

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

Instructors

**HCMG 845-001
Spring 2020**

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CPC 302**

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Class Time / Location

Time: Tuesday 4.30 – 7.30 p

Location: CPC 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 performance of developments in each area. Thus, we shall consider:

- Institutional setting of US health care: Customers, Insurers, Providers, Pharma
- New business models and investing strategies
- The horizontal and vertical integration strategies of payers, providers, and suppliers
- The performance effects observed to date.

The course will draw on a range of information sources: presentations by industry experts and executives, recent, academic research 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 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/Fluegel by appointment.

Course Requirements

Students will complete one individual assignment and one team project, in addition to several in-class quizzes based on the assigned readings. The individual assignment will be due at the end of the first half and will be either a case study or questions on topics covered in class. For the group project, teams will present their work in class and submit an executive summary (up to 5 pages) of findings. Groups will also be asked to submit a 1 page project proposal prior to spring break so faculty can review and provide feedback.

Project 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. Student project teams will be assigned by the instructors by the 3rd class since enrollment takes some time to stabilize. The goal will be to create teams of students from a mix of backgrounds and programs.

The projects 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. 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.

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?
- Vertical integration in health care: Does it make consumers better off?
- 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
 - Wellness programs
 - New clinical technologies

Grading

Grades will be based on

- Group project (30%)
- Individual assignment (25%)
- Quizzes (20%)
- Class participation (25%)

Required Readings

Instructors will assign 2-3 relevant articles for each class. These will be available on the Canvas web page. Students are expected to read in preparation for the class. We plan to hold 2-3 surprise in-class quizzes on the readings/class discussions. The individual assignment may also assume knowledge of the readings.

Sequence of Topics and Readings

JAN 21 COURSE OVERVIEW AND HEALTH CARE COSTS

Class introduction and overview

Guest Speakers:

- Jeff Levin-Scherz, MD

Readings:

- Sisko, Andrea M., et al. "National Health Expenditure Projections, 2018–27: Economic And Demographic Trends Drive Spending And Enrollment Growth." *Health Affairs* 38, no. 3 (2019): 491-501.
- Anderson, Gerard F., Peter Hussey, and Varduhi Petrosyan. "It's still the prices, stupid: Why the US spends so much on health care, and a tribute to Uwe Reinhardt." *Health Affairs* 38, no. 1 (2019): 87-95.

JAN 28 EMPLOYERS/CONSUMERS

Guest Speakers:

- Mike Taylor, Aeon Hewitt
- Shawn Leavitt, Comcast Benefits

Readings:

- Claxton, Gary et al. "Health Benefits In 2019: Premiums Inch Higher, Employers Respond To Federal Policy." *Health Affairs* 38, no. 10 (2019): 1752-1761.
- Kullgren, Jeffrey T. et al. "A Survey Of Americans With High-Deductible Health Plans Identifies Opportunities To Enhance Consumer Behaviors." *Health Affairs* 38, no. 3 (2019): 416-424.
- Whaley, Christopher, et al. "Paying Patients To Switch: Impact Of A Rewards Program On Choice Of Providers, Prices, And Utilization." *Health Affairs* 38,

no. 3 (2019): 440-447.

FEB 4 INSURERS: LANDSCAPE AND ECONOMICS

Guest Speaker:

- Rebecca Madson, United Healthcare
- 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 11 INSURERS: NEW MODELS

Guest Speaker:

- Richard Montwill, Optum
- Aaron Martin, Providence St. Josephs [Video call]

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>.
- Singh, Karandeep, Sean R. Meyer, and John M. Westfall. "Consumer-Facing Data, Information, And Tools: Self-Management Of Health In The Digital Age." *Health Affairs* 38, no. 3 (2019): 352-358.

FEB 18 PHARMA BUSINESS MODEL

Guest Speakers:

- Amy Bricker, President Supply Chain - Express Scripts

Readings:

- 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.

FEB 25 PROVIDERS: LANDSCAPE AND VALUE BASED MODELS

Guest Speakers:

- Allen Smith, CMO, Brigham and Woman's Physician's Organization
- Dr. Amol Navathe, UPenn

Readings:

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

- Perla, Rocco J. et al. "Government as innovation catalyst: lessons from the early Center for Medicare and Medicaid Innovation Models." Health Affairs 37, no. 2 (2018): 213-221.

MAR 3 SPRING BREAK – NO CLASS

MAR 10 GOVERNMENT PROGRAMS: MEDICAID AND MEDICARE

Guest Speaker:

- Steve Wood, Managing Partner, Clear View Solutions
- Charlene Frizzera, Leavitt Partners

Readings:

- Strane, Douglas et al. "Growth Of Public Coverage Among Working Families In The Private Sector." Health Affairs 38, no. 7 (2019): 1132-1139.
- Newhouse, Joseph P. et al. "Adjusted Mortality Rates Are Lower For Medicare Advantage Than Traditional Medicare, But The Rates Converge Over Time." Health Affairs 38, no. 4 (2019): 554-560.

MAR 17 INVESTING IN HEALTH CARE: CURRENT TRENDS

Guest Speaker:

- Bob Kocher, Venrock [VC]

Readings:

- Safavi, Kyan et al. "Top-funded digital health companies and their impact on high-burden, high-cost conditions." Health Affairs 38, no. 1 (2019): 115-123.
- Health Evolution Corporate Venture Group Report
- Ward, Lisa. "The Ethical Dilemmas AI Poses for Health Care." The Wall Street Journal. October 14, 2019.

MAR 24 HEALTH CARE STARTUPS [STUDENT PRESENTATIONS]

MAR 31 IO OVERVIEW & INSURER COMPETITION

Readings:

- American Medical Association, "Competition in Health Insurance: A Comprehensive Study of U.S. Markets," Executive Summary.
- Frank, Richard G., and Thomas G. McGuire. "Regulated Medicare Advantage and Marketplace individual health insurance markets rely on insurer competition." Health Affairs 36, no. 9 (2017): 1578-1584.

APR 7 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.
- Cooper, Zack et al. "Hospital Prices Grew Substantially Faster Than Physician Prices For Hospital-Based Care In 2007–14." *Health Affairs* 38, no. 2 (2019): 184-189.

APR 14 VERTICAL INTEGRATION

Guest Speaker:

- Tony Clapsis, CVS

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 21 GROUP PROJECT PRESENTATIONS

APR 28 GROUP PROJECT PRESENTATIONS