

THE WHARTON SCHOOL
The University of Pennsylvania

Health Services Delivery: A Managerial Economic Approach
HCMG 3520
Fall 2024

Course Syllabus

Course Instructor: **Guy David**
Room: 305 Colonial Penn Center (CPC)
Office Hours: Schedule via email
e-mail: g david2@wharton.upenn.edu

Lectures: Tuesday & Thursday 1:45-3:15 PM
Location: **JHMM F65**

Teaching Assistant: **Angela Chen**
Office hours: Schedule via email
e-mail: chenang@wharton.upenn.edu

Course Overview

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 salient economic features of health care delivery, including: the role of nonprofit providers, the effects of regulation and antitrust activity on hospitals, the degree of input substitutability within hospitals, the nature of competition in home health care, public versus private provision of emergency medical services, the effect of specialty hospitals and ambulatory surgery centers, the economics of direct-to-consumer advertising and its effect on drug safety, defining and improving medical performance in hospitals, specialization and investment in physical and human capital, and shifting of services between inpatient and outpatient settings and its effect on health care costs and quality. Knowledge of calculus and basic microeconomics is highly recommended. Students who take HCMG 3520 may not also take HCMG 3220 for further credit.

Student Presentations

There will be a group presentation in this course. Groups will be assigned by the instructor. Topics are student-initiated and instructor-approved. Timeline and process will be discussed in class.

Exam

There will be a closed-book in-class 80 minutes exam on **Tuesday, Nov 19th, 2024** during class time.

Grading

The paper, student presentation and class participation will count towards the final grade as follow:

Class participation: **10%**
Group presentation: **30%**
Final exam: **60%**

Readings

There are no required readings for this course. There are two (optional) textbooks: Phelps, E. Charles, **Health Economics**, 6th edition and Feldstein, J. Paul, **Health Policy Issues: An Economic Perspective**, 7th edition. In addition, a number of (optional) articles will accompany each topic we cover in class. All articles will be available for download from Canvas, which will serve as our primary communication channel. You can log on using your usual username and password. Registered students will automatically have access to the course Canvas page.

Course Outline and Time Schedule

Aug 27 Introduction: Does economics apply to health care? Is the health care sector different? and key challenges in the health care space.

Readings

**Phelps, Chapters 1
Feldstein, Chapters 1, 2 and 3**

Arrow, Kenneth “Uncertainty and the Welfare Economics of Medical Care” *American Economic Review* 1963; 53(5):941-973

Miller, Harold D., “From Volume To Value: Better Ways To Pay For Health Care”, *Health Affairs* 2009; 28(5): 1418–28.

Aug 29 Introduction: Does economics apply to health care? (cont.)

Sep 3 The Physician: Supplier Induced Demand

Readings

**Phelps, Chapters 6 and 7
Feldstein, Chapter 4**

Sep 5 Introduction to Health Insurance: Demand for Insurance and Moral Hazard

Readings

Phelps, Chapter 10 and 11

Manning, Willard, Joseph Newhouse, et al. “Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment,” *American Economic Review* 1987; 77(3): 251-277.

Pauly, Mark “The Economics of Moral Hazard: Comment,” *American Economic Review* 1968; 58(3): 531-537.

Sep 10 *Speaker:* **Sushma Akunuru** - Chief Information Officer and Senior Vice President, Business Technology Services, Independence Blue Cross of Philadelphia

Sep 12 Adverse Selection

Readings

Rothschild, Michael and Joseph Stiglitz "Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information," *Quarterly Journal of Economics* 1976; 90: 629-650.

Sep 17 Adverse Selection (cont.)

Sep 19 Division of Labor and Specialization

Readings

David, Guy and Lorens Helmchen, "The Role of Task Adhesion in Limiting Specialization along the Medical Care Continuum." *Review of Labour Economics and Industrial Relations*, 2011, Vol. 25(1), pp 24-44.

Sep 24 Primary Care

Readings

Phillips, Robert L., Jr. and Andrew W. Bazemore, "Primary Care And Why It Matters For U.S. Health System Reform" *Health Affairs*, 29, no.5 (2010):806-810.

Huff, Charlotte, "Direct Primary Care: Concierge Care For The Masses" *Health Affairs*, 34, no.12 (2015):2016-2019.

David, Guy, Philip Saynisch and Aaron Smith-McAllen. 2018. "The Economics of Patient-Centered Care", *Journal of Health Economics*. Vol. 59, pp. 60-77.

Leive, Adam, Guy David and Molly Candon. 2023. "On Resource Allocation in Health Care: The Case of Concierge Medicine" *Journal of Health Economics*. Vol. 90.

Philip Saynisch, Guy David, Benjamin Ukert, et al., "Model Homes: Evaluating Approaches to Patient-Centered Medical Home", *Medical Care*. March 2021 - Volume 59 - Issue 3 - p 206-212.

Sep 26 Primary Care (cont.)

Oct 1 Hospital Organization and Economic Behavior

Readings

Phelps, Chapters 8 and 9

Feldstein, Chapters 14, 15, 16 and 17

David, Guy "The Convergence between Nonprofit and For-Profit Hospitals in the United States." *International Journal of Health Care Finance and Economics*, Vol. 9(4), pp 403-428, December 2009.

Pauly, Mark and Michael Redisch "The Not-For-Profit Hospital as a Physicians' Cooperative", *American Economic Review*, 63; 87-100, 1973.

Malani, Anup, Tomas Philipson and Guy David, "Theories of Firm Behavior in the Non-Profit Sector: A Synthesis and Empirical Evaluation." in *The Governance of Not-for-Profit Firms*, Edward Glaeser, Editor. University of Chicago press, 2003.

Nicholson, Sean, Mark Pauly, Lawton Burns, Agnieszka Baumritter, and David Asch. "Measuring Community Benefits Provided By For-profit And Nonprofit Hospitals." *Health Affairs* Vol 19 (6) 2000.

David, Guy and Lorens A. Helmchen, "An Uncertain Prescription: Are Tax Exemptions for Nonprofit Hospitals an Efficient Way to Fund Indigent Care?" *Regulation*, Vol. 29 (2), pp 14-16, June 2006.

Sloan, Frank A, Gabriel A Picone, Donald H Taylor Jr., and Shin-Yi Chou., "Hospital ownership and cost and quality of care: is there a dime's worth of difference?" *Journal of Health Economics*, Volume 20, Issue 1, January 2001, Pages 1-21

Oct 8 Hospital Organization and Economic Behavior (cont.)

Oct 10 Hospital Organization and Economic Behavior (cont.)

Oct 15 Speaker: Jennifer Radin - Principal and Chief Innovation Officer for Deloitte's Health Care Practice, and the founder of the Deloitte Health Equity Institute

Oct 17 Cost Shifting and Cross-Subsidization

Readings

Morrissey, Michael A., "Cost-Shifting: New Myths, Old Confusion, and Enduring Reality" *Health Affairs*, October 2003.

David, Guy, Richard Lindrooth, Lorens Helmchen, and Lawton Burns. "Do Hospitals Cross Subsidize?" *Journal of Health Economics*. September 2014, Vol. 37, pp 198-218.

Oct 22 Speaker: Dr. Allison Suttle - Chief Quality Officer, West Virginia University Health System, (former) Chief Medical Officer, Sanford Health

Oct 25 Medical Devices - Technology Disadoption

Readings

Howard DH, Kenline C, Hassebroek A, Horowitz MM, Parsons SK, Rizzo JD, Majhail NS. "Abandonment of high dose chemotherapy/hematopoietic cell transplants for breast cancer." *Health Services Research* 2011;46(6):1762-1777.

Howard, David, Guy David and Jason Hockenberry. 2017. "Selective Hearing: Physician-Ownership and Physicians' Response to New Evidence." *Journal of Economics and Management Strategy*. Vol. 26:1, pp: 152-168.

Berez, Julie, Guy David, David Howard, and Mark Neuman. 2018. "Does Bad News Travel Faster? On the Determinants of Medical Technology Abandonment" *Journal of Human Capital*. Vol. 12(4)

Wu, Bingxiao and Guy David 2022. “The Impact of Relative Skill on Technology Disadoption”
Journal of Health Economics, Vol. 83

Oct 29 *Speaker: Sheri Dodd* – CEO of Tectile Medical, (former) President of Medtronic Canada

Oct 31 **Post-Acute Care**

Readings

Neuman, Patricia, Juliette Cubanski, and Anthony Damico., “Medicare Per Capita Spending By Age And Service: New Data Highlights Oldest Beneficiaries”, *Health Affairs*, February 2015 34: pp. 2335-339

David, Guy, Dan Polsky and Evan Rawley “Integration and Task Allocation: Evidence from Patient Care.” *Journal of Economics and Management Strategy*, 2013, Vol. 22(3), pp. 617–639.

Polsky, Dan, David Guy, Jianing Yang, Bruce Kinosian, and Rachel Werner. “The Effect of Entry Regulation in the Health Care Sector: the Case of Home Health”, *Journal of Public Economics*, 2014, Vol. 110, pp. 1–14.

David, Guy and Kunhee Lucy Kim. 2018. “The Effect of Discontinuous Post-Acute Care on Hospital Readmissions”, *Journal of Health Economics*. Vol. 59, pp. 26-45.

Song, Hummy, Guy David and Elena Andreyeva, “Time is the Wisest Counselor of All: The Value of Provider-Patient Engagement Length in Home Health Care” *Management Science* 2021

Bergman, Alon, Hummy Song, Guy David, Joanne Spetz, and Molly Candon “The Role of Schedule Volatility in Home Health Nursing Turnover”, *Medical Care Research and Review* 2021

Bergman, Alon, Guy David and Hummy Song, 2023. “I Quit’: The Effect of Schedule Volatility on Employee Turnover”, *Manufacturing & Service Operations Management*

Nov 5 **Post-Acute Care (cont.)**

Nov 7 **Introduction to Antitrust and Regulation in Health Care**

Readings

Hammer, Peter J. and William M. Sage, “Critical Issues in Hospital Antitrust Law“ *Health Affairs*, vol 22: 88-100, Nov/Dec 2003.

Arizona v. Maricopa County Medical Society, Supreme Court of the United States, 1982 (457 U.S. 332, 102 St. Ct. 2466, 73 L.Ed.2d 48).

Philipson Tomas. J., and Richard. A. Posner “Antitrust and the Not-For-Profit Sector”, *Journal of Law and Economics*, 52(1): 1-18, 2009.

Capps, Cory, Dennis Carlton and Guy David, “Antitrust Treatment of Nonprofits: Should Hospitals Receive Special Care?” *Economic Inquiry*. 2020, Vol. 58(3), pp. 1183-1199.

Nov 12 **Introduction to Antitrust and Regulation in Health Care (cont.)**

Nov 14 **Issues in Health Equity**

Readings

Balsa, Ana and Thomas McGuire, “Statistical discrimination in health care” *Journal of Health Economics*, Volume 20, Issue 6, November 2001, Pages 881-907

Williams, David and Pamela Jackson, “Social Sources Of Racial Disparities In Health” *Health Affairs*, Vol 24(2), pp. 325-334

Nov 19 **EXAM**

Nov 21 *Speaker: Dr. Mai Pham* – President of the Institute for Exceptional Care, (former) Vice President, Provider Alignment Solutions, Anthem, (former) Chief Innovation Officer, CMMI

Nov 26 **Student Presentations**

Dec 3 **Student Presentations**

Dec 5 **Student Presentations**