

Draft Syllabus: 1/6/2016

THE WHARTON SCHOOL University of Pennsylvania
HEALTH BUSINESS AND POLICY
HCMG 890-003
Spring 2016
Thursdays, 3:00-6:00 PM –JMHH F55

INSTRUCTOR

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OVERVIEW

Approach and goals:

This course focuses on the critical relationship between healthcare business and government in the US. Healthcare is regulated, purchased, guided, and overseen by a range of state, federal, and local government agencies. Therefore, strong working relationships with government entities is critical for business operations in healthcare, and markets are made or broken by the government. Understanding that business and policy will always co-exist in healthcare, our goal is to enable students to (a) understand how corporate strategy in healthcare is shaped by government activity; (b) craft solutions to business problems that are consistent with policy.

Course structure:

The course teaches with practical examples of how each major sector of the health economy engages with government entities. We will cover life sciences (pharmaceutical, biotechnology, medical device), insurance (large commercial, blues, Medicare, Medicaid), and provider (hospital, physician group practice, post-acute care). As well, the course covers the range of government entities engaged: Federal (executive branch and the Congress), State, and Local. Case examples will be selected from what is most compelling in the strategic environment, and will also include a focus on how healthcare companies are engaging in and affected by the 2016 election. Senior healthcare executives and policy leaders will be engaged as guest speakers.

STUDENT ASSIGNMENTS

Student performance and evaluation:

Every class period (including the first day) there will be a very short and basic quiz on the reading. The basic expectation for the course is that each student should spend a few hours reviewing the reading materials to facilitate strong in-class engagement. Required readings for each session are listed under each class session description below.

There will be two main assignments: (1) an individual student executive brief – prepared for the executive management team of a Fortune 100 healthcare company on a business issue related to a policy change (policy issue to be chosen by the student in consultation with the faculty); and (2) a team project focused on a major policy.

Individual Executive Brief: The executive briefing memo is a short (7 pages maximum) analysis of the impact of a major policy change on a business in healthcare. It should clearly describe the potential policy change and how it likely to affect the selected business in terms of operating metrics (e.g., prices, demand, investment, discovery, wages, profits). Strong papers will have an analytic component in that they will use publicly available data on the company and its lines of business to quantify the likely impact of the policy change. Students should also consider giving a range of likely outcomes (acknowledging that there is a range of uncertainty in legislation and regulation, and describing how the business might re-orient operations to affect the outcome of the policy change. Students are welcome to use content from the course, or not, in selecting a topic.

Team Project: The team project will be oral presentation, to be delivered by the team in class on March 3, 2016. Each team will be tasked with presenting the major facets of a policy issue as well as their strategy proposal for dealing with the issue to their organization. Teams will be randomly assigned.

Your team is the senior management group of an organization focused on preparing for and maximizing the potential value of bundled payments for total hip and/or knee replacement procedures. The Board of Directors or other overseeing body has asked you to present a briefing on your organization's strategy on how to maximize potential opportunities related to the expansion these sorts of bundled payment arrangements in the Medicare and Commercial markets.

Here are the organizations you'll be asked to represent:

- An implantable joint manufacturer (e.g., Zimmer Biomet)
- A hospital system (e.g., the Hospital of the University of Pennsylvania)
- The Center for Medicare & Medicaid Innovation (responsible for overseeing CMS demonstration efforts including the Comprehensive Care for Joint Replacement demo)
- An insurance company (e.g., Highmark BlueShield)
- A bundle organizer (e.g., Navihealth)
- A post-acute care provider (e.g., Kindred)

Some issues to consider during your research:

- Pace of bundled payments (e.g., what types of procedures are being bundled? are there lessons from other types of procedures that can be applied to hips and knees?)
- Composition of bundled payment (e.g., what services are included in the bundle – acute care, post-acute care, rehab services, drugs, devices, etc.?)
- Impact of bundled payments on costs, quality, volume of services, etc.
- Other trends that may be in conflict with bundling (e.g., trends towards broader capitated arrangements where groups of providers receive global payments in return for taking on risk for the cost of care)
- Site-of-care and the relative costs of performing services in different settings of care

Additional detail will be provided in class on January 21. Please plan to be in class the entire day on March 3 to hear all of the presentations.

GRADING

Grades will be assigned based on four components: the executive briefing memo (30%), the team project (30%), regular quiz grades (20%), and class discussion (20%).

DETAILED SCHEDULE

January 14, 2015: The US Health Economy

Aggregate composition of the US health economy by sector (health plan, provider, life sciences), growth in healthcare spending, role of the consumer. Discussion of how the sectors inter-relate. The public policy landscape in the American health economy: how do major relevant branches of the Federal government (e.g., CDC, FDA, NIH, CMS) interact with the healthcare industry, and how does policy affect each major sector in healthcare. What is the role of state governments and how does this inter-relate in major healthcare programs.

Guest Speaker: Jennifer Bryant, Senior Vice President of Policy and Research, Pharmaceutical Research and Manufacturers of America (PhRMA). [LinkedIn](#)

We've asked Jenny to speak to perspectives on healthcare research and advocacy in DC. Trade organizations have a complicated position, as they represent multiple companies that often have diverging interests. In addition to representing constituent interests, trades also need to develop allied relationships with physician, patient, and provider groups, and advise on when it's time to cut a deal or fight change. Jenny will share her perspective on the environment facing healthcare generally, as well as PhRMA in particular.

Readings:

- Healthcare Spending in the US
 - o National Health Expenditure Projections, 2014–24: Spending Growth Faster Than Recent Trends – Health Affairs ([Link](#))
 - o Health Spending Growth To Remain Moderate Compared To Pre-Recession Highs – Health Affairs Blog ([Link](#))
- Relevant Federal Healthcare Agencies
 - o CMS Strategy 2013-2017 ([Link](#))
 - o About NIH ([Link](#))
 - o CDC Mission, Role and Pledge ([Link](#))
 - o What Does the FDA Do and What Does It Regulate? ([Link](#), [Link](#))
 - o About USPSTF ([Link](#))
 - o Summary of the Affordable Care Act – KFF ([Link](#))
- Relevant State Roles
 - o State Medicaid Operations Survey – National Association of Medicaid Directors ([Link](#))
 - o Health Insurance, Exchanges and Reforms – National Association of State Legislatures ([Link](#))

January 21, 2016: Pharmaceuticals and Healthcare Policy

Prescription drugs account for a significant part of total healthcare expenditures, growth, and innovation. The trends and issues of this segment of the healthcare industry are at the forefront of the global debate on healthcare costs, and will only become more hotly contested

as the population ages and investments in research and development (R&D) result in continued medical advancements. We will discuss pharmaceutical pricing models, how costs of technology are incorporated into the healthcare system, the role of government evaluation of medical necessity, and state and federal government review of prices in healthcare.

Guest Speaker: Bob Donnelly, Senior Director of Health Policy at Johnson & Johnson. Bob also previously worked at White House OMB and CMS. [LinkedIn](#)

We've asked Bob to describe how major healthcare programs (Medicare, Medicaid, and the Affordable Care Act) are viewed by the pharmaceutical industry from a business perspective. Where the major concerns are, and how the industry is likely to advocate over the coming year. Bob's talk will be right after the State of the Union Address (January 12), so it will be interesting to hear his thoughts on this and likely budgetary policy as well.

Readings:

- The Calculus of Cures – NEJM ([Link](#))
- How The Feds Discourage Prescription Drug Competition – Forbes Blog, Gottlieb ([Link](#))
- Prescription Drugs And The Slowdown In Health Care Spending – Health Affairs Blog ([Link](#))
- It's Time to Rein in Exorbitant Pharmaceutical Prices – HBR ([Link](#))
- A Case for Market-Based Costs in Determining Cost Effectiveness: The Hepatitis C Example – Avalere Health ([Link](#))

January 28, 2016: Medicare and Its Future

Medicare is a large and growing aspect of the federal budget and a dominant force in the fortune of most healthcare businesses in the US. We will discuss each of the major elements of the Medicare program, including the status of Fee for Service Medicare (Parts A and B), the growth in Medicare Advantage (Part C), and the prescription drug program (Part D). We will also describe other integrated models (e.g., ACOs), and other activity within the Centers for Medicare and Medicaid Innovation (CMMI). In addition, we will consider the importance of Medicare as a government-approved template and exemplar for private health insurance, and reasons to go against the grain.

Guest Speaker: Gail Wilensky, PhD, Senior Fellow, Project Hope, former Administrator of CMS and presently on a number of important corporate boards. [LinkedIn](#)

We've asked Gail to talk about the future of Medicare – including discussion of the growth of Medicare Advantage, the emergence of CMMI, and other efforts to reform the program. Specifically, we will ask her to address what these changes mean for operating businesses in the health insurance and provider space. Is there a future for Fee For Service Medicare, and how extensively how rapidly should healthcare businesses expect change to occur?

Readings:

- Despite Rate Complaints, Advantage Plans Continue to Grow – Modern Healthcare ([Link](#))
- New Market Entrants: Growth and Diversification in U.S. Health Insurance – Avalere Health ([Link](#))
- New Trends and Analysis for ACO Participants – Avalere Health ([Link](#))
- Accountable Care Organizations, Explained – KFF ([Link](#))
- Medicare ACOs Provide Improved Care While Slowing Cost Growth in 2014 – CMS ([Link](#))
- Medicare Is Not “Bankrupt” – CBPP ([Link](#))
- The 2014 Medicare Trustees Report: A Dire Future for Seniors and Taxpayers Without Reform – Heritage Foundation ([Link](#))

- Medicare Advantage: Moving Toward A Better Model For American Health Care – Forbes ([Link](#))

February 4, 2016: Public Policy and Healthcare Providers

This lecture will focus on reimbursement, regulation, and reform. We will discuss pay for quality, integration of providers, and the relationship between managed care and providers. Is the delivery model really changing and if so in a way that is fair, efficient, and sustainable politically and economically?

Guest Speaker: Jonathan Blum, former principal deputy administrator and director for Medicare, Center for Medicare and Medicaid Services, now Executive Vice President, CareFirst BlueCross BlueShield. [LinkedIn](#)

Jon has seen healthcare from a number of very useful perspectives, and is presently spending a lot of his time shaping the relationship between providers and CareFirst in Maryland. We've asked him to speak to these changes – using Maryland as a case study. And then to discuss the national perspective on delivery system reform, and how and why Maryland differs.

Readings:

- How a Secretive Panel Uses Data That Distorts Doctors' Pay – WaPo ([Link](#))
- The Odd Math of Medical Tests: One Scan, Two Prices, Both High – NYT ([Link](#))
- Hospital Consolidation: Can It Work This Time? – Knowledge@Wharton ([Link](#))
- Vertical Integration: Hospital Ownership Of Physician Practices Is Associated With Higher Prices And Spending – Health Affairs ([Link](#))
- The Potential Hazards of Hospital Consolidation Implications for Quality, Access, and Price – JAMA ([Link](#))
- An Experiment Shows That A Well-Designed Report On Costs And Quality Can Help Consumers Choose High-Value Health Care – Health Affairs ([Link](#))

February 11, 2016: Health Plan Evolution

Health plans are gaining in strength, integrating with providers, and increasingly aligning with policy change. Every major government expansion since the 1997 Balanced Budget Act has been accomplished through health plans (BBA, MMA, ACA). During this lecture, we will explore the evolution of managed care and the role it plays in the health care system today.

Guest Speaker: Dan Hilferty, CEO of Independence Blue Cross. [Company Bio](#)

We've asked Dan to speak to the role of health plans in today's environment. Much of the course will have already covered the nuts and bolts of commercial insurance, Medicare, Medicaid, and the exchanges. So Dan will be free to give his perspective as the CEO of a large and thriving Blue Cross plan. It will be great to get his perspective on the relationship between Independence and both the State of Pennsylvania as well as the Federal Government, and, in particular, how these relationships affect his business.

Readings:

- Health Mergers Could Cut Consumer Options – WSJ ([Link](#))
- Evaluating the Impact of Health Insurance Industry Consolidation: Learning from Experience – The Commonwealth Fund ([Link](#))
- How Can Smaller Health Plans Respond to the Industry's Consolidation Wave? – Oliver Wyman ([Link](#))
- UnitedHealth Group Says It Is Scaling Back Efforts in ACA Exchanges – WaPo ([Link](#))

- Network Squeeze: Controversies Continue Over Narrow Health Plans – Modern Healthcare ([Link](#))

February 18, 2016: The Role of Employers in Healthcare

We will explore the future of employment-related health benefits and complementarities/conflicts with the health insurance exchanges created through the health reform law. We will also discuss the profit maximizing management of health benefits and the impact of tax treatment. Lastly we will explore the intersection of public and private exchanges and their potential relationships to employer-managed health insurance benefits.

Guest Speaker: Bob Galvin, CEO of Equity Healthcare, The Blackstone Group. [Company Bio](#)

Bob has a really interesting background because he went from being a corporate healthcare purchaser, to an advocate for better benefits, and now is at Blackstone helping to improve benefits and reduce costs for Blackstone portfolio companies. We've asked him to discuss his present focus – and in particular how benefits are changing in the US, the corporate perspective on managed care and deliver system reform, and what operating companies can and should be doing to protect their workers and their operating positions.

Readings:

- Who Has the Power to Cut Drug Prices? Employers. – HBR ([Link](#))
- 2015 Employer Health Benefits Survey – KFF ([Link](#))

February 25, 2016: The 2016 Election – Impact on Healthcare

Elections are important in healthcare because they set the tone and agenda for change and thus influence corporate policy. This session will be structured as a round table discussion between two very experienced health policy strategists – a Democrat and a Republican.

Guest Speakers: Chris Jennings, former senior health policy advisor to President Clinton and President Obama ([LinkedIn](#)), and Stephanie Carlton, healthcare policy advisor to presidential candidate Gov. Jeb Bush and former McKinsey & Co and Hill staffer ([LinkedIn](#))

Readings:

- Hillary Clinton Healthcare Plan ([Link](#))
- Hillary Clinton's Health Care Proposals, Focused on Cost, Go Well Beyond Obama's – NYT ([Link](#))
- Jeb Bush Healthcare Plan ([Link](#))
- Jeb Bush Has A Plan To Replace Obamacare; Here's What's In It – NPR ([Link](#))

March 3, 2016: Group Presentations

No prepared lecture. Group presentation order will be determined at a later date.