

# Healthcare Services Delivery: A Managerial Economic Approach

HCMG 852 / 352  
Spring 2019  
TR 1:30 – 3:00PM  
JMHH G60

Professor Guy David  
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**Objectives** The purpose of this course is to apply economics to an analysis of the health care industry, with special emphasis on the unique characteristics of the US healthcare markets, from pre-hospital to post-acute care. This course focuses on salient economic features of health care delivery, including: the role of nonprofit providers, the effects of regulation and antitrust activity on hospitals, the degree of input substitutability within hospitals, competition in home health care, public versus private provision of emergency medical services, the effect of specialty hospitals and ambulatory surgery centers, innovative models of primary care delivery, defining and improving medical performance in hospitals, specialization and investment in physical and human capital, and shifting of services between inpatient and outpatient settings and its effect on health care costs and quality.

## **Grading**

- Class Participation 15%
- Midterm Exam 60%
- Student presentation 25%

## **WebCafe**

We have established a CANVAS site for HCMG852. This will serve as our primary communication channel. You can log on using your usual Wharton username and password. Registered students will automatically have access. Others can get an account online at: <http://accounts.wharton.upenn.edu>. In case of any problems, you can apply in person at F35 JMHH, which is the Wharton computer consulting office. If you have questions about using CANVAS, contact the CANVAS Team at: [courseware@wharton.upenn.edu](mailto:courseware@wharton.upenn.edu).

**Readings:** All readings will appear in an electronic format on Canvas. Note that all readings below are suggested and hence, optional. Most readings will be discussed in the classroom.

## **Dates, Topics and Reading Assignments**

**Thursday, January 17**

### **Introduction to the U.S. Healthcare Industry and its Unique Characteristics**

Arrow, Kenneth “Uncertainty and the Welfare Economics of Medical Care” *American Economic Review* 1963; 53(5): 941-973

Miller, Harold D., “From Volume To Value: Better Ways To Pay For Health Care”, *Health Affairs* 2009; 28(5): 1418–28

**Tuesday, January 22**

### **On the Objectives and Behavior of Nonprofit Hospitals in the U.S.**

Frank, Richard and David Salkever. “Non profit Organizations in the Health Sector”, *Journal of Economic Perspectives*, Vol 8, 1994, pp129-144.

Schlesinger, Mark, Shannon Mitchell, and Bradford H. Gray, “Public Expectations Of Nonprofit And For-Profit Ownership In American Medicine: Clarifications And Implications” *Health Affairs*, 23(6): 181-191, 2004.

Malani, Anup, Tomas Philipson and Guy David, “Theories of Firm Behavior in the Non-Profit Sector: A Synthesis and Empirical Evaluation.” in The Governance of Not-for-Profit Firms, Edward Glaeser, Editor. University of Chicago press, 2003.

David, Guy “The Convergence between Nonprofit and For-Profit Hospitals in the United States.” *International Journal of Health Care Finance and Economics*, Vol. 9(4), pp 403-428, December 2009.

**Thursday, January 24**

### **Why do For-Profit and Nonprofit Providers Coexist in the Same Market?**

Nicholson, Sean, Mark Pauly, Lawton Burns, Agnieszka Baumritter, and David Asch. “Measuring Community Benefits Provided By For-profit And Nonprofit Hospitals.” *Health Affairs* Vol 19 (6) 2000.

Bloche, M G., “Should government intervene to protect nonprofits?” *Health Affairs*, 17, no.5 (1998):7-25

David, Guy and Lorens A. Helmchen, “An Uncertain Prescription: Are Tax Exemptions for Nonprofit Hospitals an Efficient Way to Fund Indigent Care?” *Regulation*, Vol. 29 (2), pp 14-16, June 2006.

Sloan, Frank A, Gabriel A Picone, Donald H Taylor Jr., and Shin-Yi Chou., “Hospital ownership and cost and quality of care: is there a dime’s worth of difference?” *Journal of Health Economics*, Volume 20, Issue 1, January 2001, Pages 1-21

**Tuesday, January 29**

### **Cost-Shifting and Cross-Subsidization Behavior of Hospitals and Physicians**

Morrisey, Michael A., “Cost-Shifting: New Myths, Old Confusion, and Enduring Reality” *Health Affairs*, October 2003.

Showalter, M. “Physicians’ cost shifting behavior: Medicare versus other patients” *Contemporary Economic Policy*, 15 (1997) 74-84.

David, Guy, Richard Lindrooth, Lorens Helmchen and Lawton Burns, “Do Hospitals Cross Subsidize?” *Journal of Health Economics*, Volume 37, September 2014, Pages 198-218.

**Thursday, January 31**

**Competitor and Collaboration among Mission-Driven Healthcare Organizations**, Steven Levin, MBA, Managing Director of The Chartis Group

**Tuesday, February 5**

**Critical Access Hospitals and the State of Rural Healthcare**, Allison Suttle, M.D., Chief Medical Officer, Sanford Health

**Thursday, February 7**

**Introduction to Antitrust and Regulation in Health Care**

Hammer, Peter J. and William M. Sage, “Critical Issues in Hospital Antitrust Law “ *Health Affairs*, vol 22: 88-100, Nov/Dec 2003.

Arizona v. Maricopa County Medical Society, Supreme Court of the United States, 1982 (457 U.S. 332, 102 St.Ct. 2466, 73 L.Ed.2d 48).

Philipson Tomas. J., and Richard. A. Posner “Antitrust and the Not-For-Profit Sector”, *Journal of Law and Economics*, 52(1): 1-18, 2009.

Capps, Cory, Dennis Carlton and Guy David, “Antitrust Treatment of Nonprofits: Should Hospitals Receive Special Care?” working paper 2018.

**Tuesday, February 12**

**Antitrust Laws, Regulation and Competition**, Jeffrey H. Perry, J.D., Partner, Antitrust & Competition Practice, Weil, Gotshal & Manges and Jared Nagley, J.D., Attorney, Federal Trade Commission, Northeast Region.

**Thursday, February 14**

**Strategies for Contracting with Large Providers**, Mai Pham, M.D., Vice President of Provider Alignment Solutions, Anthem, Inc.

**Tuesday, February 19**

**Public versus Private Emergency Medical Services**

Hart, Oliver, Andrei Shleifer and Robert W. Vishny, “The Proper Scope of Government: Theory and an Application to Prisons” *The Quarterly Journal of Economics*, Nov 1997.

David, Guy and Arthur Chiang “The Determinants of Public versus Private Provision of Emergency Medical Services” *International Journal of Industrial Organization* Vol. 27(2), pp 312-319, March 2009.

**Thursday, February 21**

**Innovation in Primary Care**

Phillips, Robert L., Jr. and Andrew W. Bazemore, “Primary Care And Why It Matters For U.S. Health System Reform” *Health Affairs*, 29, no.5 (2010):806-810.

Huff, Charlotte, “Direct Primary Care: Concierge Care For The Masses” *Health Affairs*, 34, no.12 (2015):2016-2019.

David, Guy, Philip Saynisch and Aaron Smith-McAllen. 2018. “The Economics of Patient-Centered Care”, *Journal of Health Economics*. Vol. 59, pp. 60-77.

**Tuesday, February 26**

**The Patient Centered Medical Home**, Sarah Scholle, Ph.D., Vice President of Research & Analysis, National Committee for Quality Assurance

**Thursday, February 28**

**Retainer-Based Medicine and Personalized Healthcare**, Dr. Andrea Klemes, Chief Medical Officer of MDVIP

---- SPRING BREAK ----

**Tuesday, March 12**

**Specialty Hospitals, Ambulatory Surgery Centers, and Division of Labor**

Wachter, Robert, "Hospitalists in the United States – Mission Accomplished or Work in Progress?", *The New England Journal of Medicine*, May 2004.

David, Guy, Lorens Helmchen and Robert Henderson, "Does Advanced Medical Technology Encourage Hospitalist Use and Their Direct Employment by Hospitals?" *Health Economics*, Vol. 18(2), pp 237-247, February 2009.

David, Guy and Lorens Helmchen, "The Role of Task Adhesion in Limiting Specialization along the Medical Care Continuum." *Review of Labour Economics and Industrial Relation*, 2011, Vol. 25(1), pp 24-44.

Burns R. Lawton., Guy David, and Lorens Helmchen, "Strategic Response by Providers to Specialty Hospitals, Ambulatory Surgery Centers, and Retail Clinics." *Population Health Management*, April 2011, Vol. 14(2) pp.69-77.

Greenwald L., Cromwell J., Adamache W., Bernard S., Drozd E., Root E., and Devers K (2006). "Specialty versus community hospitals: referrals, quality, and community benefits," *Health Affairs*, 25(1):106-18, 2006 Jan-Feb.

David, Guy and Mark Neuman, "Physician Division of Labor and Patient Selection for Outpatient Procedures." *Journal of Health Economics*, March 2011, Vol. 30(2), pp 381-391.

**Thursday, March 14**

**The Use of Predictive Analytics** Somesh Nigam, Ph.D., Chief Informatics Officer, Blue Cross Blue Shield of Louisiana.

**Tuesday, March 19**

**A Consumer-Driven Culture of Health**, Kenneth Abrams, M.D., MBA, Managing Director, Deloitte Consulting LLP

**Thursday, March 21**

**Regulation, Competition and Vertical Integration in Home Health**

Charles, Kerwin and Purvi Sevak "Can family caregiving substitute for nursing home care?" *Journal of Health Economics* 24 (2005) pp 1174–1190.

Neuman, Patricia, Juliette Cubanski, and Anthony Damico., "Medicare Per Capita Spending By Age And Service: New Data Highlights Oldest Beneficiaries", *Health Affairs*, February 2015 34: pp. 2335-339

Lehrman, Susan and Karen K Shore., “Hospitals' vertical integration into skilled nursing: A rational approach to controlling transaction costs” *Inquiry*, Vol. 35(3): 303-315, Fall 1998.

David, Guy, Dan Polsky and Evan Rawley “Integration and Task Allocation: Evidence from Patient Care.” *Journal of Economics and Management Strategy*, 2013, Vol. 22(3), pp. 617–639.

Polsky, Dan, David Guy, Jianing Yang, Bruce Kinoshian, and Rachel Werner. “The Effect of Entry Regulation in the Health Care Sector: the Case of Home Health”, *Journal of Public Economics*, 2014, Vol. 110, pp. 1–14.

David, Guy and Kunhee Lucy Kim. 2018. “The Effect of Discontinuous Post-Acute Care on Hospital Readmissions”, *Journal of Health Economics*. Vol. 59, pp. 26-45.

#### **Thursday, March 26**

**A Hospital System Model of Disease Management** - **David A. Horowitz**, M.D., Senior Medical Director for Quality and Chief Medical Officer of Penn Care at Home, University of Pennsylvania Health System.

#### **Thursday, March 28**

**Physician House Calls: Caring for high risk patients:** **Jessica Son**, M.D., MBA, Director of Physician Services, Bayada Home Health Care.

#### **Tuesday, April 2**

**The Challenges of Managing a Home Health Agency**, **David Baiada**, MBA, Practice Leader, Home Health, Bayada Home Health Care.

#### **Tuesday, April 4**

**Defining and Improving Health Care Organization Performance**, **Dr. Craig Samitt**, M.D., MBA, Chief Executive Officer for Blue Cross Blue Shield of Minnesota.

#### **Thursday, April 9**

##### **Technology Disadoption**

Howard DH, Kenline C, Hassebroek A, Horowitz MM, Parsons SK, Rizzo JD, Majhail NS. Abandonment of high dose chemotherapy/hematopoietic cell transplants for breast cancer. *Health Services Research* 2011;46(6):1762-1777

Howard, David, Guy David and Jason Hockenberry. 2017. “Selective Hearing: Physician-Ownership and Physicians’ Response to New Evidence.” *Journal of Economics and Management Strategy*. Vol. 26:1, pp: 152-168.

Berez, Julie, Guy David, David Howard, and Mark Neuman. 2018. “Does Bad News Travel Faster? On the Determinants of Medical Technology Abandonment” *Journal of Human Capital*. Vol. 12(4)

#### **Tuesday, April 11**

**Low Value Technologies**, **Ronald Brooks**, M.D., Senior Network Medical Director, Independence Blue Cross and **Aaron Smith-McLallen**, Ph.D., Senior Research Scientist, , Independence Blue Cross

**Tuesday, April 16**

**MIDTERM EXAM (1:30 PM – 2:50 PM)**

**Thursday, April 18**

**The Future of Healthcare, Dr. Laurence Wellikson, M.D., Chief Executive Officer of the Society of Hospital Medicine**

**Tuesday, April 23 – Tuesday, April 30**

**Student Presentations**