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

JAN 24 CUSTOMER EXPECTATIONS

Guest Speakers:
- Mike Taylor, SVP, Aon Hewitt

Readings:
• Kongstvedt, Essentials of Managed Health Care
  o Chapter 16: Marketing and Sales
  o Chapter 20: Member Services

**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
  o Chapter 10: Data Analysis and Provider Profiling in Health Plans
  o Chapter 22: Underwriting and Rating
  o Chapter 23: Information Systems and Electronic Data Interchange
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
- 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

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


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

FEB 28 PROJECT PRESENTATIONS

REPORT DUE (MANAGED CARE)

MAR 07 SPRING BREAK

MAR 14 PRICING ARRANGEMENTS IN HEALTH CARE AND REFORMS

Readings:
- Casalino, Lawrence P. "The Medicare Access And CHIP Reauthorization Act

**MAR 21 PROVIDER COMPETITION AND INTEGRATION**

**Readings:**
- Capps and Dranove, “Hospital Consolidation and Negotiated PPO Prices,” *Health Affairs* 23(2): 175-181. [http://content.healthaffairs.org/content/23/2/175.long](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

**MAR 28 INSURER COMPETITION AND INTEGRATION**

**Readings:**

**APR 04 ANTITRUST**

**Guest Speaker:**
- Subbu Ramanarayanan, NERA

**Readings:**
- Dranove and Sfekas, “A Revolution in Health Care Antitrust: New
http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2881459/


**APR 11**  
**VERTICAL INTEGRATION**

**Readings:**
http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2690342/

**APR 18**  
**HEALTH CARE REFORM: MASSACHUSETTS, ACA AND BEYOND**

**Readings:**

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