

HCMG 213: Health Care Management and Strategy – The Business of Health Care

The Wharton School, University of Pennsylvania

Fall 2018

Monday / Wednesday, 12:00pm – 1:20pm

Location: Colonial Penn Center Auditorium

Instructor: Professor Ashley Swanson

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Course Description

This course presents an overview of the business of health care and how different types of health care organizations have gained, sustained, or lost competitive advantage amidst intense competition, widespread regulation, high interdependence, and massive technological, economic, social, and political changes. Using competitive analysis as our framework, we will evaluate the challenges health care organizations face, and explore how they may use strategy to manage current and emerging challenges more effectively. Optimal decisions regarding strategy will depend on context, including the organization's management, assets, product portfolios, consumers, relationships with other organizations, and regulatory constraints. The course is organized around a number of lectures, readings, outside speakers, and a required project.

Objectives

Students will develop generalized skills in competitive analysis, and will be challenged to apply those skills in the analysis of specific organizations. The principal deliverable is a group project focused on one of three strategic domains in health care:

1. Care delivery and coordination
2. Cost and utilization management
3. Use of data and information technology

Prerequisites

HCMG 101, or permission of the instructor.

Readings

Most course readings are available through the course site on Canvas. Additional articles on current health care business topics may be posted before some class sessions. Students may occasionally need to use the citation information to retrieve articles online from the Penn Library. Some in-class case studies will need to be purchased from Harvard Business School Press.

Grading and Deliverables

Group Project – 55%

The majority of your grade will be based upon successful completion of a series of deliverables related to the course's Group Project. You will be asked to submit your project domain preferences by the start of class session #5 (9/17/18) and will subsequently be assigned to teams of 4-5. During the semester, your team's deliverables will include a Resource Base, Landscape Analysis, and Final Paper. The Final Paper submitted at the end of the semester will critically evaluate the strategy used by the health care organization you have chosen. Choices can include any organization along the health care value chain, provided it falls within your assigned project domain.

We will schedule meetings outside of class with project teams during the second weeks of October and November to assess your choice of organization and to guide you in developing the strategic profile. Each team will be required to submit the following:

Resource Base – 5%, due before class 10/8/18

The Resource Base will be a 1-2 page firm choice proposal and summary of the resources you plan to use in carrying out the semester-long project. These resources might include both primary and secondary sources. Be sure to think broadly about the kinds of resources to which you might gain access.

Landscape Analysis – 15%, due before class 10/31/18

The Landscape Analysis will be an 8-10 page overview of the nature and structure of competition in the project domain your team will be working in. Who are the major players, what are the regulatory constraints, and where are the opportunities?

Final Paper – 35%, due 5pm 12/14/18

Final Papers should not exceed 20 pages (double-spaced, 12-point font), exclusive of appendices. In preparing the final paper, you should demonstrate an understanding of the basics of competitive analysis and the role of innovation as a competitive weapon, and a deep understanding of their application in the health care setting you have chosen. The Final Paper may include a summary of the landscape analysis submitted earlier in the semester, but the expectation is that the analysis of the competitive environment of the organization you have chosen to profile will be much more fine-grained. You will be asked to present your analysis to the class and, where possible, to the organization you have analyzed at the end of the semester. 5% of the 35% total will be based on the in-class presentation.

Case Study #1 – 10%, due before class 9/19/18

Live Case: PicWell – 15%, due before class 10/22/18

You will be given background information on this organization a week before the class in which the case will be discussed and will be asked to prepare a 4-page memo with a critical appraisal of the organization's strategy for their top management team. They will come to class on the day your memo is due for a discussion of their current situation and your analysis of their options going forward.

Case Study #2 – 10%, due before class 11/12/18

Class Participation – 10%

Class attendance and active participation will be recorded and graded. The participation grade is worth 3X for sessions with case discussions and/or guest lectures. Participation is graded on quality – the key ingredients are preparation, attention, logic, and clarity. Many sessions will have associated discussion questions either on the syllabus or posted in an announcement on Canvas. You are expected to check both as part of your preparation for each session. **As an incentive to prepare for class, I will cold-call in class, including during guest lectures.**

Students may choose to make up missed sessions using brief discussion assignments *if arrangements are made with TA within one week of the missed class.*

A note on electronics: electronic devices (tablets, laptops, etc.) are allowed in class, but good judgment is expected. Distracted behaviors are noticed and impact participation grades. *See also* the above note regarding cold-calling.

Class Schedule and Assigned Readings

1. Wednesday 8/29/18. Introduction to Course
 - a. Prof. Swanson
 - b. Assignment:
 - i. Hacker, J.S. (2017). Why an open market won't repair American health care. *NYTimes*, April 4.
 - ii. Garthwaite, C. (2017). Why replacing Obamacare is so hard: It's fundamentally conservative. *The Washington Post*, July 10.
 - iii. Luthra, S. (2018). Once its greatest foes, doctors are embracing single-payer. *Kaiser Health News*, August 7.
 - iv. **Come prepared to discuss PROVIDERS' perspectives on health care policy.**

2. Wednesday 9/5/18. Overview of the Healthcare Landscape I: The Macro Perspective
 - a. Prof. Swanson
 - b. Assignment:
 - i. Squires, D. and C. Anderson (2015). U.S. health care from a global perspective: Spending, use of services, prices, and health in 13 countries. *The Commonwealth Fund*, October.
 - ii. Reinhardt, U. E. (2010). Is health care special? *NYTimes*, August 6.
 - iii. Reinhardt, U. E. (2010). Health care, uncertainty, and morality. *NYTimes*, August 13.
 - iv. Reinhardt, U. E. (2010). Is “more efficient” always better? *NYTimes*, August 20.
 - v. Asch, D.A. and K.G. Volpp (2012). What business are we in? The emergence of health as the business of health care. *NEJM* 367, 888-889.
 - vi. **Be prepared to present your perspective on efficiency in health care, and on how technological change impacts the business of health care.**

3. Monday 9/10/18. Overview of the Healthcare Landscape II: The Micro Perspective
 - a. Prof. Swanson
 - b. Assignment:
 - i. Hanson, W. (2011). The other health care revolutions. *The Pennsylvania Gazette*, 45-50, Sept/Oct.
 - ii. Porter, M. E. and T. H. Lee (2013). The strategy that will fix health care. *Harvard Business Review*, October.
 - iii. Jain, N., et al. (2018). Leveraging IPU principles in primary care. *NEJM Catalyst*, June 27.
 - iv. **Come prepared to discuss SPECIFIC examples of market failures, mistakes, frictions, etc. that limit value creation in health care.**

4. Wednesday 9/12/18. Health Reform
 - a. Speaker: Tom Baker, JD, William Maul Measey Professor of Law and Health Sciences, University of Pennsylvania Law School
 - b. Assignment:
 - i. Baker, T. (2011). Health insurance, risk, and responsibility after the Patient Protection and Affordable Care Act. *University of Pennsylvania Law Review* 159(6): 1577-1622. **Read Introduction and Part I.**
 - ii. Summary of the Affordable Care Act (2017). *Kaiser Family Foundation*, March. Available at <http://files.kff.org/attachment/Summary-of-the-Affordable-Care-Act>.
 - iii. Summary of the Better Care Reconciliation Act (2017). *Kaiser Family Foundation*, June/updated July 20. Available at <http://files.kff.org/attachment/Summary-of-the-Better-Care-Reconciliation-Act-Updated-072017>.
 - iv. Summary of the American Health Care Act (2017). *Kaiser Family Foundation*, May. Available at <http://files.kff.org/attachment/Proposals-to-Replace-the-Affordable-Care-Act-Summary-of-the-American-Health-Care-Act>.

5. Monday 9/17/18. Overview of Management in the Health Care Context
 - a. Prof. Swanson
 - b. Assignment:
 - i. Gawande, A. (2012). Big Med: Restaurant chains have managed to combine quality control, cost control, and innovation. Can health care? *The New Yorker*, August 13.
 - ii. Bloom, N., Sadun, R. and J. Van Reenen (2014). Does management matter in healthcare? *Available at* http://www.people.hbs.edu/rsadun/Management_Healthcare_June2014.pdf.
 - iii. **Due before class: Domain preferences**

6. Wednesday 9/19/18. Management in Action – Infection Control at MGH
 - a. Prof. Swanson
 - b. Assignment:
 - i. Huckman, R.S. and N. Trichakis (2013, revised November 2014). Infection control at Massachusetts General Hospital. *Harvard Business School Case 614-044. Available at* <http://www.hbs.edu/faculty/Pages/item.aspx?num=45879>
 - ii. **Due before class: Case Study #1 Memo**

7. Monday 9/24/18. Cost and Utilization Management
 - a. Speaker: Stuart Craig, PhD student, Health Care Management and Economics, The Wharton School
 - b. Assignment:
 - i. Gawande, A. (2009). The cost conundrum. *The New Yorker*, June 1.
 - ii. Anderson, G.F., et al. (2003). It's the prices stupid: Why the United States is so different from other countries. *Health Affairs* 22(3): 89-105.
 - iii. Liao, J.M., et al. (2018). Physician perspectives in year 1 of MACRA and its merit-based payment system: A national survey. *Health Affairs* 37(3): 1079-1086.
 - iv. Chandra, A. and J. Skinner (2012). Technology growth and expenditure growth in health care. *Journal of Economic Literature* 50(3). **Skip Sections 2 and 3.**

8. Wednesday 9/26/18. Use of Data and Information Technology
 - a. Speaker: Bill Hanson, MD., Chief Medical Information Officer and Vice President, Professor of Anesthesiology and Critical Care at the Hospital of the University of Pennsylvania
 - b. Assignment:
 - i. Bates, D., et al. (2017). Innovative environments in health care: Where and how new approaches to care are succeeding. *Health Affairs* 36(3): 400-407.
 - ii. Bresnick, J. (2017). How big data analytics underpins every healthcare trend. *Health IT Analytics*, July 31.

9. Monday 10/1/18. Care Delivery and Coordination

- a. Speaker: Mary D. Naylor, PhD, RN, FAAN, Marian S. Ware Professor in Gerontology, University of Pennsylvania School of Nursing Science
- b. Assignment:
 - i. Hirschman, K., et al. (2015). Continuity of care: the transitional care model. *The Online Journal of Issues in Nursing* 20(3).
 - ii. Naylor, M., et al. (2017). Components of comprehensive and effective transitional care. *Journal of the American Geriatrics Society* 65(6): 1119-1125.
 - iii. Naylor, M. and N. Berlinger (2016). Transitional care: A priority for health care organizational ethics. *Nurses at the Table: Nursing, Ethics, and Health Policy, special report, Hastings Center Report* 46(5): S39-S42.
 - iv. Tisminetzky, M., et al. (2017). Research priorities to advance the health and health care of older adults with multiple chronic conditions. *Journal of the American Geriatrics Society* 65: 1549-1553.
 - v. Pennock, M.J., et al. (2018). Developing a policy flight simulator to facilitate the adoption of an evidence-based intervention. *IEEE Journal of Translation Engineering in Health and Medicine* 6.
 - vi. Naylor, M.D., et al. (2018). Adaptations of the evidence-based transitional care model in the U.S. *Social Science & Medicine*, 213: 28-36.

10. Wednesday 10/3/18. Value in the Health Care Context

- a. Prof. Swanson
- b. Assignment:
 - i. MacMillan, I. and R. G. McGrath (1997). Discovering new points of differentiation. *Harvard Business Review*, July/August.
 - ii. Are healthcare "report cards" good for patients? (2007). *KelloggInsight*, May 1.

***Week of 10/8/18 – Meetings with Prof. Swanson and Gupta outside of class to discuss firm choices and Resource Base results

11. Monday 10/8/18. Fundamentals of Strategic Analysis

- a. Prof. Swanson
- b. Assignment:
 - i. Porter, M. (1996). What is strategy? *Harvard Business Review*, 61-78.
 - ii. Porter, M.E. (2008). The five competitive forces that shape strategy. *Harvard Business Review*.
 - iii. Carroll, A. E. (2018). Workplace wellness programs don't work well. Why some studies show otherwise. *NYTimes*, August 6.
 - iv. **Due before class: Firm Choice and Resource Base**

12. Wednesday 10/10/18. Assets and Competitive Advantage

- a. Prof. Swanson
- b. Assignment:
 - i. Levitz, J. and T. W. Martin (2012). UPS, other big shippers carve health-care niches. *Wall Street Journal*, June 27.
 - ii. Oberholzer-Gee, F., et al. (2011). Horizon Blue Cross Blue Shield of New Jersey – managing in the shadow of health reform. *Harvard Business School Case 711-403*. Available at <https://hbr.org/product/horizon-blue-cross-blue-shield-of-new-jersey-managing-in-the-shadow-of-health-care-reform/711403-PDF-ENG>.
 - iii. Garthwaite, C. and J. A. Graves (2017). Success and failure in the insurance exchanges. *NEJM*, 376, 907-910.

13. Monday 10/15/18. Buyer and Supplier Power

- a. Professor Swanson
- b. Assignment:
 - i. Berenson, R. A., P. A. Ginsburg, and J. H. May. (2007). Hospital-physician relations: cooperation, competition, or separation? *Health Affairs*, January/February.
 - ii. Cortez, M. (2014). Express Scripts raises pressure on Gilead for drug price. *Bloomberg*, April 8.
 - iii. Howard, D. (2016). Insurers can reduce drug prices, if policymakers let them. *Health Affairs*, July.
 - iv. Grennan, M. and A. Swanson. (2018). Transparency and negotiated prices: The value of information in hospital-supplier bargaining. *Working paper*, January. **Skim Appendix.**

14. Wednesday 10/17/18. Reserved for Team Meetings

15. Monday 10/22/18. Strategy in Action – In-Class Case

- a. Speaker: PicWell Leadership (lunch to follow)
- b. Assignment:
 - i. **Due before class: PicWell Memo**

16. Wednesday 10/24/18. Health Care Ecosystems and Environmental Shocks – The Case of the Opioid Crisis

- a. Speaker: Dr. John Kimberly
- b. Assignment: TBD

17. Monday 10/29/18. Innovation on the Ground – Care, Cost, and Technology at Innovation Health

- a. Speaker: Dr. Sunil Budhrani, MD, MPH, MBA, Chief Medical Officer and Chief Medical Informatics Officer, Innovation Health; Co-Founder, CareClix Telemedicine
- b. Assignment: TBD

18. Wednesday 10/31/18. Size vs. Strategy

- a. Prof. Swanson
- b. Assignment:
 - i. Whalen, J. (2004). A big drug maker moves to play down mass-market pills. *Wall Street Journal*, September 20.
 - ii. Gaynor, M. and R. Town. (2012). The impact of hospital consolidation – Update. The *Robert Wood Johnson Foundation Synthesis Project Policy Brief*. Available at https://www.rwjf.org/content/dam/farm/reports/issue_briefs/2012/rwjf73261
 - iii. Gawande, A. (2013). Slow ideas. *The New Yorker*, July 29.
 - iv. **Due before class: Landscape Analysis**

19. Monday 11/5/18. Innovation as a Strategic Weapon Pt.1

- a. Charu Gupta
- b. Assignment:
 - i. Pisano, G. (2015). You need an innovation strategy. *Harvard Business Review*, June.
 - ii. Paulus, R.A. et al. (2018). Continuous innovation in health care: Implications of the Geisinger experience. *Health Affairs* 27(5), 1235-1245.
 - iii. Cockburn, I. M., Lanjouw, J. O., & Schankerman, M. (2016). Patents and the global diffusion of new drugs. *American Economic Review*, 106(1), 136-64. **Read pages 136 – 149, skipping Section I.**
 - iv. Rana, P. (2018). How China is evolving from a maker of copycat medicines into a producer of complex drugs. *Wall Street Journal*, August 5.
 - v. Williams, H. L. (2016). Intellectual property rights and innovation: Evidence from health care markets. *Innovation Policy and the Economy*, 16(1), 53-87. **Skip Sections II and III.**

20. Wednesday 11/7/18. Promotion of Healthy Behaviors and Choices

- a. Speaker: Kevin Volpp, MD, PhD, Professor of Medicine, Professor of Health Care Management; Director, Center for Health Incentives and Behavioral Economics
- b. Assignment:
 - i. Loewenstein, G., Asch, D.A. and Volpp, K.G. (2013). Behavioral economics holds potential to deliver better results for patients, insurers, and employers. *Health Affairs*, 32(7), 1244-1250.

***Week of 11/12/18 – Meetings with Prof. Swanson and Gupta to discuss progress on Final Projects

21. Monday 11/12/18. Innovation as a Strategic Weapon Pt. 2

- a. Charu Gupta
- b. Assignment:
 - i. Wingfield, N., Thomas, K. and R. Abelson (2018). Amazon, Berkshire Hathaway and JPMorgan team up to try to disrupt health care. *NYTimes*, Jan. 30.
 - ii. Sanger-Katz, M. and R. Abelson (2018). Can Amazon and friends handle health care? There's reason for doubt. *NYTimes TheUpshot*, Jan. 30.
 - iii. **Due before class: Case Study #2 Memo**

22. Wednesday 11/14/18. Agency Problems and Health Care Strategy
 - a. Prof. Swanson
 - b. Assignment:
 - i. Grennan, M, et al. (2018). Physician-industry interactions: Persuasion and welfare. *NBER Working Paper* No. 24864, July.
 - ii. Creswell, J., R. Abelson, and M. Sanger-Katz. (2017). The company behind many surprise emergency room bills. *NYTimes*, July 24.
 - iii. Dialysis: Last Week Tonight with John Oliver. (2017). *HBO*, May. Available at https://www.youtube.com/watch?v=yw_nqzVfxFQ.
23. Monday 11/19/18. The Cutting Edge – Precision Medicine and Big Data
 - a. Prof. Swanson
 - b. Assignment:
 - i. Glass, I., et al. (Producer). (2009). “Someone else’s money.” *This American Life*. Network City: Chicago, IL. Available at <http://www.thisamericanlife.org>
 - ii. Stern, A. D., B. M. Alexander, and A. Chandra. (2017). How economics can shape precision medicines. *Science*, 355(6330): 1131-1133.
 - iii. Obermeyer, Z. and E. Emanuel. (2016). Predicting the future – Big data, machine learning, and clinical medicine. *NEJM* 375: 1216-1219.
24. Wednesday 11/21/18. NO CLASS – THANKSGIVING
25. Monday 11/26/18. Final Presentations
26. Wednesday 11/28/18. Final Presentations
27. Monday 12/3/18. Final Presentations
28. Wednesday 12/5/18. Final Presentations
29. Monday 12/10/18. Wrap-Up
 - a. Prof. Swanson
30. ***Friday 12/14/18. Due by 5pm: Final Paper