

**MANAGED CARE AND
THE INDUSTRIAL ORGANIZATION OF HEALTH CARE**

**HCMG 845-001
Spring 2016**

Instructors

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Class Time / Location

Time: Wednesday Evening 4:30-7:30 p.m.
Location: Steinberg Dietrich Hall 209

Overview of Course

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:

- The core processes and infrastructure of managed care
- Measures of market power and concentration
- The horizontal and vertical integration strategies of payers, providers, and suppliers
- The rationales behind horizontal and vertical integration strategies
- The development of value chain alliances, and
- The performance effects observed to date.

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 of the Course

This course is co-taught by Amanda Starc and Brad Fluegel, as well as several guest lecturers from the industry. We will meet every Wednesday from 4:30-7:30 p.m. Dr. Starc will hold office hours before class on Wednesdays from 3:00-4:30 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 18 and May 6, respectively. Consult these dates in the syllabus for possible topics. The project reports should be no more than 15-20 pages in length each.

The two field-based investigations will focus on managed care during the first half of the course, and industrial organization or integrated healthcare during the second half of the course. Student project teams should form by the third class of the semester (Feb 3rd). 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. Managed care team projects will be formally presented in class at the end of the first half (March 2) and second half (April 27) of the semester. 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:

- 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 organization?
- Does diversification in the provision of healthcare services work?
- Mergers and acquisitions: how do you make them work?
- Value chain alliances in health care
- The potential impact of health care reform on managed care organizations?
- Does managed care work for Medicare and Medicaid populations?
- The impact of contracting and payment methods on physician behavior or clinical outcomes
- The changing role of health care purchasers. Should employers continue provide health coverage or should individuals purchase coverage for themselves?
- Should health plans compete on the public exchanges? If so, how?
- What is the effectiveness of various trends in controlling costs and/or improving the quality of health care?
 - Different hospital structures (e.g. ACOs)
 - New provider payment structures (e.g. Pay for Performance)

- Consumer Directed Health Plans (CDHP) plans
- Wellness programs
- Patient health records
- New clinical technologies

Grading

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

Required Readings

Readings will often, but not always be available on *Canvas*: <https://wharton.instructure.com>. For readings not posted, Google Scholar is an excellent resource. Readings may only be available using a campus IP address.

Sequence of Topics and Readings

JAN 20 INTRODUCTION

Jan 27 MANAGED CARE OVERVIEW AND CUSTOMER EXPECTATIONS

Readings:

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

FEB 3 HEALTH CARE COSTS

Guest Speaker:

- **Jeff Levin-Scherz, MD**

Readings:

- Boston Consulting Group, "Innovation, Diversification and a Focus on Fundamentals: How health Care Reform will Change the Insurance Landscape," (BCG: July 2011).
<https://www.bcg.com/documents/file81733.pdf>
- Moses, Matheson, Dorsey, et. al., "Anatomy of Health Care in the United States, *JAMA* 2013, 310(18):1947-1964.
*Plan to read entire article and skim supplemental appendices, which will be provided separately.
- Gawande, "Cost Conundrum," *The New Yorker*, June 1, 2009.
http://www.newyorker.com/reporting/2009/06/01/090601fa_fact_gawande
- Levin-Scherz, "What Drives Health Care Costs and How to Fight Back," *Harvard Business Review* 2010, 88:72-73.

- Emanuel, Tanden, Alteman, Armstrong, et. al., “A Systematic Approach to Containing Health Care Spending,” *New England Journal of Medicine*, 2012; e-published Aug 1. <http://www.nejm.org/doi/pdf/10.1056/NEJMs1205901>
- 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 10

THE PROVIDER PERSPECTIVE

Guest Speakers:

- **Allen Smith**
- **Jessica Dudley, CMO Brigham and Woman’s Physician’s Organization**

Readings:

- Kaiser Family Foundation, “Consumer’s Experience in Massachusetts: Lessons for National Health Reform,” Sept 2009. <http://healthreform.kff.org>
- Chernew et. al. “Private-Payer Innovation in Massachusetts: The ‘Alternative Quality Contract,” *Health Affairs*, Jan 2011 30:51-61.
- 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.
- Hussey et. al. “PROMETHEUS Bundled Payment Experiment: Slow Start Shows Problems in Implementing New Payment Models,” *Health Affairs*, Nov. 2011, 30:2116-2124. <http://content.healthaffairs.org/content/30/11/2116.full.pdf+html>
- Werner et. al., “Effect of Pay-For-Performance in Hospitals: Lessons for Quality Improvement,” *Health Affairs*, April 2011, 30: 690-698.

FEB 17

HORIZONTAL/PROVIDER

Readings:

- 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>
- Capps and Dranove, “Hospital Consolidation and Negotiated PPO Prices,” *Health Affairs* 23(2): 175-181. <http://content.healthaffairs.org/content/23/2/175.long>

FEB 24

VERTICAL INTEGRATION AND THE KAISER MODEL

Guest Speaker:

- **Bernadette Loftus**

Readings:

- Burns and Muller, “Hospital-Physician Collaboration: Landscape of Economic Integration and Impact on Clinical Integration,” *Milbank Quarterly* 2008, 86(3) 375-434. <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2690342/>

- Gaynor, "Is Vertical Integration Anticompetitive? Definitely Maybe (But That's Not Final)." *Journal of Health Economics*, 25:175-180.

MAR 2 Project Presentations

MAR 16 INSURANCE MARKET STRUCTURE

Readings:

- American Medical Association, "Competition in Health Insurance: A Comprehensive Study of U.S. Markets," Executive Summary.
- Enthoven and Tollen, "Competition in Health Care: It Takes Systems to Pursue Quality and Efficiency," *Health Affairs Web Exclusive* (Sept, 2005): W5 420-533.
<http://content.healthaffairs.org/content/early/2005/09/07/hlthaff.w5.420.short>

MAR 23 ANTITRUST

Guest Speaker:

- Jeff Perry

Readings:

- 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/>
- Gaynor and Vogt, "Antitrust and Competition in Health Care Markets," in Handbook of Health Economics. Read 1456-1478. (Study.net).

MAR 30 ACO and Provider Risk

Guest Speakers:

- Richard Montwill
- Kurt Wrobel

Readings:

- 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. <http://content.healthaffairs.org/content/30/7/1265.full>
- 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. <http://content.healthaffairs.org/content/30/9/1657.full.pdf+html>
- 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. <http://content.healthaffairs.org/content/31/11/2407.full>

APR 06 INFORMATION TECHNOLOGY AND MANAGED CARE

Guest Speaker:

- **Ray Falci**

Readings:

- Kongstvedt
 - Chapter 16: Data Analysis and Profiling in Health Plans
 - Chapter 17: Information Technology in the Healthcare Org
- Beeuwkes, et. al., "Benefits of Health Information Technology: A Review of the Recent Literature Shows Predominately Positive Results," *Health Affairs* 2011, 30:464-471.
<http://content.healthaffairs.org/content/30/3/464.full.pdf+html>

APR 13

EXCHANGES

Guest Speakers:

- **John Barkett, Towers Watson**

Readings:

- 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 20

MANAGED MEDICAID AND MEDICARE

Guest Speaker:

- **Steve Wood**

Readings:

- Kongstvedt
 - Chapter 26: Medicare and Managed Care
 - Chapter 27: Medicaid and Managed Care
- 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.
<http://content.healthaffairs.org/content/30/2/228.full.pdf+html>

APR 27

PROJECT PRESENTATIONS