Healthcare Services Delivery: A Managerial Economic Approach

HCMG 852 / 352
Spring 2022
TTR 1:45-3:15PM
JMHH 345

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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 three salient economic features of health care delivery (1) the role of incentives (financial and non-financial) for consumers and producers; (2) the inevitability of tradeoffs in making changes in the health care system; (3) the evidence (or the absence of evidence) on the existence and magnitudes of innovations intended to solve problems. We will rely heavily on the summaries of evidence on key problems in a forthcoming book by Penn faculty and administrators: Seemed Like a Good Idea: Alchemy Versus evidence Based Approaches to Healthcare Management Innovation (Cambridge University Press, 2022). Topics to be addressed include the role of nonprofit providers, the effects of regulation and antitrust activity on hospitals, the degree of input substitutability and coordination within hospitals (especially the actions of physicians), care coordination and transitional care, behavioral economic evidence on incentives for patients and doctors, information technology, provider payment to incentivize value, innovative models of primary care delivery, and the shifting of services between inpatient and outpatient settings and its effect on health care costs and quality.

Grading
- Class Participation 20%
- Midterm Exam 60%
- Student presentation 20%

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.

Readings: All readings will appear in an electronic format on Canvas. All readings below, except for book chapters, are suggested and hence, optional. Chapters in the book Seemed like a Good Idea are required. Most readings will be discussed in the classroom.

Personas: In the second class I will ask you to select a “managerial persona,” a hypothetical identity as a manager or advisor somewhere in the health system which you will use to answer in class questions about how you would make or advise a decision on some innovation or change in health care management. You might choose CEO of a health system, medical director for a large employer, vice president for public policy for a commercial insurance company, president of a foundation for health improvement, or deputy assistant secretary for health etc.

Student Presentations: Details to be provided separately
Dates, Topics, and Reading Assignments

Tuesday, January 18

Introduction to the course and the overall performance of US healthcare managers: Pick a persona; Of ratholes and tapeworms?


Thursday, January 20

Should a manager always make decisions based on the best evidence available at the time?


Tuesday, January 25

Objectives of organizations and why they matter for economic incentives: investor owned, not-for-profit, professional partnership, mutual insurer


Thursday, January 27

Hospital-physician integration and coordination: economic theory of the inextricably intertwined


Tuesday, February 1

Hospital and Physician Office Production: factor substitution; economies or diseconomies of scale and scope.

Pauly Mark V. 1978. “Medical Staff Characteristics and Hospital Costs.” *Journal of Human Resources* (Supplement).


**Thursday, February 3**

**Insurance incentives for patients, doctors, and hospitals: economic and behavioral theories of how to get along**


**Tuesday, February 8**

**What behavioral economics can and cannot tell us. Kevin Volpp**, University of Pennsylvania


**Thursday, February 10**

**Low value care: how much and why? Aaron Schwartz**, University of Pennsylvania

**Tuesday February 15**

**Primary care trends and evidence: Matthew Press**, University of Pennsylvania


**Thursday February 17**

**Primary and preventive care: Is an ounce of prevention always worth a pound of cure? Or maybe only half an ounce?**

Tuesday, February 22

Where things fall apart: Care transitions from hospital to home or post-acute care. And vice versa: can bundled payment help?


Thursday February 24

The transitional care model and other evidence based interventions. Mary Naylor, University of Pennsylvania

SPRING BREAK

Tuesday March 15

Virtual care: has its time finally come or are there obstacles in the way of progress


Thursday March 17

Evidence and prospects of greater use of IT in care delivery: Krisda Chaiyachati, University of Pennsylvania


Thursday March 24

Economic theories of value-based everything: why competition does it automatically: Congressman Anthony Gonzalez, “Politics and Health Insurance”


Thursday March 31
The source of all good and evil in health care management: health insurance and the tax exclusion


Tuesday March 29

Inside the Doctors’ Workshop: Hospital, Medical Staff, and Individual Physician Coordination, Rob Burns and Ralph Mueller

Tuesday April 5

Economists, competition, and antitrust in health care: progress or regression?


Thursday April 7

Antitrust in health law: Current situation: Rob Field, Drexel University Law School

Pauly, Mark V. 2019. Giving Competition in Medical Care and Health Insurance a Chance. Mercatus Research.

Tuesday April 12

Course midterm exam

Thursday April 14

Pricing of brand Name Single Sources Drugs for your insurance plan: Simple Monopoly or Netflix?


Tuesday, April 19

What if waste is much smaller than most think? Good news or bad news?

Pauly, Mark V. 2008. “‘We Aren’t Quite as Good, But We Sure Are Cheap’: Prospects for Disruptive Innovation In Medical Care And Insurance Markets.” Health Affairs 27(5). Available online at: https://www.healthaffairs.org/doi/abs/10.1377/hlthaff.27.5.1349?journalCode=hlthaff

Reports of the Health Affairs cost study commission, TO BE ADDED

Thursday April 21

Reports from student teams