THE WHARTON SCHOOL
UNIVERSITY OF PENNSYLVANIA

THE HEALTH SERVICES SYSTEM - HCMG 841
FALL 2019

Class Meetings:	Tuesday/Thursday, 3:00-4:20 p.m. Classroom: JMHH G-60	
Course Instructor:	Lawton Robert Burns, Ph.D., MBA Professor - Department of Health Care Management burnsL@wharton.upenn.edu	
Office Hours:	Tuesday and Thursday, 12:00-2:00 PM	
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Course Objectives

The course describes the major actors and institutions within any country's healthcare system, and the key strategic, managerial, and financial issues facing industry executives and public policy-makers. To simplify the exposition of all this material, we focus sequentially on three major segments in the healthcare value chain:

1. *Providers* (hospitals, physicians, service providers)
2. *Payers* (employers, government, consumers)
3. *Producers* (pharmaceuticals, biotechnology, medical devices, IT firms)

The course also covers some of the major intermediaries that connect these segments: insurance companies and pharmacy benefit managers (PBMs)

This course has several specific aims:

1. Describe the major players along the healthcare "*value chain*" in the US (payers, providers, and producers), their interactions, and their divergent incentives

2. Analyze the major problems confronting the US (and all other) health care systems: controlling rising costs, providing insurance coverage to all, improving quality, and balancing all three goals

3. Analyze the *innovative* firms and solutions seeking to address these problems

Course Format

The course is divided into four (4) major sections that cover introductory material and each of the three industry segments. Classes involve a mix of the following: lectures by the professor, case discussions, presentations by guest speakers from industry, and warm calls on students.

Policy on Electronics

Use of laptops, tablets, cellphones, etc. in class is NOT permitted.
Please turn off all cell phones and stow away prior to the start of class.
You WILL need to "*check in*" to class using the Wharton app when you arrive in the classroom. You have 30 minutes to do so from the start of class. Remote check-in is unethical and, if detected, will result in severe penalties.
We will also be using a seating chart, so your seat on Day #1 is your seat for the semester.

Readings

Reading assignments for the course will be found either in the books below or 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.

- **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**)

Additional required readings, available at the bookstore, are found in:

Robert Field, *Mother of Invention* (Oxford University, 2014)

Those of you who have relatively little background in health care are advised to consult an introductory text on the health care system. The books are primers that do not go into detail on any particular issue but may serve as a good road map. Unfortunately, they are all US-centric.
1. Williams and Torrens, *Introduction to Health Services* (7th Edition, Delmar Press, 2007).
2. Jonas & Kovner, *Health Care Delivery in the United State* (11th Ed., Springer, 2015).
3. Shi & Singh, *Delivering Health Care in America* (6th Ed., Jones & Bartlett, 2014).
4. Beazley, *A Brief Guide to the U.S. Health Care Delivery System* (AHA, 2010)
5. Burns, *The Business of Healthcare Innovation* (Cambridge Univ Press, 2012)

Also of interest are three other (but older) first-rate histories of the US health care system (hospitals and physicians), which are useful for understanding why our system looks and functions the way it does. This material is also covered during the first four lectures. The books include:

1. Rosemary Stevens, *American Medicine and the Public Interest* (Yale University)
2. Rosemary Stevens, *In Sickness and In Wealth* (Basic Books, 1989)
3. Paul Starr, *The Social Transformation of American Medicine* (Basic Books, 1982)

Course Requirements

1.	**3 Case Write-ups**	[10 points each]	Thur Oct 3	(3 P.M.)
			Thur Nov 7	(3 P.M.)
			Thur Dec 5	(3 P.M.)

Learning teams will analyze three cases - - for the provider, payer, and producer segments of the course. These assignments are designed to give students a closer look at

managerial and strategic issues across segments. For each case, teams should address the questions posed in the syllabus. Case write-ups should adhere to the following guidelines: 5 page limit, 1.5 spacing, single-sided, 12 point font, 1" margin, maximum of two additional pages for charts, etc. Cases are due by 3:00 P.M. on the specified dates.

2. **In-class Team Presentations** [30 points total]

Nine sessions of the class will consist of student team presentations. Each of these nine sessions will follow and build on introductory material presented by Professor Burns in the preceding class. The goal here is to provide not only a foundation in these nine important areas, but also provide two deeper analyses of important trends, implications, and issues. Students in the class will have likely just completed work in these areas and thus have an ability to share detailed intelligence. Presentations should not be just descriptive but should advance an argument or set of positions regarding the topic.

Students will be assigned to teams of 4-5 people based on the preferences expressed in the survey administered during pre-session. Presentations will be 30 minutes long, with an additional 5-10 minutes allotted for Q&A. During each class session, we will have two student teams present.

Following each of these sessions, every member of class will complete a short evaluation of the two presentations made that day. Feedback will include both short qualitative remarks (2-3 sentences) and short numerical evaluation of the presentation's content (use of quality sources, depth of engagement and insight, statement of a clear position and argument) and delivery. These evaluations are mandatory and part of each student's class participation grade.

3. **Critique of Team Presentation** [10 points]

Each student will prepare a one-page critique of another team's presentation. The goal is to embrace the content presented, compare it with your own background and understanding, identify important questions, issues, and trends that were not discussed during the presentation. There will be a sign-up sheet at the beginning of the semester.

4. Final Examination [15 points]

At the end of the semester, there will be a final examination covering Professor Burns's lectures and (perhaps) the three cases used in the course.

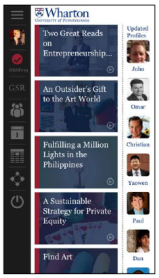
5. **Class Participation** [15 points]

Each student is expected to attend each class. We will have an electronic check-in for attendance (5%). Each student will also provide brief feedback to each of the team presentations (10%).

Instructions for using the Wharton Connect App

THE WHARTON CONNECT APP

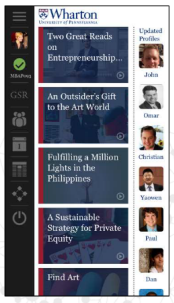
- Attendance Feature
  - A tool to take attendance
  - "Check-In" opens ten minutes before class & closes at the end of the class
  - Students who check in late and those who do not check in at all will be marked "absent"
  - If you have any trouble contact or visit Student Support



TO DOWNLOAD THE APP

- Be sure your device is configured for AirPennNet (not AirPennNet-Guest): bit.ly/1C3y53t
- Download the "Wharton Connect" App from Apple or Google Play App Stores.
- For those without compatible mobile devices, use: whr.tn/wh-connect
- Select Student and log in with your PennKey account

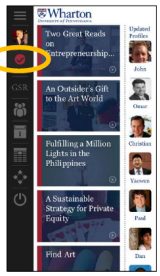
Wharton Connect App



HOW TO USE THE APP TO CHECK IN

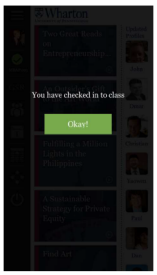
*** Connect to AirPennNet (not AirPennNet-Guest) ***

1.



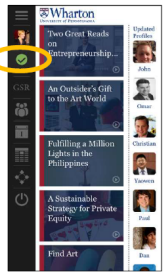
Check-in button is red before check-in.

2.



When check-in is successful, your device shows this screen.

3.



Check-in button is now green.

Wharton
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Wharton MBA Grading System

Per the MBA Program requirements, grades will be based on a A,B,C,D,F system, with +/- distinctions. The Class MBA grade point average cannot exceed 3.33. The Wharton MBA Program recommends a distribution of 25-35% A's, 60% B's, and 5-15% C or below.

I. INTRODUCTION TO THE BIG PICTURE ISSUES IN HEALTHCARE

Tues Aug 27 **Lessons of History**

Robert Field, *Mother of Invention* (Oxford, 2014).

Come to class prepared to discuss what you see as the major lessons of history as presented in this volume.

Thur Aug 29 **Major Themes of Course**

Burns and Liu. "China's Healthcare Industry: A System Perspective," Chapter 1 in *China's Healthcare System and Reform* (Cambridge 2017). (L)

Goldsmith and Burns. "Fail to Scale: Why Great Ideas in Health Care Don't Thrive Everywhere." *Health Affairs Blog* (2016) (L). Available at: http://healthaffairs.org/blog/2016/09/29/fail-to-scale-why-great-ideas-in-health-care-dont-thrive-everywhere/.

Come to class prepared to discuss (1) the frameworks described in the Burns & Liu chapter, and (2) the oft-used phrase, "All healthcare is local". What does this mean? Is it true? Why is it important?

Tues Sept 3 **The Iron Triangle: Cost, Quality, & Access to Care**
The Triple Aim: Cost, Patient Experience, & Population Health

Kissick. "Somebody Has to Pay," Chapter 1 in *Medicine's Dilemmas* (Yale University Press 1994) (S).

Berwick et al. "The Triple Aim: Care, Health and Cost," *Health Affairs* (May/June 2008) (L).

Background Reading You Will Find Helpful:

A Primer on Defining the Triple Aim, Institute for Healthcare Improvement (L).

Guide to Measuring the Triple Aim: Population Health, Experience of Care, and Per Capita Cost, Institute for Healthcare Improvement (2012). (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.

Thurs Sep 5 **<u>Health, Healthcare and Payment Reform in the Era of Trump</u>**
[Jeff Goldsmith, Ph.D. - Associate Professor, Univ of Virginia]

Deaton and Case. "Rising Morbidity and Mortality in Midlife Among White Non-Hispanic Americans in the 21st Century" (L).

Tues Sept 10 **<u>Threat vs. Reality of Disruption</u>**

Clayton Christensen et al. "Will Disruptive Innovations Cure Health Care?" *Havard Business Review* (2000) (L).

Clayton Christensen et al. *How Disruptive Innovation Can Finally Revolutionize Healthcare* (2017) (L)

Class Discussion: What is Christensen's theory? Where you see it applying or not applying in healthcare?

II. PROVIDERS & THE DELIVERY OF HEALTH CARE

Thurs Sept 12 **<u>Prof. Burns Lecture: Introduction to Non-Hospital Providers</u>**

Shi and Singh. "Health Services Professionals." In Shi and Singh, *Delivering Health Care in America*, 7th Edition (Jones and Bartlett Learning, 2019). Chapter 4 (L).

Tues Sept 17 **<u>Team Presentations: Non-Hospital Providers</u>**

Evolution of Clinician and Provider Roles

Private Equity Roll-ups

Thurs Sept 19 **<u>Prof. Burns Lecture: Introduction to Hospitals & Systems</u>**

Shi and Singh. "Inpatient Facilities and Services." In Shi and Singh, *Delivering Health Care in America*, 7th Edition (Jones and Bartlett Learning, 2019). Chapter 8 (L).

Tues Sept 24 **Team Presentations: Hospitals and Systems**

Hospital Mergers & Acquisitions

Future Hospital Business Models

Thurs Sept 26 **Class Lecture: Introduction to EMRs & Telemedicine**
Judd Hollander, M.D., Senior VP for Healthcare Delivery Innovation, Thomas Jefferson University

Hollander et al. "No Patient Left Behind: Patient-Centered Healthcare Reform" (L).

Wiler et al. "Value and Quality Innovations in Acute and Emergency Care."

Tues Oct 1 **Team Presentations: EMRs and Telemedicine**

TeleHealth

EMRs and Interoperability

Thur Oct 3 **Growth Options for Hospital Systems: Cleveland Clinic Case**

Porter & Teisberg, *Redefining Health Care*, Pp. 149-169, 202-218 (L).

HBS Case: *The Cleveland Clinic: Growth Strategy 2012*. Case # 9-709-473 (S).

Case write-up assignment #1:

1. 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? What internal factors may constrain the Clinic's growth? (~ 4 pages)

2. What is the Cleveland Clinic's core capability, and why? How did they develop it? How does information technology support & develop it? (~1 page)

III. PAYERS & FISCAL INTERMEDIARIES

Tues Oct 8 **Prof. Burns Lecture: Alternative Payment Models (APMs) & Value-Based Contracting (VBC)**

HCP LAN. *APM Framework* (L).

Brookings. *Implementing Value-Based Insurance Products* (L)

Thurs Oct 10 **NO CLASS – Fall Break**

Tues Oct 15 **NO CLASS – Core Exams**

Thurs Oct 17 **NO CLASS – Core Exams**

Tues Oct 22 **Team Presentations: APMs & VBC**

Post-Acute Care Sector Improvements

The Future of Value Based Care

Thurs Oct 24 **Prof. Burns Lecture: Commercial Payers and Health Insurance**

Kaiser Family Foundation (KFF). *How Private Health Care Coverage Works* (L).

Tues Oct 29 **Team Presentations: Commercial Insurers & Health Insurance**

Social Determinants of Health

Vertical Combinations – CVS/Aetna, Cigna/Express Scripts, etc

Thurs Oct 31 **Prof. Burns Lecture: Medicare & Medicaid**

Kaiser Family Foundation (KFF). *Medicaid – A Primer* (L).

Kaiser Family Foundation (KFF). *Primer on Medicare* (L).

Tues Nov 5 **Team Presentations: Medicare & Medicaid**

Medicare Advantage

Medicaid Expansion and Medicaid Managed Care

Thurs Nov 7 **Case: Big Pharma, PBMs, and the Epi-Pen Saga**

Case: *EpiPen ERISA Litigation* (F).

Case write-up assignment #2:

This complaint suggests that pharmacy benefit managers (PBMs) are largely responsible for the dramatic hike in prices for EpiPens by virtue of inducing (or colluding with) the pharmaceutical manufacturer of EpiPen to raise prices. Your analysis should do the following:

a) Sketch out the causal logic of the complaint (1 page)
b) Critically evaluate this causal logic (3 pages)
c) Examine what other factors might explain EpiPen price hikes and what types of insurance coverage lead patients to be exposed to these price hikes (1 page)

IV. PRODUCERS / SUPPLIERS

Tues Nov 12 **Prof. Burns Lecture: Pharmaceuticals & Biotechnology**

Northrup, Tarasova, and Kalowski. "The Pharmaceutical Sector." In Burns (Ed.), *The Business of Healthcare Innovation* (Cambridge University Press, 2012). Chapter 2 (S).

Pfeffer. "The Biotechnology Sector." In Burns (Ed.), *The Business of Healthcare Innovation* (Cambridge University Press, 2012). Chapter 4. (S).

Thur Nov 14 **Team Presentations: Pharmaceuticals & Biotechnology**

Drug Pricing and Reimbursement

Clinical Trials and Evidence Generation

Tues Nov 19 **Prof. Burns Lecture: Medical Device & Technology Sector**
[Jason Weidman, Medtronic]

Kruger and Kruger. "The Medical Device Sector." In Burns (Ed.), *The Business of Healthcare Innovation* (Cambridge University Press, 2012). Chapter 6. (S).

Thurs Nov 21 **Team Presentations: MedTech Sector**

Medical Devices, Diagnostics, Digital Therapeutics, Wearables

Big Tech Enters the Healthcare Space

Tues Nov 26 **NO CLASS**

Thurs Nov 28 **HAPPY THANKSGIVING [no class]**

Tues Dec 3 **Team Presentations: Generics and Biosimilars**

Generics and Biosimilars

Curative Therapies

Thurs Dec 5 **<u>Strategic Issues in Pharmaceutical Sector</u>**
[Dr. Richard Evans - Founder and General Manager, SSR Health, formerly of Roche and Sanford C. Bernstein]

HBS Case: *Merck & Co.* [January 2015, MH0035] (S).

<u>Case write-up assignment #3:</u>

1. Rather than buying Schering Plough (SGP), what else could Merck (MRK) have done with the capital – and at that point in time should MRK have viewed any of these alternative uses as superior options? (~1.5 pages)

2. 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? If the latter, on what basis might MRK have believed SGP was undervalued? (~1 page)

3. Was it important for MRK to shift to an open innovation model, and if so why? Did SGP and/or Perlmutter aid or impair such a shift – and if so how? (~1.5 pages)

4. Setting aside the direct (e.g. legal, claims) costs of the Vioxx withdrawal, what if any effects might the Vioxx episode exert on MRK during the SGP acquisition timeframe, and how might management deal with these effects? (~1 page)

Helpful reading on this topic:

Burns et al., "Pharmaceutical Strategy and the Evolving Role of Merger and Acquisitions." in Burns (Ed.), *The Business of Healthcare Innovation* (Cambridge University Press, Cambridge UK, 2012). Chapter 3. (S).