THE WHARTON SCHOOL
UNIVERSITY OF PENNSYLVANIA

THE HEALTH SERVICES SYSTEM - HCMG 841
FALL 2018

Class Meetings:	Tuesday/Thursday, 3:00-4:20 p.m. Classroom: JMHH G-60	
Course Instructor:	Lawton Robert Burns, Ph.D., MBA Professor - Department of Health Care Management burnsL@wharton.upenn.edu	
Office Hours:	Tuesday and Thursday, 12:00-2:00 PM	
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Course Objectives

The course describes the major actors and institutions within any country's healthcare system, and the key strategic, managerial, and financial issues facing industry executives and public policy-makers. To simplify the exposition of all this material, we focus sequentially on three major segments in the healthcare value chain:

1. *Providers* (hospitals, physicians, service providers)
2. *Payers* (employers, government, consumers)
3. *Producers* (pharmaceuticals, biotechnology, medical devices, IT firms)

The course also covers some of the major intermediaries that connect these segments: insurance companies and pharmacy benefit managers (PBMs)

This course has several specific aims:

1. Describe the major players along the healthcare "*value chain*" in the US (payers, providers, and producers), their interactions, and their divergent incentives

2. Analyze the major problems confronting the US (and all other) health care systems: controlling rising costs, providing insurance coverage to all, improving quality, and balancing all three goals

3. Analyze the *innovative* firms and solutions seeking to address these problems

Course Format

The course is divided into four (4) major sections that cover introductory material and each of the three industry segments. Classes involve a mix of the following:

a) lectures by the professor
b) case discussions
c) presentations by guest speakers from industry
d) warm calls on students

Policy on Electronics

Use of laptops, tablets, cellphones, etc. in class is NOT permitted.
Please turn off all cell phones and stow away prior to the start of class.
You WILL need to "*check in*" to class using the Wharton app when you arrive in the classroom. You have 30 minutes to do so from the start of class. Remote check-in is unethical and, if detected, will result in severe penalties.
We will also be using a seating chart, so your seat on Day #1 is your seat for the semester.

Readings

Assigned readings for the course are found online or on Canvas (organized into folders for each class). All HBS cases and some book chapters are available from Study.Net. Additional required readings, available at the bookstore, are found in:

Robert Field, *Mother of Invention* (Oxford University, 2014)

Those of you who have relatively little background in health care are advised to consult an introductory text on the health care system. The books are primers that do not go into detail on any particular issue but may serve as a good road map. Unfortunately, they are all US-centric.

1. Williams and Torrens, *Introduction to Health Services* (7th Edition, Delmar Press, 2007).
2. Jonas & Kovner, *Health Care Delivery in the United State* (11th Ed., Springer, 2015).
3. Shi & Singh, *Delivering Health Care in America* (6th Ed., Jones & Bartlett, 2014).
4. Beazley, *A Brief Guide to the U.S. Health Care Delivery System* (AHA, 2010)
5. Burns, *The Business of Healthcare Innovation* (Cambridge Univ Press, 2012)

Also of interest are three other (but older) first-rate histories of the US health care system (hospitals and physicians), which are useful for understanding why our system looks and functions the way it does. This material is also covered during the first four lectures. The books include:

1. Rosemary Stevens, *American Medicine and the Public Interest* (Yale University)
2. Rosemary Stevens, *In Sickness and In Wealth* (Basic Books, 1989)
3. Paul Starr, *The Social Transformation of American Medicine* (Basic Books, 1982)

Five (5) Course Requirements

1. **2 Short Essays** [10 points each] Thurs. September 6 (3 P.M.)
   Tues. November 6 (3 P.M.)

   Each student will be asked to write two (2) one-page essays on specific topics, to help orient you to class and some of the key issues. The topics deal with themes discussed in the course. The two essays are due September 6 and November 6. For each essay, address the question(s) posted in the syllabus. Format for the essay is 12 point font, 1" margin, single spacing OK. A second page can be used for any references (not needed).

2. **2 Case Write-ups** [20 points each] Thurs Oct 18 (3 P.M.)
   Thurs Dec 6 (3 P.M.)

   Learning teams will analyze two cases - - for the provider and producer segments of the course. These assignments are designed to give students a closer look at managerial and strategic issues across segments. For each case, teams should address the questions posed in the syllabus. Case write-ups should adhere to the following guidelines: 5 page limit, 1.5 spacing, single-sided, 12 point font, 1" margin, maximum of two additional pages for charts, etc. Cases are due by 3:00 P.M. on the specified dates.

3. **Final Paper** [15 points] Due by Dec 3 (5 P.M.)

   Each student will write a paper critically analyzing the potential of a strategy undertake by a specific payer or provider to serve as a "disruptive innovation" that helps to address some part of the "iron triangle". Papers on producers in the life science sector are not

accepted. See syllabus for more details. The September 11th class serves as an introduction to this topic. Papers should adhere to the following guidelines: 5 page limit, 1.5 spacing, single-sided, 12 point font, 1" margin, maximum of two additional pages for charts, etc.

4. **Class Participation** [25 points]

Each student is expected to attend each class. We will have an electronic check-in for attendance (5%). Each student will assess the performance of the other students in his/her learning team (5%). Third, each student will complete three on-line quizzes that cover the introductory material and the first two segments of the class (5% each). Students will have one week to complete the quiz.

Wharton MBA Grading System

Per the MBA Program requirements, grades will be based on a A,B,C,D,F system, with +/- distinctions. The Class MBA grade point average cannot exceed 3.33. The Wharton MBA Program recommends a distribution of 25-35% A's, 60% B's, and 5-15% C or below.

Quality Circle

To enhance the learning process, it is important to evaluate the course on a real time basis and to make both short-run improvements and longer-term changes as needed. To this end, each learning team will select a representative to serve with Burns and the TAs as a Quality Circle to discuss course progress and provide feedback on any and all aspects of the course. A meeting is scheduled for Tuesday, October 30th immediately following class.

I. INTRODUCTION TO THE BIG PICTURE ISSUES IN HEALTHCARE

Tues Aug 28 **Lessons of History**

Robert Field, *Mother of Invention* (Oxford, 2014).

Come to class prepared to discuss what you see as the major lessons of history as presented in this volume.

Thurs Aug 30 **Health, Healthcare and Payment Reform in the Era of Trump**
[Jeff Goldsmith, Ph.D. - Associate Professor, Univ of Virginia]

Deaton and Case. "Rising Morbidity and Mortality in Midlife Among White Non-Hispanic Americans in the 21st Century," [Canvas]

Tues Sept 4 **Major Themes of Course**

Burns and Liu. "China's Healthcare Industry: A System Perspective," Chapter 1 in *China's Healthcare System and Reform* (Cambridge 2017). [Study.Net]

Goldsmith and Burns. "Fail to Scale: Why Great Ideas in Health Care Don't Thrive Everywhere." *Health Affairs Blog* (2016). Available at: http://healthaffairs.org/blog/2016/09/29/fail-to-scale-why-great-ideas-in-health-care-dont-thrive-everywhere/.

Come to class prepared to discuss (1) the frameworks described in the Burns & Liu chapter, and (2) the oft-used phrase, "All healthcare is local". What does this mean? Is it true? Why is it important?

Thurs Sept 6 **The Iron Triangle: Cost, Quality, & Access to Care**
The Triple Aim: Cost, Patient Experience, & Population Health

Kissick. "Somebody Has to Pay," Chapter 1 in *Medicine's Dilemmas* (Yale University Press 1994). [Study.Net]

Berwick et al. "The Triple Aim: Care, Health and Cost," *Health Affairs* (May/June 2008).

Background Reading You Will Find Helpful:

A Primer on Defining the Triple Aim, Institute for Healthcare Improvement. [Canvas]

Guide to Measuring the Triple Aim: Population Health, Experience of Care, and Per Capita Cost, Institute for Healthcare Improvement (2012). [Canvas]

One-page Essay #1 due
Consider the "iron triangle" (described in the William Kissick chapter) and "triple aim" (discussed in the article by Don Berwick). Are the iron

triangle and triple aim (1) consistent, (2) contradictory, or (3) just talking about entirely different things? Select one of these positions that you think is most appropriate and defend it. You should also acknowledge whether the other views have any merit.

Tues Sept 11 **Threat vs. Reality of Disruption**

Clayton Christensen et al. "Will Disruptive Innovation Cure Health Care?" *Havard Business Review* (2000). [Canvas]

Clayton Christensen et al. *How Disruptive Innovation Can Finally Revolutionize Healthcare* (2017). [Canvas]

Come to class prepared to discuss Christensen's theory and where you see it applying or not applying in healthcare.

II. PROVIDERS & THE DELIVERY OF HEALTH CARE

Thurs Sept 13 **Introduction to Providers**

Burns. *Healthcare Professionals*. (2017 Deck). [Canvas]

Come to class prepared to discuss the trends & data in the Deck.

Tues Sept 18 **Telemedicine: Enterprise-Wide Approach**
[Judd Hollander, M.D., Jefferson University]

Hollander et al. "No Patient Left Behind: Patient-Centered Healthcare Reform," [Canvas]

Wiler et al. "Value and Quality Innovations in Acute and Emergency Care," [Canvas]

Thurs Sept 20 **Hospitals: Organizational Models, Business Models, Revenue Models**

Burns. *Introduction to Hospitals*. (2017 Deck). [Canvas**]**

Muller. *The Business of Hospitals*. (2017 Deck). [Canvas]

Come to class prepared to discuss the trends & data in the Decks.

Tues Sept 25 **<u>Alternative Payment Models: Moving to a Value-Based System</u>**
[Amol Navathe, M.D., PhD., Penn Medical School]

Burwell. "Setting Value-Based Payment Goals—HHS Efforts to Improve US Health Care." *NEJM* (2015): 897-899. [Canvas]

Thur Sept 27 **<u>Innovation: Framework for Turning Insights into Outcomes</u>**
[Roy Rosin,]

Paul Graham. *Do Things That Don't Scale*. [Canvas]

Tues Oct 2 **<u>Provider Efforts to Manage Risk Cntracts</u>**
[Martin Harris, M.D. – Univ of Texas]

Case: *UT Health Austin: Competing on Value as a Growth Strategy*.

Thurs Oct 4 **NO CLASS – Fall Break**

Tues Oct 9 **<u>Innovations in Managing Cost & Quality: Lessons from UPHS</u>**
[Greg Kruse, UPHS]

TBA

Thurs Oct 12 **NO CLASS – Core Exams**
Tues Oct 17 **NO CLASS – Core Exams**

Thurs Oct 18 **<u>Growth Options for Hospital Systems: Cleveland Clinic Case</u>**

Porter & Teisberg, *Redefining Health Care*, Pp. 149-169, 202-218.

HBS Case: *The Cleveland Clinic: Growth Strategy 2012*. Case # 9-709-473. [Study.Net]

Case write-up assignment #1:

1. Discuss the impact of PPACA (health reform) on the Cleveland Clinic's current business model. What aspects of PPACA pose the greatest opportunity? What represents the biggest threats? (~ 1 page)

2. You are the CEO of the Cleveland Clinic.Of the growth strategies discussed in the case (starting on p. 12), which ONE would be the most promising avenue for growth and why? What problems do you see with the other strategies? What internal factors may constrain the Clinic's growth? (~ 3 pages)

3. What is the Cleveland Clinic's core capability, and why? How did they develop it? How does information technology support & develop it? (~1 page)

Tues Oct 23 **<u>Healthcare Information Technology: Applications & Markets</u>**
[John Glaser, Ph.D. - Cerner]

Circle Square. December 2017. *Digital Health Trend: Year in Review*. [Canvas]

Thurs Oct 25 **<u>Applying Behavioral Economics to Health and Health Care</u>**
[Mitesh Patel, M.D., MBA – Penn School of Medicine]

Patel, Volpp, & Asch. "Nudge Units to Improve the Delivery of Health Care," *NEJM* [Canvas]

III. PAYERS & FISCAL INTERMEDIARIES

Tues Oct 30 **<u>Introduction: Commercial Payers and Health Insurance</u>**

Burns. *Private Health Insurance*. (2017 Deck). [Canvas]

Come to class prepared to discuss the trends & data in the Deck.

Thurs Nov 1 **<u>Medicare & Medicaid</u>**

Burns. *Medicare*. (2017 Deck). [Canvas]

Burns. *PPACA & Medicaid*. (2017 Deck). [Canvas]

Come to class prepared to discuss the trends & data in the Decks.

Tues Nov 6 **Insurers & Provider Networks**
[Jack Lord, M.D. - former Chief Innovation Officer, Humana]

CASE: *AETNA v. Huntingdon Valley Surgery Center*. Civil Action No. 2:13 – 03101 (2013).

One-page Essay #2 Due:

The "case" is a complaint that Aetna filed against some of the physicians in its network of contracted providers. So this represents Aetna's side of the story. The question is whether their side of the story is true or not?

Specifically, do you believe that Aetna's goal is to "provide affordable health care benefits to its members." Is that its goal? Do you believe its claim that Aetna enrollees rarely need or want to go outside of Aetna's contracted network? Do you believe that the HVSC physicians are involved in unethical or illegal activities?

Thurs Nov 8 **Raising the Digital Quotient of Healthcare:**
Analytics & Population Health
[Dale Sanders, CEO – Health Catalyst]

Sanders. *A Landmark, Twelve-Point review of Population Health Management Companies*. [Canvas]

IV. PRODUCERS / SUPPLIERS

Tues Nov 13 **Medical Device Sector**
[Jason Weidman]

Kruger and Kruger. "The Medical Device Sector." In Burns (Ed.), *The Business of Healthcare Innovation* (Cambridge University Press, 2012). Chapter 6. [Study.Net]

Thurs Nov 15 **Alternative Payment Methods: The Alternative Quality Contract**
[Dana Safran, Sc.D. - Mass. Blue Cross & Blue Shield]

Song et al. "Changes in Health Care Spending and Quality 4 Years into Global Payment," *NEJM* (October 30, 2014). [Canvas]

SKIM: Robert Mechanic. "Opportunities and Challenges for Payment Reform: Observations from Massachusetts," *Journal of Health Politics, Policy and Law* (August 2016). [Canvas]

Tues Nov 21 **NO CLASS**

Thurs Nov 23 **HAPPY THANKSGIVING [no class]**

Tues Nov 27 **Overview of the Life Sciences Sector**

Burns. *Overview of Pharma and Biotech*. (2017 Deck).

Come to class prepared to discuss the trends & data in the Deck.

Thurs Nov 29 **Generics and BioSimilars**
[Christine Baeder – Senior Vice President for Customer and Marketing Operations, Teva Pharmaceuticals]

A Tangled Web: An Examination of the Drug Supply and Payment Chains. U.S. Senate Committee on Finance (June 2018). [Canvas]

Tues Dec 4 **Market Access to Providers by Pharmaceutical Manufacturers**
[Rick Hartz]

Kitamura and Torsoli. "Express Scripts Says Novo Insulin Data Not Convincing Enough," http://www.bloomberg.com/news/articles/2016-03-03/express-scripts-says-novo-s-insulin-data-not-convincing-enough?cmpid=yhoo.headline

Ed Schoonveld. "Market Access and Pricing Strategy Implementation". In *The Price of Global Health*, 2nd Edition. (pp. 277-314) [Study.Net]

Thurs Dec 6 **Strategic Issues in Pharmaceutical Sector**
[Dr. Richard Evans - Founder and General Manager, SSR Health, formerly of Roche and Sanford C. Bernstein]

HBS Case: *Merck & Co.* [January 2015, MH0035] [Study.Net]

Case write-up assignment #2:

1. Rather than buying Schering Plough (SGP), what else could Merck (MRK) have done with the capital – and at that point in time should MRK have viewed any of these alternative uses as superior options? (~1.5 pages)

2. Was the SGP acquisition an attempt to resolve MRK's problems, or simply the opportunistic purchase of an under-valued asset? If the former, what were the problems an SGP acquisition could have been expected to address? If the latter, on what basis might MRK have believed SGP was undervalued? (~1 page)

3. Was it important for MRK to shift to an open innovation model, and if so why? Did SGP and/or Perlmutter aid or impair such a shift – and if so how? (~1.5 pages)

4. Setting aside the direct (e.g. legal, claims) costs of the Vioxx withdrawal, what if any effects might the Vioxx episode exert on MRK during the SGP acquisition timeframe, and how might management deal with these effects? (~1 page)

Helpful reading on this topic:

Burns et al., "Pharmaceutical Strategy and the Evolving Role of Merger and Acquisitions." in Burns (Ed.), *The Business of Healthcare Innovation* (Cambridge University Press, Cambridge UK, 2012). Chapter 3. [Study.Net]