

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

**Instructors**

**HCMG 845-001  
Spring 2019**

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CPC 302**

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**Class Time / Location**

Time: Tuesdays, 3-6pm

Location: Colonial Penn Center Auditorium

**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 new developments in both topics. Thus, we shall consider:

- Overview of US health care sector and delivery through managed care
- Economic perspective on providers, payers, employers, and consumers
- Government intervention in health care
- New developments – value based payments, data analytics
- Market power and concentration
- The horizontal and vertical integration strategies of payers, providers, and suppliers
- The rationales behind horizontal and vertical integration strategies

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 a focused industry investigation into a related topic that extends our knowledge of these topics. Student investigations will be shared with the class.

## **Conduct of the Course**

This course is co-taught by Atul Gupta and Brad Fluegel, as well as several guest lecturers from the industry. We will meet every Tuesday. Students can meet with Prof. Gupta and Fluegel by appointment. Allison Briggs — Ph. D. student in Wharton Health Care Management — will be the Teaching Assistant.

## **Course Requirements**

The grade will depend on four aspects. First, students are expected to attend every class and participate actively in discussions. Second, we will administer 2-3 surprise in-class quizzes that will draw mainly on assigned readings. These quizzes will typically have short essay or multiple choice questions and test understanding of readings and class discussion. Third, students will complete one individual assignment in the first half of the class. The individual assignment will be either a case study or short questions on topics covered in class. Fourth, students will work on a team project on a topic of their choosing. Teams will present their analysis in class and submit an executive summary (5 pages or less) of their findings. Groups will also be asked to submit a 1 page project proposal prior to spring break so faculty can review and provide feedback.

Student project teams will be assigned by the instructors by the 3<sup>rd</sup> class since enrollment takes some time to stabilize. The goal will be to create teams of 3-4 students from a mix of backgrounds and programs. In our experience this makes the team formation process smoother and is more likely to result in teams with students of diverse backgrounds. Project topics should broadly focus on the strategy/structure/performance 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. Wherever relevant, cite references or discussions from the class. You should also discuss prevailing counter perspectives on the topic, and explain why you believe these arguments fail. Interviews with individuals knowledgeable about the topic are strongly encouraged. Where possible, teams will be matched with industry experts as advisors.

## **Potential group topic areas include:**

- Physicians and hospitals: what models of integration work?
- Data analytics in health care: successful plays vs. hype
- Horizontal mergers: strategic vs. efficiency benefits for firms
- Hospital business models
- Physician practice business models
- Vertical integration in health care: Value for consumers? Strategic benefits? Predictions for Aetna-CVS?
- Payment mechanisms for providers: traditional vs. value based, performance pay, examples of success and failure, lessons
- Employer based coverage: new developments in benefit design, push for price transparency, wellness initiatives
- Consuming health care: business innovations targeting consumers, plan design, price shopping, high deductible plans
- Health care reform
  - Publicly funded insurance: Extend further? Change benefit

- design?
- Managed care in Medicaid and Medicare

### **Grading**

Grades will be based on

- Class participation (25%)
- Quizzes (25%)
- Individual assignment (25%)
- Group project (25%)

### **Required Readings**

Instructors will assign 2-3 relevant articles for each class. These will be available on Canvas. Students are expected to read in preparation for the class. We plan to hold 2-3 surprise in-class quizzes on the readings. The individual assignment may also assume knowledge of the readings. In case students would like a text book for additional reference, we recommend the text by Peter Kongstvedt, “Essentials of Managed Health Care” (6<sup>th</sup> edition).

### **Sequence of Topics and Readings**

#### **JAN 22 INTRODUCTION**

Class introduction and overview

##### **Readings:**

- Martin, A., et al, “National Health Care Spending in 2017: Growth slows to post-great recession rates; Share of GDP stabilizes” *Health Affairs*, January 2019 38(1).
- Frost, Amanda, Eric Barrette, Kevin Kennedy, and Niall Brennan. "Health Care Spending Under Employer-Sponsored Insurance: A 10-Year Retrospective." *Health Affairs* 37, no. 10 (2018): 1623-1631.
- Garthwaite, C. and Ody, C. “Beware False Precision: The Sources of Health Care Spending Growth Are Hard to Identify.” *Health Affairs Blog*, December 6, 2018.

#### **JAN 29 PATIENTS AND EMPLOYERS (CUSTOMERS)**

##### **Guest Speakers:**

- Mike Taylor, Aon Hewitt

##### **Readings:**

- Buchmueller, T. and Valletta, R., “Work, Health, And Insurance: A Shifting Landscape for Employers And Workers Alike,” *Health Affairs*, Feb 2017 36(2):214-221.
- Evans, M. and Fleming, K, “Millennial expectations are fundamentally changing the healthcare landscape.” *Forbes*. November 27, 2018.
- Altman, D, “Corporate health costs don’t look like a crisis.” *Axios*. October 1,

2018.

## **FEB 5 INSURERS: LANDSCAPE AND ECONOMICS**

### **Guest Speaker:**

- Kurt Wrobel, CFO and Chief Actuary, Geisinger Health Plan

### **Readings:**

- Schoen, Cathy, and Sara R. Collins. "The Big Five Health Insurers' Membership and Revenue Trends: Implications For Public Policy." *Health Affairs* 36, no. 12 (2017): 2185-2194.

## **FEB 12 INSURERS: NEW MODELS**

### **Guest Speakers:**

- Richard Montwill, Optum
- Dr. Julian Harris, Cigna

### **Readings:**

- Livingston, Shelby. "Reigniting the physicians arms race, insurers are buying practices." *Modern Healthcare*. June 2018. Available at <https://www.modernhealthcare.com/article/20180602/NEWS/180609985>.
- Gruessner, Vera. "Humana, Aetna, Cigna Invest in Value-Based Care Payment Models." *Health payer intelligence*. January 2017. Available at <https://healthpayerintelligence.com/news/humana-aetna-cigna-invest-in-value-based-care-payment-models>.

## **FEB 19 BIG PICTURE: HEALTH CARE COSTS**

### **Guest Speakers:**

- Jeff Levin-Scherz, MD
- Dan Halevy, Horizon Blue New Jersey

### **Readings:**

- Berwick DM, Hackbarth AD. Eliminating Waste in US Health Care. *JAMA*.2012;307(14):1513-1516
- 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
- Burns, Lawton R., and Mark V. Pauly. "Detecting BS in Health Care." (2018).
- [Optional] Baicker, Katherine, and Amitabh Chandra. "Evidence-based health policy." *New England Journal of Medicine* 377, no. 25 (2017): 2413-2415.

## **FEB 26 PROVIDERS: LANDSCAPE AND VALUE BASED MODELS**

### **Guest Speakers:**

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

**Readings:**

- Chernew et. al. "Private-Payer Innovation in Massachusetts: The 'Alternative Quality Contract,'" *Health Affairs*, Jan 2011 30:51-61.
- 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.

**MAR 5            SPRING BREAK – NO CLASS**

**MAR 12          DRUG PRICING: LANDSCAPE AND MODELS**

**Guest Speaker:**

- Amy Bricker, President Supply Chain - Express Scripts

**Readings:**

- Chambers, James D., David D. Kim, Elle F. Pope, Jennifer S. Graff, Colby L. Wilkinson, and Peter J. Neumann. "Specialty Drug Coverage Varies Across Commercial Health Plans In The US." *Health Affairs* 37, no. 7 (2018): 1041-1047.
- Sherman, M., Curfman, G., Parent, J. and Wagner, A., "Prescription Medications Account For One In Four Dollars Spent By A Commercial Health Plan." *Health Affairs* blog. August 2018.
- "Employer Pharmacy Benefits in 2018: More Tiers, Greater Coinsurance, and Lots of High-Deductible Plans." *Drug Channels*. November 2018.

**MAR 19          GOVERNMENT PROGRAMS, MARKETS AND REFORMS**

**Guest Speakers:**

- Steve Wood
- Dr. Amol Navathe

**Readings:**

- Frank, R. and McGuire, T., "Regulated Medicare Advantage and Marketplace Individual Health Insurance Markets Rely On Insurer Competition," *Health Affairs*, September 2017 36(9):1578-1584.
- Muhlestein, David, Robert Saunders, and Mark McClellan. "Growth of ACOs and alternative payment models in 2017." *Health Affairs* Blog. <https://www.healthaffairs.org/doi/10.1377/hblog2017062860719> (2017).

**MAR 26          INSURER CONSOLIDATION AND ANTI-TRUST**

**Guest Speaker:**

- Prof. Rob Burns, Wharton

**Readings:**

- American Medical Association, "Competition in Health Insurance: A Comprehensive Study of U.S. Markets," Executive Summary.
- Dafny, Leemore, Jonathan Gruber, and Christopher Ody. "More insurers lower premiums: Evidence from initial pricing in the health insurance marketplaces." *American Journal of Health Economics* 1, no. 1 (2015): 53-81. [optional]

## **APR 2 PROVIDER CONSOLIDATION AND ANTI-TRUST**

### **Guest Speaker:**

- Subbu Ramanarayanan, NERA Consulting

### **Readings:**

- Cuellar and Gertler. 2003. "Trends in Hospital Consolidation: The Formation of Local Systems." *Health Affairs* 22(6): 77-87.
- Vogt, W., and Town, R. "How Has Hospital Consolidation Affected the Price and Quality of Hospital Care?" Robert Wood Johnson Foundation, 2006.
- Reed Abelson. 2018. "When Hospitals Merge to Save Money, Patients Often Pay More." *The New York Times*. November 14, 2018.

## **APR 9 NEW BUSINESS MODELS IN HEALTH CARE**

### **Guest Speaker:**

- Bob Kocher, Partner, Venrock

### **Readings:**

- Dearing, James W., and Jeffrey G. Cox. "Diffusion Of Innovations Theory, Principles, And Practice." *Health Affairs* 37, no. 2 (2018): 183-190.
- Kocher, Robert, and Anuraag Chigurupati. "The Coming Battle over Shared Savings--Primary Care Physicians versus Specialists." *The New England journal of medicine* 375, no. 2 (2016): 104.
- Kocher, Robert. "How to Make Our Crazy, Expensive, Amazing, and Uneven Health Care System Better Faster." *NEJM Catalyst*. October 2016.

## **APR 16 VERTICAL INTEGRATION**

### **Guest Speakers:**

- Josh Flum, CVS Health
- Aaron Martin, EVP, Providence St. Josephs Health

### **Readings:**

- Gaynor, "Is Vertical Integration Anticompetitive? Definitely Maybe (But That's Not Final)." *Journal of Health Economics*, 25:175-180.
- Berenson, Robert A. "A Physician's Perspective On Vertical Integration." *Health Affairs* 36, no. 9 (2017): 1585-1590.

## **APR 23 GROUP PROJECT PRESENTATIONS (I)**

## **APR 30 GROUP PROJECT PRESENTATIONS (II)**