spring 2016

Professor Guy David

Office hours: Thursdays 3:00 - 4:00 or by appointment

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Objectives The purpose of this course is to apply economics to an analysis of the health care industry, with special emphasis on the unique characteristics of the US healthcare markets, from pre-hospital to post-acute care. This course focuses on salient economic features of health care delivery, including: the role of nonprofit providers, the effects of regulation and antitrust activity on hospitals, the degree of input substitutability within hospitals, competition in home health care, public versus private provision of emergency medical services, the effect of specialty hospitals and ambulatory surgery centers, innovative models of primary care delivery, defining and improving medical performance in hospitals, specialization and investment in physical and human capital, and shifting of services between inpatient and outpatient settings and its effect on health care costs and quality.

Grading

- Class Participation 15%
- Midterm Exam 60%
- Student presentation 25%

WebCafe

We have established a CANVAS room for HCMG852. This will serve as our primary communication channel. All class materials will be posted the following URL: <https://canvas.upenn.edu/courses/1309276>. You can log on using your usual Wharton username and password. Registered students will automatically have access. Others can get an account online at: <http://accounts.wharton.upenn.edu>. In case of any problems, you can apply in person at F35 JMHH, which is the Wharton computer consulting office. If you have questions about using CANVAS, contact the CANVAS Team at: courseware@wharton.upenn.edu.

Readings: All readings will appear in an electronic format on Canvas. Note that all readings below are suggested and hence, optional. Most readings will be discussed in the classroom.

Dates, Topics and Reading Assignments

Thursday, January 14

Introduction to the U.S. Healthcare Industry and its Unique Characteristics

Arrow, Kenneth “Uncertainty and the Welfare Economics of Medical Care” *American Economic Review* 1963; 53(5):941-973

Tuesday, January 19

On the Objectives and Behavior of Nonprofit Hospitals in the U.S.

Frank, Richard and David Salkever. “Non profit Organizations in the Health Sector”, *Journal of Economic Perspectives*, Vol 8, 1994, pp129-144.

Schlesinger, Mark, Shannon Mitchell, and Bradford H. Gray, “Public Expectations Of Nonprofit And For-Profit Ownership In American Medicine: Clarifications And Implications” *Health Affairs*, 23(6): 181-191, 2004.

Malani, Anup, Tomas Philipson and Guy David, “Theories of Firm Behavior in the Non-Profit Sector: A Synthesis and Empirical Evaluation.” in The Governance of Not-for-Profit Firms, Edward Glaeser, Editor. University of Chicago press, 2003.

David, Guy “The Convergence between Nonprofit and For-Profit Hospitals in the United States.” *International Journal of Health Care Finance and Economics*, Vol. 9(4), pp 403-428, December 2009.

Thursday, January 21

Why do For-Profit and Nonprofit Providers Coexist in the Same Market?

Nicholson, Sean, Mark Pauly, Lawton Burns, Agnieszka Baumritter, and David Asch. “Measuring Community Benefits Provided By For-profit And Nonprofit Hospitals.” *Health Affairs* Vol 19 (6) 2000.

Bloche, M G., “Should government intervene to protect nonprofits?” *Health Affairs*, 17, no.5 (1998):7-25

David, Guy and Lorens A. Helmchen, “An Uncertain Prescription: Are Tax Exemptions for Nonprofit Hospitals an Efficient Way to Fund Indigent Care?” *Regulation*, Vol. 29 (2), pp 14-16, June 2006.

Sloan, Frank A, Gabriel A Picone, Donald H Taylor Jr., and Shin-Yi Chou., “Hospital ownership and cost and quality of care: is there a dime’s worth of difference?” *Journal of Health Economics*, Volume 20, Issue 1, January 2001, Pages 1-21

Tuesday, January 26

Cost-Shifting and Cross-Subsidization Behavior of Hospitals and Physicians

Morrisey, Michael A., “Cost-Shifting: New Myths, Old Confusion, and Enduring Reality” *Health Affairs*, October 2003.

Showalter, M. “Physicians’ cost shifting behavior: Medicare versus other patients” *Contemporary Economic Policy*, 15 (1997) 74-84.

David, Guy, Richard Lindrooth, Lorens Helmchen and Lawton Burns, “Do Hospitals Cross Subsidize?” *Journal of Health Economics*, Volume 37, September 2014, Pages 198-218.

Thursday, January 28

Current Myths of Healthcare Reform, Dr. Donald Casey, Managing Director, Alvarez & Marsal Health Industry Group

Neprash, Hannah T, Michael E. Chernen, Andrew L. Hicks et al., “Association of Financial Integration Between Physicians and Hospitals With Commercial Health Care Prices” *JAMA Internal Medicine*, 2015; 175(12): 1932-1939

Tracy L. Johnson, Deborah J. Rinehart, Josh Durfee, et al., “For Many Patients Who Use Large Amounts Of Health Care Services, The Need Is Intense Yet Temporary” *Health Affairs*, 34, no.8 (2015):1312-1319

Stokes J, Panagioti M, Alam R, Checkland et al., “Effectiveness of Case Management for 'At Risk' Patients in Primary Care: A Systematic Review and Meta-Analysis” *PLoS ONE*. (2015) 10(7)

US Government Accountability Office (GAO), “Hospital Value-Based Purchasing”, Oct 2015

Tuesday, February 2

Do Nonprofit Hospitals Justify their Tax Exempt Status?, Ralph Muller, Chief Executive Officer, University of Pennsylvania Health System

Thursday, February 4

Clinical Integration: How Competitors can Collaborate?, Steven Levin, MBA, Managing Director of The Chartis Group *and* **Keith Dickey**, PhD, Principal, The Chartis Group

Tuesday, February 9

Introduction to Antitrust and Regulation in Health Care

Hammer, Peter J. and William M. Sage, “Critical Issues in Hospital Antitrust Law “ *Health Affairs*, vol 22: 88-100, Nov/Dec 2003.

Arizona v. Maricopa County Medical Society, Supreme Court of the United States, 1982 (457 U.S. 332, 102 St.Ct. 2466, 73 L.Ed.2d 48).

Philipson Tomas. J., and Richard. A. Posner “Antitrust and the Not-For-Profit Sector”, *Journal of Law and Economics*, 52(1): 1-18, 2009.

Capps, Cory, Dennis Carlton and Guy David, “Antitrust Treatment of Nonprofits: Should Hospitals Receive Special Care?” working paper 2010.

Thursday, February 11

Antitrust Laws, Regulation and Competition, Jeffrey H. Perry, J.D., Partner at Weil, Gotshal & Manges LLP, former Assistant Director, Mergers IV Division, Bureau of Competition, Federal Trade Commission.

Tuesday, February 16

Innovation in Primary Care

Phillips, Robert L., Jr. and Andrew W. Bazemore, “Primary Care And Why It Matters For U.S. Health System Reform” *Health Affairs*, 29, no.5 (2010):806-810.

Huff, Charlotte, “Direct Primary Care: Concierge Care For The Masses” *Health Affairs*, 34, no.12 (2015):2016-2019.

Thursday, February 18

A Consumer-Driven Culture of Health, John Keith, Principal, Deloitte Consulting LLP

Hagel, John, John Keith, John S Brown, Tamara Samoylova, and Shanna Hoversten, “A Consumer-Driven Culture of Health” *Deloitte University Press*, 2014.

Tuesday, February 23

The Changing Landscape of Health Care Delivery, Somesh Nigam, Ph.D., Senior Vice President and Chief Informatics Officer of Independence Blue Cross of Philadelphia.

Thursday, February 25

Retainer-Based Medicine, Wayne Lipton, Chief Executive Officer, Concierge Choice Physicians

Tuesday, March 1

Personalized Healthcare, Dr. Andrea Klemes, Chief Medical Officer of MDVIP

Thursday, March 3

Public versus Private Emergency Medical Services

Hart, Oliver, Andrei Shleifer and Robert W. Vishny, “The Proper Scope of Government: Theory and an Application to Prisons” *The Quarterly Journal of Economics*, Nov 1997.

David, Guy and Arthur Chiang “The Determinants of Public versus Private Provision of Emergency Medical Services” *International Journal of Industrial Organization* Vol. 27(2), pp 312-319, March 2009.

---- SPRING BREAK ----

Tuesday, March 15

Regulation, Competition and Vertical Integration in Home Health

Charles, Kerwin and Purvi Sevak “Can family caregiving substitute for nursing home care?” *Journal of Health Economics* 24 (2005) pp 1174–1190.

Neuman, Patricia, Juliette Cubanski, and Anthony Damico., “Medicare Per Capita Spending By Age And Service: New Data Highlights Oldest Beneficiaries”, *Health Affairs*, February 2015 34: pp. 2335-339

Lehrman, Susan and Karen K Shore., “Hospitals' vertical integration into skilled nursing: A rational approach to controlling transaction costs” *Inquiry*, Vol. 35(3): 303-315, Fall 1998.

David, Guy, Dan Polsky and Evan Rawley “Integration and Task Allocation: Evidence from Patient Care.” *Journal of Economics and Management Strategy*, 2013, Vol. 22(3), pp. 617–639.

Polsky, Dan, David Guy, Jianing Yang, Bruce Kinoshian, and Rachel Werner. “The Effect of Entry Regulation in the Health Care Sector: the Case of Home Health”, *Journal of Public Economics*, 2014, Vol. 110, pp. 1–14.

Thursday, March 17

An Overview of the “In-Home Medical Equipment and Services” Industry, Richard Chesney, Founder and Chief Executive Officer of Healthcare Market Resources

Tuesday, March 22

Division of Labor and Specialization: the Case of Hospitalists in the US

Meltzer, David, “Hospitalists and the Doctor-Patient Relationship” *Journal of Legal Studies* v30, n2 (Part 2): Page 589-606, June 2001.

Dynan, Linda, Rebecca Stein, Guy David, Laura Kenny, Amy Short and Mark Eckman, “Hospitalist Efficiency Decomposed: A Qualitative and Quantitative Study.” *Medical Care Research and Review*, Vol. 66(6), pp 682-702, Dec 2009.

Wachter, Robert, “Hospitalists in the United States – Mission Accomplished or Work in Progress?”, *The New England Journal of Medicine*, May 2004.

Becker, Gary and Kevin M. Murphy, “The Division of Labor, Coordination Costs, and Knowledge,” *Quarterly Journal of Economics*, 1992, Vol. 107, No. 4. pp. 1137-1160

David, Guy, Lorens Helmchen and Robert Henderson, ”Does Advanced Medical Technology Encourage Hospitalist Use and Their Direct Employment by Hospitals?” *Health Economics*, Vol. 18(2), pp 237-247, February 2009.

David, Guy and Lorens Helmchen, ”The Role of Task Adhesion in Limiting Specialization along the Medical Care Continuum.” *Review of Labour Economics and Industrial Relation*, 2011, Vol. 25(1), pp 24-44.

Thursday, March 24

Hospital of the Future: Hospitalists Leading the Change, Dr. Laurence Wellikson, Chief Executive Officer of the Society of Hospital Medicine

Tuesday, March 29

The Challenges of Managing a Home Health Agency, David Baiada, MBA, Practice Leader, Home Health, Bayada Nurses.

Thursday, March 31

Hospice Care – Dr. Adam Groff, Hospice Practice Leader and Division Director, Bayada Nurses and Assistant Professor at Geisel School of Medicine at Dartmouth and at The Dartmouth Institute for Health Care Policy & Clinical Practice.

Tuesday, April 5

Defining and Improving Health Care Organization Performance, Dr. Craig Samitt, Executive Vice President and Chief Clinical Officer for Anthem, Inc.

Thursday, April 7

MIDTERM EXAM (1:30 PM – 2:50 PM)

Tuesday, April 12

Innovation in Consumerism, Accountable Care and Population Health, Dr. Alan London, Chief Medical Officer of AristaMD and Senior Strategy Advisor for BDC Advisors

Thursday, April 14

A Hospital System Model of Disease Management, Dr. David A. Horowitz, Senior Medical Director for Quality and Chief Medical Officer of Penn Care at Home, University of Pennsylvania Health System

Bodenheimer, Thomas and Alicia Fernandez, “High and Rising Health Care Costs: Can Costs Be Controlled While Preserving Quality?” July 2005, *Annals of Internal Medicine*, Vol. 143 (1).

Goetzel, Ron Z., Ronald J. Ozminkowski, Victor G. Villagra, and Jennifer Duffy, “Return on Investment in Disease Management: A Review” Summer 2005, *Health Care Financing Review*, Vol. 26 (4).

Tuesday, April 19 – Tuesday, April 26

Student Presentations