

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

**HCMG 845-001
Spring 2017**

Instructors

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Class Time / Location

Time: Wednesday Evening 4:30-7:30 p.m.
Location: JMHH F-70
Teaching Assistant: Steve Schwab

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 Robert Burns and Brad Fluegel, as well as several guest lecturers from the industry. We will meet every Wednesday from 4:30-7:30 p.m. Professor Burns will hold office hours before class on Wednesdays from 3:30-4:30 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 1 and May 3, 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 1st). 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 1) and second half (May 3rd) 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

Many readings are available on *Canvas*: <https://wharton.instructure.com>. Other readings (e.g., some book chapters) are found on Study.Net, which can also be accessed from Canvas. There are also many chapters assigned from Peter Kongstvedt, *Essentials of Managed Health Care* (Sixth Edition, 2013), which is available from the Penn Bookstore.

Sequence of Topics and Readings

JAN 18

INTRODUCTION

Class intro and Health information technology

Guest Speaker:

- **Ray Falci**

Readings:

- Kongstvedt
 - Chapter 1: A History of Managed Health Care and Health Insurance
 - Chapter 2: Types of Health Insurers, Managed Health Care Organizations, and Integrated Health Care Delivery Systems
 - Chapter 3: Elements of the Management and Governance Structure
 - Chapter 10: Data Analysis and Provider Profiling in Health Plans
 - Chapter 23: Information Systems and Electronic Data Interchange
- Buntin, 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>

JAN 25

CUSTOMER EXPECTATIONS AND ACO DEVELOPMENT

Guest Speakers:

- **Mike Taylor & Richard Montwill**

Readings:

- Kongstvedt, Essentials of Managed Health Care
 - Chapter 4: The Provider Network
 - Chapter 5: Provider Payment
 - Chapter 16: Marketing and Sales
 - Chapter 20: Member Services

FEB 1

HEALTH CARE COSTS

Guest Speaker:

- **Jeff Levin-Scherz, MD**

Readings:

- Kongstvedt
 - Chapter 7: Basic Utilization and Case Management
 - Chapter 8: Fundamentals and Core Competencies of Disease Management
- Moses, H; Matheson, D; Dorsey, ER et al "The Anatomy of Health Care in the United States" JAMA. 2013;310(18):1947-1963
<http://jamanetwork.com/journals/jama/fullarticle/1769890>
- Berwick DM, Hackbarth AD. Eliminating Waste in US Health Care. JAMA.2012;307(14):1513-1516
<http://jamanetwork.com/journals/jama/fullarticle/1148376>
- Gawande, A. "The Cost Conundrum" *The New Yorker*, June 1, 2009
http://www.newyorker.com/reporting/2009/06/01/090601fa_fact_gawande
- Anderson, GF, Reinhardt UE, Hussey PS and Petrosyan, V "It's the Prices Stupid: Why the United States is So Different than Other Countries." *Health Affairs* 2003; 22;89-105
<http://content.healthaffairs.org/content/22/3/89.full.pdf>
- Wilensky GR. What would a republican win mean for health policy? *N Engl J Med*. 2016;375(14):1312-1313.
<http://www.nejm.org/doi/full/10.1056/NEJMp1610716>

FEB 8

THE PROVIDER PERSPECTIVE

Guest Speakers:

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

Readings:

- Kongstvedt, Essentials of Managed Health Care
 - Chapter 9: Physician Practice Behavior and Managed Health Care
 - Chapter 13: Disease Prevention in Managed Health Care Plans
 - Chapter 14: Quality Management in Managed Health Care
 - Chapter 15: Accreditation and Performance Measurement Programs
- Kaiser Family Foundation, "Consumer's Experience in Massachusetts: Lessons for National Health Reform," Sept 2009.
<http://kff.org/health-costs/report/consumers-experience-in-massachusetts-lessons-for-national/>
- Chernew et. al. "Private-Payer Innovation in Massachusetts: The 'Alternative Quality Contract,'" *Health Affairs*, Jan 2011 30:51-61.
<http://content.healthaffairs.org/content/30/1/51.full>
- 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.
- Kongstvedt, Essentials of Managed Health Care
 - Chapter 5: Provider Payment

FEB 15

ECONOMICS OF MANAGED CARE AND PUBLIC EXCHANGES**Guest Speaker:**

- Kurt Wrobel

Readings:

- Kongstvedt
 - Chapter 22: Underwriting and Rating
- 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>

FEB 22 MANAGED MEDICARE AND MEDICAID

Guest Speaker:

- **Steve Wood**

Readings:

- Kongstvedt
 - Chapter 24: Health Plans and Medicare
 - Chapter 25: Medicaid Managed Health 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>

MAR 1 Project Presentations

MAR 8 Spring Break

**MAR 15 INDUSTRIAL ORGANIZATION & MARKET STRUCTURE
INTRODUCTION TO CORPORATE STRATEGY**

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>
- Burns. "Competitive Strategy." In Daniel Albert (Ed.), *A Physician's Guide to Healthcare Management*. (Malden, MA: Blackwell Science): 46-56. 2002.
- HBS Module Note. *Corporate Strategy* (9-713-415, 2012).
- American Medical Association, "Competition in Health Insurance: A Comprehensive Study of U.S. Markets," Executive Summary.

**MAR 22 HEALTH PLAN MERGERS AND DIVERSIFICATION
ECONOMIES OF SCALE AND SCOPE**

Readings:

- Besanko, D., Dranove, D., and Shanley, M. "The Horizontal Boundaries of the Firm: Economies of Scale and Scope." *Economics of Strategy* (John Wiley, 2000): 71-108. [Study.Net]
- Wholey, D, Feldman, R, and Christianson, J. "Scale and Scope Economies among Health Maintenance Organizations." *Journal of Health Economics* 15(6), Winter 1996; 657-684. [skim]
- Boston Consulting Group. *Innovation, Diversification, Focus on Fundamentals* (2011)
- Kongstvedt Chapters 24 and 25 (review)

MAR 29 HOSPITAL MERGERS AND MULTI-HOSPITAL SYSTEMS

Readings:

- Capps and Dranove, "Hospital Consolidation and Negotiated PPO Prices," *Health Affairs* 23(2): 175-181.
<http://content.healthaffairs.org/content/23/2/175.long>
- Burns, McCullough, Wholey et al. "Is the System Really the Solution? Operating Costs in Hospital Systems," *Medical Care Research and Review* 72(3) (2015): 247-272.

APR 5**VERTICAL INTEGRATION OF HOSPITALS & PHYSICIANS****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.
- Besanko, Dranove, and Shanley. "Organizing Vertical Boundaries: Vertical Integration and its Alternatives." *Economics of Strategy* (John Wiley, 2000): 169-196. [Study.Net]
- Burns, Goldsmith, and Sen. "Horizontal and Vertical Integration of Physicians: A Tale of Two Tails." In *Annual Review of Health Care Management: Revisiting the Evolution of Health Systems Organization Advances in Health Care Management*, Volume 15: 39-117. (Emerald Group Publishing). 2013.

APR 12**PAYER-PROVIDER CONTRACTING AND RISK-BASED PAYMENTS****Readings:**

- Berenson et al. *Payment Methods: How They Work* (Urban Institute, April 2016).
- Tanenbaum. "What is the Value of Value-Based Purchasing?" *Journal of Health Politics, Policy and Law* (October 2016): 1033-1045.

APR 19**KAISER MODEL AND PROVIDER-SPONSORED HEALTH PLANS**

Readings:

- Lawton R. Burns and Darrell P. Thorpe. "Why Provider-Sponsored Health Plans Don't Work." *Healthcare Financial Management: 2001 Resource Guide*: 12-16. 2001.
- Goldsmith, Burns, Sen et al. *Integrated Delivery Networks: In Search of Benefits and Market Effects*. (Washington, D.C.: National Academy of Social Insurance, 2015).

APR 26**No Class****MAY 3****Project Presentations**