

Healthcare Strategy & Management

HCMG 213-001

Fall 2020

Instructor

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Class Time / Location

Time:	Monday / Wednesday 12:00-1:20 p.m.
Location:	Colonial Penn Center Auditorium, 3641 Locust Walk
Teaching Assistant	Alex Halikias (ahali@wharton.upenn.edu)

Overview of Course

This course examines how firms pursue and (occasionally) achieve competitive advantage in the midst of government oversight, unpredictable legislative and regulatory shifts, massive technological change, counter-measures taken by competitors, and a host of economic, social, and political challenges. The achievement of competitive advantage rests not only on the pursuit of well-crafted strategies but also on the successful execution of those strategies. That is why the course is entitled “strategy & management.” Strategic vision without managerial implementation is mere hallucination.

At the same time, this course focuses on strategy and management in the healthcare industry. As you will soon discover, this industry is unlike any other (in many ways). Much of what you may have learned about corporate strategy in the management department and about micro economic theory does not necessarily apply to, work in, or work the same way in the healthcare industry. For example, the government represents a near majority of spending overall, customers rarely directly pay for services, quality is difficult to observe, information is not commonly held across market participants, and value is often best provided by a coordinated set of economic actors that face different incentives. This necessitates an early consideration of the complex workings of the healthcare industry and its differences compared to other industries.

In 2017, the U.S. healthcare “industry” accounted for approximately 18 percent of GDP. This economic activity involves a diverse set of sectors with a mix of public, nonprofit, and for-profit buyers and sellers. These healthcare sectors include: hospitals, physicians, integrated

delivery networks (IDNs) that combine hospitals with physicians, pharmacies, insurers, pharmacy benefit managers, employers, pharmaceutical firms, medical device firms, biotechnology firms, etc. Many firms in the health industry are non-profit organizations whose explicit goal to maximize social value while competing directly with for-profit firms. Firms operating in the U.S. healthcare industry face challenges and environments that at times require sector-specific strategies. Thus, the strategy that works in one sector may not work in another. These features (and many others) make developing and maintaining profit maximizing strategies quite difficult.

The course will examine some of the revolutionary strategies that have been pursued in the healthcare industry starting in the 1960s and still pursued today. These strategies include: *horizontal integration* into chains, *vertical integration* into upstream and downstream markets, *diversification* into quasi-related businesses, *strategic alliances* with a variety of firms, and *disruption/disintermediation*. Each of these strategies involves some effort to re-draw the “boundaries of the firm” - - i.e., what activities lie inside the firm’s purview, and what activities are left to the market outside.

Student teams will form to address specific strategies that involve how these boundaries are drawn in any of the sectors in the healthcare industry listed above. Such topics might include:

- Horizontal integration
- Vertical integration
- Diversification
- Strategic alliances
- Disruption / Disintermediation

The aim of the course is to prepare you for a host of employment opportunities in consulting, managerial, strategic, and investment areas across healthcare sectors.

Course Requirements

Two (2) Case Analyses. Students will individually prepare a 2-page analysis of two different cases (marked with a ** in the syllabus). The cases are found on Study.Net. The questions to be addressed are found in the syllabus, along with the weight (emphasis) associated with each question. Case writeups need to conform to the following specifications: two pages maximum (an additional page containing footnotes/ references is OK, but is not necessary), 12-point font, one-inch margins. Case analyses are due BEFORE class begins on that date (i.e., **before 12 PM EST on due date**). No case writeups submitted after the class begins will be accepted.

You may pick any two of these cases (starred ** in syllabus)

	<u>HC Sector</u>	<u>Due Date</u>
• ThedaCare System Strategy	Hospital	9/30
• Allina Medical Group	Physician/IDN	10/21
• Humana Inc.	Insurer	10/26
• Medtronic	Medical Device	11/11
• Pitney Bowes – Employer Health Strategy	Employer	11/18

Team Project. Students will form 3-4 person teams to conduct their course project. The teams will make 15-20 minute presentations on their topic during the last two weeks of the course. In addition to the class presentation, teams must hand in a 10-page written version. All papers are due on the last day of class.

The vision for these projects is that you and your team develop deep expertise on both (a) a specific strategy and (b) a specific sector of healthcare. Thus, you might analyze horizontal mergers of drug companies, vertical integration of hospitals with post-acute care providers, diversification by insurers into new lines of business, or strategic alliances between pharmaceutical and biotechnology companies. These can be cases of individual firms or, more broadly, trends observed in a given sector.

After identifying the strategy and sector you wish to study, your team should develop a clear thesis (argument) regarding the wisdom and chances of success, and present evidence/research supporting your position. You should also discuss possible negative perspectives on the strategy pursued and why you believe they are not fatal. Interviews with individuals knowledgeable about the topic are strongly encouraged. Evidence in the report should be duly footnoted (endnotes).

Student teams need to form, identify their topic, and notify me of such **by September 28th**. Within one week, I will inform each team about the appropriateness of their topic (strategy & sector). I will then meet virtually with each team during the week from 10/12 – 10/16 to coach them on their project. Student teams are responsible for signing up to meet with me.

Please keep in mind that a good paper has three elements: beginning, middle, and an end. The beginning states your thesis/argument succinctly, why we should be interested in the topic, and the paper's outline and organization. The middle develops the argument using evidence. The end summarizes what has been learned.

Final exam. There will be a final examination during exam week covering topics and concepts from the course lectures, course readings, discussions, and case analyses.

Class Participation. Your participation will be graded on quality, not volume. You should provide insights, observations, inferences, or conclusions that not only express your viewpoint, but *also* defend your analysis. Your comment should be relevant to the topic at hand, and should advance the discussion. A simple opinion or viewpoint is not very

valuable without any justification. I value comments that respond to, elaborate on, lend support to, contradict, or correct a comment by one of your classmates. Counter-productive comments include opinions without a justifying argument, pure repetition of previous point, and rambling, vacuous or disparaging comments. In order to assist in preparation for discussion, for each session I have listed some discussion questions in the syllabus for that day.

Discussion constitutes a large portion of our class time; you will have ample opportunity to participate. **I will cold call in class**, both to give you an incentive to prepare for class, and to make sure the class discussion does not collapse to a handful of students.

Participation also includes attendance. Learning to articulate your arguments and to evaluate and respond to the arguments of others is an important part of what you will learn in this class. If you miss class, you will miss this, and there isn't a way to "make it up." In addition, your participation in class is a key component of the learning for all students, and therefore missing class creates a negative externality. **If I call on you and you are not in attendance, it will begin to lower your class participation grade.**

Grading

Grades will be based on a mixture of two case analyses (15% each, 30% total), the final exam (30%), the team project (30% total), and classroom attendance/participation (10%).

Required Readings

Reading assignments for the course will be taken from Robert Grant, *Contemporary Strategy Analysis* (Tenth Edition, 2019), which is available from the Penn Bookstore. The remainder of the readings will be found in three different places on *Canvas*. You can access *Canvas* directly through the following link: <https://canvas.upenn.edu>. You will need your Wharton ID and password to log in. The bolded text in each of the bullet points below corresponds to a tab on the course navigation. So, you should go to "Files" to access slide decks, notes, assignment instructions, syllabi, and other instructor-provided resources, for example.

Some of the cases in the class concern pharmaceutical firms and medical device firms. If you lack background here, you may want to consult the following: Lawton R. Burns, *The Business of Healthcare Innovation – Third Edition* (Cambridge University Press 2020).

- **Files:** Slide decks, notes, assignment instructions, syllabi, and other instructor-provided resources (readings marked F)
- **Course Materials @ Penn Libraries:** Newspaper and journal articles, book chapters, and videos placed on electronic course reserves and provided through Penn

Libraries. Providing materials through electronic course reserves helps to reduce costs for students. (readings marked L)

- **Study.Net Materials:** Copyright-protected case studies, book chapters, and simulations. (readings marked S)

Conduct of the Course

The course combines overview lectures on strategy and management by the professor, case discussions, and (most typically) question-and-answer between the professor and the class on applied topics in healthcare. Because the aim of the course is develop your own critical and analytical thinking, you should spend much of your time preparing for and engaging in class discussion. These include not only the assigned cases but also examples of firms that are currently engaging in the strategies discussed during the course. That means that it is important to consult news publications to find out what is going on and why.

We expose you to a variety of healthcare sectors using a range of cases. Each student will submit a written analysis of two of these cases. Regardless of whether you are submitting a written analysis, however, you NEED to read the case and come to class prepared to address the case discussion questions found in the syllabus.

Preparing for a case discussion means more than just reading the case. Each case assignment will include several preparation questions. I suggest reviewing the questions before reading the case. Cases tend not to have a single, tidy solution. However, there are always better and worse answers, and valid and invalid inferences. Cases *never* contain all the information you would like to have to make a decision—in this way, they are very much like real life. You may find it frustrating to be pushed to make a decision or take a stand when you are not sure whether it is the right one; this is the nature of real-world business decision-making. Cases often offer conflicting information. They will require you to make judgment calls. This kind of ambiguity is also a feature of real-world business decisions, particularly in a field such as health which almost uniquely combines the uncertainty of the business and policy world. Finally, cases may contain statements that are inherently false but assumed to be true by people in the case making these statements. Here is where you really need to develop your critical thinking (i.e., ask yourself, “Is that really true?”).

There is no explicit preparation task to do as you read the conceptual readings from the textbook or articles, but it is a good idea always to be asking yourself, “Do I believe this argument? Where else does it apply? When would this approach not be useful?”

If for some reason you are not prepared for class, I expect you to let me know before class. I know that you are juggling work, other classes and other commitments; you don’t need to give me an explanation. However, if you haven’t told me otherwise, then you have implicitly

committed to be ready to contribute to the class if I should call on you. Doing this repeatedly could harm your class participation grade, however.

The aim of this course is to make you more rigorous, critical, precise, and thorough in your analysis of strategy issues in the healthcare sector. In short, to change the way you think about problems that firms face in this industry. The only way to do this is to practice it steadily throughout the quarter. You can't learn it by "cramming" it all just before the exam. You can't really learn anything, and you certainly can't get better at it, by just watching from the sidelines. Practically, here are some important steps to doing this.

1. **Come to class prepared.** There is no substitute to this. If you haven't read and thought about the material, you won't get very much out of what is going on.
2. **Engage in class discussion.** Class time is not entertainment, and you shouldn't expect to just sit back and listen. Engaging means both listening critically to what other people are saying, evaluating whether you think their arguments are right, and speaking up when you think they are not and/or you have something to contribute.
3. **Summarize and synthesize.** After every class session, write yourself a one-page summary of what was covered in class: what did we talk about, and what lessons were you supposed to take away. Note that the purpose of this is to do it *yourself*. Forcing yourself to summarize and synthesize this way is how you internalize and obtain ownership of the material. If you join a study group that splits this up and each does a day, you've missed the point; it's not about *having* the one page write-up, it's about *creating* it.
4. **Practice.** The only way to get good at thinking in a new way is to practice it. When you meet a strategy issue somewhere else (healthcare firms in the news), use the tools and frameworks of the course to understand it. Try to figure out what is going on and what might be interesting about them. Apply the frameworks from class to understand them better.
5. **Consider studying with a group.** Some people find it helpful to study and discuss things with a group, some don't. You are looking for a group that discusses carefully and thoroughly, but doesn't descend into protracted arguments. Once you've discussed as much as you productively can, drop it and pick up the discussion in class rather than beating it to death.

Sequence of Topics and Readings

PART I INTRODUCTION TO STRATEGY

**SEP 2 INTRODUCTION TO COURSE
IMPORTANCE OF CRITICAL THINKING
WHAT PASSES FOR STRATEGY & MODERN MANAGEMENT IS OFTEN B.S.**

Readings:

- Burns & Pauly. *Detecting BS in Healthcare* (2018)(L)
- Burns & Pauly. *Detecting BS in Healthcare 2.0* (2019)(L)

Class discussion: What is “critical thinking”? Why is this so important?

SEP 7 LABOR DAY [NO CLASS]

SEP 9 OLDER VIEWS OF STRATEGY AND MANAGERIAL EXECUTION

Readings:

- Grant. *Contemporary Strategy Analysis*, Chapter 1: “Concept of Strategy”
- Mintzberg. “The Fall and Rise of Strategic Planning.” *Harvard Business Review* (Jan-Feb, 1994)(S)
- Beer. “How to Have an Honest Conversation About Your Business Strategy” *Harvard Business Review* (Feb 2004)(S)

Class Discussion: What is “strategy” according to Grant? Why is it that most strategic plans programs do not succeed, according to both Mintzberg and Beer? What’s wrong with how companies plan and implement strategy? What are the critical elements of execution?

SEP 14 INDUSTRY ANALYSIS: MICHAEL PORTER’S “5 FORCES”

Readings:

- Grant. *Contemporary Strategy Analysis*, Chapter 3 : “Industry Analysis”
- Burns. "Competitive Strategy." In Daniel Albert (Ed.), *A Physician's Guide to Healthcare Management*. (Malden, MA: Blackwell Science, 2002): 46-56 (L).

Class Discussion: According to Grant, what are Porter’s “Five Forces” all about? Which of Porter’s “Five Forces” seems most central in his framework? What are the strengths and shortcomings of his framework? What is missing from it?

**SEP 16 COMPETING ON RESOURCES & CAPABILITIES
COMPETING VALUE CHAINS**

Readings:

- Grant. *Contemporary Strategy Analysis*, Chapter 5 : “Analyzing Resources and Capabilities”
- Dyer. “How Chrysler Created an American Keiretsu,” *Harvard Business Review* (July-August, 1996)(S)

Class Discussion: What is the resource-based view (RBV) of the firm? What do resources & capabilities look like in healthcare firms? What is the difference between Porter’s value chain (p. 117 in Grant) and the value chain keiretsu described by Dyer? Can you think of any healthcare companies that compete like Dyer’s keiretsu?

SEP 21**SOURCES OF COMPETITIVE ADVANTAGE
GENERIC STRATEGIES BASED ON COST & DIFFERENTIATION****Readings:**

- Grant. *Contemporary Strategy Analysis*, Chapter 7 : “Sources and Dimensions of Competitive Advantage”
- **HBS CASE:** Medcath Corporation (S)

Class Discussion: What are the major sources of competitive advantage? Do any of these apply to healthcare and, if so, to which healthcare sectors? What are Porter’s “generic strategies”? What are the major sources of cost advantage and how do they relate to material we have already covered in class?

Case Analysis: How would you evaluate Medcath’s focused strategy? What was good about it? Why did it not seem to succeed?

PART II**STRATEGY MEETS THE PECULIARITIES OF HEALTHCARE****SEP 23****CORPORATE STRATEGY AMIDST A PANDEMIC: IS THIS EVEN POSSIBLE?**

Guest Speaker: Jeff Goldsmith, Ph.D.

Readings:

- Blumenthal et al. “Covid-19 — Implications for the Health Care System,” *NEJM* (July 22, 2020) (L)
- Grabenstatter. “Healthcare Provider Strategy for the Post-COVID-19 World,” *LEK Executive Insights* (July 15, 2020). Available online at:

<https://www.lek.com/insights/ei/healthcare-provider-strategy-post-covid-19-world>

Class Discussion: What impact is the COVID-19 pandemic having on our healthcare system? Can providers of healthcare services conduct their normal version of strategic planning at this time?

SEP 28

PART I: COMPLEXITY OF THE HEALTHCARE VALUE CHAIN MARKET FAILURE IN HEALTHCARE

Readings:

- Burns & Liu. *China's Healthcare System & Reform* (Cambridge, 2017). Chapter 1 (L)

Class Discussion: What is a "healthcare system"? In what ways is the healthcare industry different from other economic sectors? What market mechanisms do not seem to operate in healthcare? What do such differences mean for competitive strategy?

PART II: EVERYONE'S STRATEGIC GOALS:

- **SOLVE THE IRON TRIANGLE**
- **ACHIEVE THE TRIPLE AIM**

Readings:

- Kissick. "Somebody Has to Pay," Chapter 1 in *Medicine's Dilemmas* (Yale University Press, 1994) (L)
- Berwick et al. "The Triple Aim: Care, Health and Cost," *Health Affairs* (May/June 2008)(L)

Class Discussion: 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. What do these two triangles have to do with corporate strategy?

SEP 30

PUTTING THE TRIPLE AIM INTO ACTION : COMPETING ON VALUE

Readings:

- Porter & Lee. "The Strategy That Will Fix Health Care," *Harvard Business Review* (October 2013)(S)
- **HBS CASE:** ThedaCare System Strategy (S)

Class Discussion: What is the strategy that will fix healthcare? What is the core argument made by Porter & Lee? What are the assumptions that underly their argument?

Case Analysis Questions:

What are the strategic initiatives that ThedaCare is pursuing? (20%)

What impact do these initiatives seem to be having on its performance and its relationships with key constituencies? (40%)

What are the major headwinds facing ThedaCare here? (40%)

PART III RE-DRAWING THE BOUNDARIES OF HEALTHCARE FIRMS

OCT 5 HORIZONTAL INTEGRATION STRATEGY: OVERVIEW

Readings:

- Grant. *Contemporary Strategy Analysis*, Chapter 14: "External Growth Strategies: Mergers, Acquisitions, and Alliances." Pp. 340-351.
- Besanko, Dranove, and Shanley. "The Horizontal Boundaries of the Firm: Economies of Scale and Scope." *Economics of Strategy* (John Wiley, 2000): 71-108 (L)

Class Discussion: What are the main rationales for mergers & acquisitions (M&A)? Do these apply to healthcare in a straightforward manner? How well do mergers perform? Are there cycles in M&A activity? How do you distinguish scale economies, scope economies, and synergies?

OCT 7 HORIZONTAL INTEGRATION OF PHYSICIANS : GROUP PRACTICES & PRIVATE EQUITY MODELS

Readings:

- "Practice Management Companies' Acquisitions of Anesthesia Practices", Anesthesia Business Consultants (February 27, 2012)(L)
Available online at:
<https://www.anesthesiallc.com/publications/anesthesia-industry-ealerts/539-practice-management-companies-acquisitions-of->

anesthesia-practices.

- Deborah Balsham. "Consolidation Among Radiology Services Providers Hitting Fevered Pitch," *Forbes* (July 13, 2018) (L)
Available online at:
<https://www.forbes.com/sites/mergermarket/2018/07/13/consolidation-among-radiology-services-providers-hitting-fevered-pitch/#1efeb3ef21df>
- Burns, Goldsmith, and Sen. "Horizontal and Vertical Integration of Physicians: A Tale of Two Tails." In *Annual Review of Health Care Management: Revisiting the Evolution of Health Systems Organization Advances in Health Care Management*, Volume 15: 39-117. (Emerald Group Publishing, 2013) (L).

Class Discussion: What do Porter's Five Forces suggest about physicians? What do you need to know about the landscape of US physicians before thinking of integrating them or "rolling them up"? What do the statistics and trend data tell us about physician practices? What are the rationales for rolling up the practices of individual physicians within a given specialty? What are the advantages of single specialty (versus multi-specialty) practices?

OCT 12 HORIZONTAL INTEGRATION OF HOSPITALS

Readings:

- Gawande. "Big Med: Restaurant Chains Have Managed to Combine Quality Control, Cost Control, and Innovation," *New Yorker* (August 13, 2012) (L)
- Gaynor and Town. *The Impact of Hospital Consolidation – Update*. RWJF Synthesis Project Policy Brief 9. (2012) (L)
- **HBS CASE:** Cleveland Clinic Growth Strategy (2012)(S)

Class Discussion: What is the logic of hospital chains, according to Gawande? Is Gawande right? Can hospital chains learn from restaurant chains? What does the research evidence say about the benefits of hospital chains? What is the logic of hospital chains according to Gaynor & Town? Are there any other logics behind hospital chains?

Case Analysis: 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?

OCT 14 HORIZONTAL INTEGRATION OF PHARMACEUTICAL FIRMS

Readings:

- Burns, Nicholson, and Wolkowski. "Pharmaceutical Strategy and the Evolving Role of Mergers and Acquisitions (M&A)." Chapter 3. In LR Burns (Ed.). *The Business of Healthcare Innovation* (Cambridge, UK: Cambridge University Press, 2012 (L)
- **HBS CASE:** Merck-Schering Plough (S)

Class Discussion: What happens as firms grow? What is the rationale for M&A in pharma? What does the research evidence say about the benefits of M&A in "Big Pharma"? What might explain these findings?

Case Analysis: 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? Rather than buying Schering Plough (SGP), what else could Merck (MRK) have done with the capital.?

OCT 19**VERTICAL INTEGRATION STRATEGY: OVERVIEW****Readings:**

- Grant. *Contemporary Strategy Analysis*, Chapter 10 : "Vertical Integration and the Scope of the Firm." (L)
- Besanko, Dranove, and Shanley. "Organizing Vertical Boundaries: Vertical Integration and its Alternatives." *Economics of Strategy* (John Wiley, 2000): 169-196 (L)

Class Discussion: What are the two forms of economic organization? What are the tradeoffs between them? What are the rationales for vertical integration? How well do these apply to healthcare providers, payers, or suppliers? Which pairings of these healthcare sectors make the most sense in vertical integration? When does vertical integration make more sense than outsourcing?

OCT 21**VERTICAL INTEGRATION OF HOSPITALS & PHYSICIANS****Readings:**

- Burns and Muller. "Hospital-Physician Collaboration: Landscape of Economic Integration and Impact on Clinical Integration," *Milbank Quarterly* 2008, 86(3) 375-434 (L)
Available online at:

<http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2690342/>

- **CASE:** Allina Medical Group (S)

Class Discussion: What is "integrated healthcare"? What are the benefits of vertical integration of hospitals and physicians? What specific problems do these arrangements solve? What does the research evidence suggest?

Case Analysis Questions:

What were the key assumptions guiding the formation of the Allina Health System? What was the supporting evidence for these assumptions? (40%)

Evaluate Allina Health System's organizational structure in terms of its ability to achieve its strategic goals. Might it be improved? (30%)

What are the pluralistic interests that need to be balanced and accommodated within Allina Health System and Allina Medical Group? (30%)

OCT 26 VERTICAL INTEGRATION OF INSURERS & PROVIDERS

Readings:

- Burns and Thorpe. "Why Provider-Sponsored Health Plans Don't Work." *Healthcare Financial Management: 2001 Resource Guide*: 12-16. 2001 (L)
- Goldsmith, Burns, Sen et al. *Integrated Delivery Networks: In Search of Benefits and Market Effects*. (Washington, D.C.: National Academy of Social Insurance, 2015)(L)
- **HBS CASE:** Humana, Inc (S)

Class Discussion: What do hospitals and hospital systems seek when they develop their own health plans? What problems befall them? Do hospitals have the infrastructure needed to run health plans?

Case Analysis Questions:

What was Humana's strategic intent? (30%)

How well are Humana's two businesses doing? (30%)

Is there a problem with its vertical integration strategy? (40%)

OCT 28 DIVERSIFICATION STRATEGY: OVERVIEW

Readings:

- Grant. *Contemporary Strategy Analysis*, Chapter 12 : “Diversification Strategy”

Class Discussion: What is diversification according to Grant? What are the rationales for diversification? What are the different ways that firms can diversify? What is the track record of diversification? What are the costs?

NOV 2

DIVERSIFICATION IN HEALTH CARE: INSURANCE LINES OF BUSINESS

Readings:

- Bruce Japsen. “Oscar Health Readies 2020 Medicare Expansion With Bigger Profits,” *Forbes* (May 15, 2019)(L)
- **HBS CASE:** CareMore Health System (S)

Class Discussion: Are there scale and/or scope economies in health insurance? Are there upsides or downsides to the mergers of insurers? What are the major hurdles for insurers who try to diversify into new lines of business: (1) for Oscar as they move from the individual market into Medicare Advantage? (2) For CareMore as they move from Medicare Advantage into Medicaid?

NOV 4

**DIVERSIFICATION IN HEALTHCARE: CUSTOMER FOCUS
CVS-AETNA MERGER**

Readings:

- “CVS Outlines Strategy to Accelerate Growth”(L)
Available online at: <https://www.prnewswire.com/news-releases/cvs-health-outlines-strategy-to-accelerate-growth-300861452.html> dete.
- CVS. *Creating Value by Transforming the Consumer Health Experience*. CVS Investor Day (June 4, 2019)(L)
- **HBS Case:** Aetna and the Transformation of Health Care (S)

Class Discussion: What is Aetna’s strategy? In what way is it trying to transform health care? Is this merger for offensive or defensive reasons? What are the headwinds and tailwinds it faces?

Case Analysis: How easy will it be for CVS-Aetna to develop a customer focus? Can they really transform the consumer’s experience?

NOV 9

STRATEGIC ALLIANCES IN HEALTHCARE : ACCOUNTABLE CARE ORGANIZATIONS (ACOs)

Readings:

- Grant. *Contemporary Strategy Analysis*, Chapter 14: "External Growth Strategies: Mergers, Acquisitions, and Alliances". Pp. 351-357.
- Tu et al. *Origins and Future of Accountable Care Organizations*. Leavitt Partners (2015)(L)
- MedPAC. "Assessing the Medicare Shared Savings Program's Effect on Medicare Spending". Chapter 6, *Report to Congress* (June 2019)(L)

Class discussion: What are strategic alliances? How do they confer competitive advantage? What is their performance track record? What problems do they face?

How easy will it be for Accountable Care Organizations to foster productive working alliances among different types of care providers? What governance mechanisms do they use to resolve conflicts among the parties? What is their track record to date?

NOV 11

STRATEGIC ALLIANCES : HOSPITALS & MEDTECH FIRMS

Readings:

- DiStefano. "GE Healthcare's Jefferson Deal: Is One Vendor Better Than Choice?" *Philly.com* (2017)(L)
- **HBS Case:** Medtronic: Navigating a Shifting Healthcare Landscape (S)

Class Discussion: How does Medtech differ from pharmaceutical companies? What are the benefits and drawbacks of using a single vendor versus a "best of breed" approach?

Case Analysis Questions:

How easy will it be for Medtronic to develop value-based contracts with its provider customers? (50%)

What will be the tailwinds and headwinds? (50%)

NOV 16

DISRUPTIVE INNOVATION STRATEGY: OVERVIEW

Readings:

- Clayton Christensen et al. "Will Disruptive Innovation Cure Health Care?" *Harvard Business Review* (2000)(S)
- Clayton Christensen et al. *How Disruptive Innovation Can Finally Revolutionize Healthcare* (2017)(L)

Class discussion: Where is "disruption" in Porter's Five Forces? What is Christensen's theory of disruption? How well does Christensen's theory apply (or not apply) to healthcare? Can you think of any managerial or payment innovations that have disrupted healthcare?

NOV 18 DISRUPTION: DIRECT CONTRACTING

Readings:

- Kevin Truong "Are Worksite Clinics an Old-School Solution to Employers' Current Cost Problems?" *MedCity News* (April 2, 2019) (L)
Available online at: <https://medcitynews.com/2019/04/are-worksite-clinics-an-old-school-solution-to-employers-current-cost-problems/>.
- **HBS Case:** Pitney Bowes – Employer Health Strategy (S)

Class Discussion: What are some of the employers' efforts to address issues in employee health and health coverage? What is the theory that firms have about investing in their employees' health? Does it make sense for employers to offer on-site clinics?

Case Analysis Questions:

Why does Pitney-Bowes care about healthcare? (20%)

What approach does it take to providing health insurance to its workers and management of its health plans? (30%)

What challenges does it face? (50%)

NOV 23 DISRUPTION: GOOGLE, AMAZON, ETC. AMAZON – BERKSHIRE HATHAWAY – JP MORGAN CHASE (ABC)

Readings:

- McGrane. "Can Amazon Fix Healthcare? Experts Offer a Dose of Reality..." *GeekWire* (L)
Available online at: <https://www.geekwire.com/2018/can-amazon-fix-healthcare-experts-offer-dose-reality-tech-giants-health-partnership/>

- Kamp & Matthews. “New Details on Amazon, Berkshire Hathaway, JPMorgan Health Venture Emerge in Court Battle,” *Wall Street Journal* (January 30, 2019)(L)
Available online at: <https://www.wsj.com/articles/new-details-on-amazon-berkshire-hathaway-jpmorgan-health-venture-emerge-in-court-battle-11548899146>
- Stat. *How Health Tech is Redefining the Future of Biopharma and Care Delivery*. (2019)(L)

Class Discussion: What are the tailwinds and headwinds confronting the digital revolution in healthcare? What does Amazon offer as a solution to the problems in healthcare we have come across during the class? What is so disruptive and unnerving about its entrance into the industry? What does ABC’s strategy look like?

NOV 25	NO CLASS
NOV 30	CLASS PRESENTATIONS
DEC 2	CLASS PRESENTATIONS
DEC 7	CLASS PRESENTATIONS
DEC 9	CLASS PRESENTATIONS
TBA	FINAL EXAM