

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

Instructors

**HCMG 845-001
Spring 2018**

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Class Time / Location

Time: Wednesday Evening 4:30-7:30 p.m.

Location: Huntsman Room 245

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:

- The core processes and infrastructure of managed care
- Measures of market power and concentration
- The horizontal and vertical integration strategies of payers, providers, and suppliers
- The rationales behind horizontal and vertical integration strategies
- The development of value chain alliances, and
- The performance effects observed to date.

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 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 Wednesday from 4:30-7:30 p.m. Students can meet with Prof. Gupta by appointment.

Course Requirements

Students will conduct two team projects. For each project, teams will make an in-class presentation and submit a project report, no more than 15-20 pages in length each.

The two projects will focus on managed care during the first half of the course, and industrial organization or integrated healthcare during the second half of the course. 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 should form by the third class of the semester (Jan. 31) and remain the same for both projects. Team projects will be formally presented in class at the end of the first half (Feb 28) and second half (April 25) of the semester. Reports are due in class the day of the presentation.

The two project reports (approximately 15-20 pages) and class presentations (approximately 15 minutes) 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 a mixture of the two team projects (80% total, 40% each), and classroom attendance/participation (20%).

Required Readings

Readings will often, but not always be available on *Canvas*: <https://wharton.instructure.com>. For readings not posted, Google Scholar is an excellent resource. Readings may only be available using a campus IP address.

Sequence of Topics and Readings

JAN 17 INTRODUCTION

Class introduction and ACO development

Guest Speaker:

- Richard Montwill, SVP, Optum

Readings:

- Kongstvedt
 - Chapter 1: A History of Managed Health Care and Health Insurance
 - Chapter 2: Types of Health Insurers, Managed Health Care Organizations, and Integrated Health Care Delivery Systems
 - Chapter 3: Elements of the Management and Governance Structure
 - Chapter 4: The Provider Network
- Burns and Pauly, "Accountable Care Organizations May Have Difficulty Avoiding the Failures of Integrated Delivery Networks of the 1990s," *Health Affairs* Nov 2012, 31(11):2407-2416.
<http://content.healthaffairs.org/content/31/11/2407.full>
- Jost, T., "Much Activity, Uncertainty Remains," *Health Affairs* Nov 2017, 36(11):1864-1865.
- McClellan, M., Udayakumar, K., Thoumi, A., Gonzalez-Smith, Kadakia, K., Kurek, N., Abdulmalik, M., Darzi, A., "Improving Care and Lowering Costs: Evidence and Lessons from a Global Analysis of Accountable Care Reforms," *Health Affairs* Nov 2017, 36(11):1920-1927.
- Keehan, S., et al, "National Health Expenditure Projections, 2016-25: Price Increases, Aging Push Sector to 20 Percent of Economy," *Health Affairs*, March 2017 36(3):553-563.

JAN 24 CUSTOMER EXPECTATIONS

Guest Speakers:

- Mike Taylor, SVP, Aon Hewitt

Readings:

- Kongstvedt, Essentials of Managed Health Care
 - Chapter 16: Marketing and Sales
 - Chapter 20: Member Services
- McLellan, R., “Work, Health, and Worker Well-Being: Roles and Opportunities for Employers,” *Health Affairs*, Feb 2017 36(2):206-213.
- 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.
- Abraham, J. and White, K., “Tracking the Changing Landscape of Corporate Wellness Companies,” *Health Affairs*, Feb 2017 36(2):222-228.
- Sherman, B., et al, “Health Care Use and Spending Patterns Vary by Wage Level in Employer-Sponsored Plans,” *Health Affairs*, Feb 2017 36(2):250-257.
- Reed, M., et al, “Value-Based Insurance Design Benefit Offsets Reductions in Medication Adherence Associated With Switch to Deductible Plan,” *Health Affairs*, March 2017 36(3):516-523.
- Berk., M and Fang, Z., “Datawatch Most Americans Have Good Health, Little Unmet Need, and Few Health Care Expenses,” *Health Affairs*, April 2017 36(4):742-746.
- Mehrotra, A., et al, “Americans Support Price Shopping for Health Care, But Few Actually Seek Out Price Information,” *Health Affairs*, August 2017 36(8):1392-1400.
- Desai, S., et al, “Offering a Price Transparency Tool Did Not Reduce Overall Spending Among California Public Employees and Retirees,” *Health Affairs*, August 2017 36(8):1401-1407.
- Sinaiko, A., et al, “Enrollment in A Health Plan With A Tiered Provider Network Decreased Medical Spending By 5 Percent,” *Health Affairs*, May 2017 36(5):870-875.
- Agarwal, R., “High-Deductible Health Plans Reduce Health Care Cost and Utilization, Including Use of Needed Preventative Services,” *Health Affairs*, October 2017 36(10):1762-1768.
- Claxton, G., “Health Benefits in 2017: Stable Coverage, Workers Faced Considerable Variation in Costs,” *Health Affairs*, October 2017 36(10):1838-1847.

JAN 31

ECONOMICS OF MANAGED CARE, PUBLIC EXCHANGES AND HEALTH INFORMATION TECHNOLOGY

Guest Speaker:

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

Readings:

- Kongstvedt
 - Chapter 10: Data Analysis and Provider Profiling in Health Plans
 - Chapter 22: Underwriting and Rating
 - Chapter 23: Information Systems and Electronic Data Interchange
- Roehrig and Rousseau, “Growth in Cost Per Case Explains Far More of US Health Spending Increases than Rising Disease Prevalence,” *Health Affairs*,

Sept 2011 30:1657-1663.

<http://content.healthaffairs.org/content/30/9/1657.full.pdf+html>

- Ashwood, J, et al, “Direct-To-Consumer Telehealth May Increase Access to Care But Does Not Decrease Spending,” *Health Affairs*, March 2017 36(3):485-491.
- Scheffler, R. and Arnold, D., “Insurer Market Power Lowers Prices In Numerous Concentrated Provider Markets,” *Health Affairs*, September 2017 36(9):1539-1546.

FEB 7

HEALTH CARE COSTS

Guest Speaker:

- Jeff Levin-Scherz, MD

Readings:

- Kongstvedt
 - Chapter 7: Basic Utilization and Case Management
 - Chapter 8: Fundamentals and Core Competencies of Disease Management
- Moses, H; Matheson, D; Dorsey, ER et al “The Anatomy of Health Care in the United States” *JAMA*. 2013;310(18):1947-1963
<http://jamanetwork.com/journals/jama/fullarticle/1769890>
- Berwick DM, Hackbarth AD. Eliminating Waste in US Health Care. *JAMA*.2012;307(14):1513-1516
<http://jamanetwork.com/journals/jama/fullarticle/1769890>
- Gawande, A. “The Cost Conundrum” *The New Yorker*, June 1, 2009_
http://www.newyorker.com/reporting/2009/06/01/090601fa_fact_gawande
- 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
<http://content.healthaffairs.org/content/22/3/89.full.pdf>
- Elisabeth Rosenthal’s Times Magazine article on prices:
<https://www.nytimes.com/2017/03/29/magazine/those-indecipherable-medical-bills-theyre-one-reason-health-care-costs-so-much.html>
- Mafi, J., et al, “Low-Cost, High-Volume Health Services Contribute The Most To Unnecessary Health Spending,” *Health Affairs*, October 2017 36(10):1701-1711.

FEB 14

THE PROVIDER PERSPECTIVE

Guest Speakers:

- Kelly Fanning, Executive Director for Population Health and Care Redesign, Brigham and Woman’s Physician’s Organization
- Jessica Dudley, CMO, Brigham and Woman’s Physician’s Organization

Readings:

- Kongstvedt, Essentials of Managed Health Care
 - Chapter 5: Provider Payment

- Chapter 9: Physician Practice Behavior and Managed Health Care
- Chapter 13: Disease Prevention in Managed Health Care Plans
- Chapter 14: Quality Management in Managed Health Care
- Chapter 15: Accreditation and Performance Measurement Programs
- 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.

FEB 21 MANAGED MEDICARE AND MEDICAID

Guest Speaker:

- Steve Wood, Partner, Clear View Solutions

Readings:

- Kongstvedt
 - Chapter 24: Health Plans and Medicare
 - Chapter 25: Medicaid Managed Health Care
- 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.

FEB 28 PROJECT PRESENTATIONS REPORT DUE (MANAGED CARE)

MAR 07 SPRING BREAK

MAR 14 PRICING ARRANGEMENTS IN HEALTH CARE AND REFORMS

Readings:

- Clemens, Jeffrey, and Joshua D. Gottlieb. "Do physicians' financial incentives affect medical treatment and patient health?" *The American economic review* 104, no. 4 (2014): 1320-1349.
- Dafny, Leemore, "How Do Hospitals Respond to Price Changes?" *American Economic Review* 2005, 95: 1525-1547.
- Wu.: "Managed Care's Price Bargaining with Hospitals." *Journal of Health Economics* 28: 350-360.
- Lieber, Ethan MJ. "Does It Pay to Know Prices in Health Care?." *American Economic Journal: Economic Policy* 9, no. 1 (2017): 154-179.
- Goldsmith, "Analyzing Shifts in Economic Risks to Providers in Proposed Payment and Delivery System Reforms," *Health Affairs* 29(7) 2010: 1299- 1304.
- Norton, Edward C., Jun Li, Anup Das, and Lena M. Chen. "Moneyball in Medicare." *Journal of Health Economics* (2017).
- Casalino, Lawrence P. "The Medicare Access And CHIP Reauthorization Act

And The Corporate Transformation Of American Medicine." *Health Affairs* 36, no. 5 (2017): 865-869.

MAR 21 PROVIDER COMPETITION AND INTEGRATION

Readings:

- Cuellar and Gertler. 2003. "Trends in Hospital Consolidation: The Formation of Local Systems." *Health Affairs* 22(6): 77-87.
- Gaynor and Town, Chapter Nine – Competition in Health Care Markets, in *Handbook of Health Economics*, Elsevier, 2011 Volume 2: 499-637.
<http://sciencedirect.com/science/article/pii/B9780444535924000098>
- Capps and Dranove, "Hospital Consolidation and Negotiated PPO Prices," *Health Affairs* 23(2): 175-181.
<http://content.healthaffairs.org/content/23/2/175.long>
- James Robinson, "Hospitals Respond To Medicare Payment Shortfalls By Both Shifting Costs And Cutting Them, Based On Market Concentration", *Health Affairs* July 2011 30:1265-1271
- Vogt, W., and Town, R. *How Has Hospital Consolidation Affected the Price and Quality of Hospital Care?* Robert Wood Johnson Foundation, 2006.
- Maeda and LoSasso, "Effect of Market Competition on Hospital Performance for Heart Failure," *American Journal of Managed Care* 17(12) (2011): 816-822.

MAR 28 INSURER COMPETITION AND INTEGRATION

Readings:

- American Medical Association, "Competition in Health Insurance: A Comprehensive Study of U.S. Markets," Executive Summary.
- Wholey, D, Feldman, R, and Christianson, J. "Scale and Scope Economies among Health Maintenance Organizations." *Journal of Health Economics* 15(6), Winter 1996; 657-684. [skim]
- Dafny, Leemore, Mark Duggan, and Subramaniam Ramanarayanan. "Paying a premium on your premium? Consolidation in the US health insurance industry." *The American Economic Review* 102, no. 2 (2012): 1161-1185.
- Enthoven and Tollen, "Competition in Health Care: It Takes Systems to Pursue Quality and Efficiency," *Health Affairs Web Exclusive* (Sept, 2005): W5 420-533.
<http://content.healthaffairs.org/content/early/2005/09/07/hlthaff.w5.420.short>

APR 04 ANTITRUST

Guest Speaker:

- Subbu Ramanarayanan, NERA

Readings:

- Dranove and Sfekas, "A Revolution in Health Care Antitrust: New

Methods and Provocative Implications,” *Milbank Quarterly* 2009, 87(3): 607-632.

<http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2881459/>

- Gaynor and Vogt, “Antitrust and Competition in Health Care Markets,” in *Handbook of Health Economics*. Read 1456-1478. (Study.net).

APR 11 VERTICAL INTEGRATION

Readings:

- Burns and Muller, “Hospital-Physician Collaboration: Landscape of Economic Integration and Impact on Clinical Integration,” *Milbank Quarterly* 2008, 86(3) 375-434.
<http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2690342/>
- Gaynor, “Is Vertical Integration Anticompetitive? Definitely Maybe (But That’s Not Final).” *Journal of Health Economics*, 25:175-180.
- Ciliberto and Dranove. 2006. "The Effect of Physician-Hospital Affiliations on Hospital Prices in California." *Journal of Health Economics* 25: 29-38.
- Gitterman, Weiner, Domino, McKethan, and Enthoven. 2003. "The Rise and Fall of a Kaiser Permanente Expansion Region." *The Milbank Quarterly* 81(4): 567-601.

APR 18 HEALTH CARE REFORM: MASSACHUSETTS, ACA AND BEYOND

Readings:

- Gruber, J. "Covering the Uninsured in the United States." *Journal of Economic Literature*, 2008, 46(3): 571-606.
- Berwick, "The Triple Aim: Care, Health, and Cost," *Health Affairs* 27(1) (2008): 759-769.
- Frank, Richard G., and Richard J. Zeckhauser, “Health Insurance Exchanges: Making the Markets Work”, *New England Journal of Medicine*, 2009, 361, 1135-1137
- Long, Sharon K., Laura Skopec, Audrey Shelto, Katharine Nordahl, and Kaitlyn Kenney Walsh. "Massachusetts health reform at ten years: great progress, but coverage gaps remain." *Health Affairs* 35, no. 9 (2016): 1633-1637.

APR 25 PROJECT PRESENTATIONS; REPORT DUE (IO / INTEGRATED HEALTH CARE)