

Draft date: 1/7/15

THE WHARTON SCHOOL
University of Pennsylvania
HEALTH BUSINESS AND POLICY
HCMG 890-003
Spring 2015
Tuesdays, 3:00-6:00 PM – Location TBD

INSTRUCTORS

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TEACHING ASSISTANTS

[TBD]

OVERVIEW

Approach and goals: This course is intended to describe and analyze the range of government activities in the health care sector that affect businesses. Businesses affected are those that produce health care goods and services and health insurance, and businesses that provide health insurance and wellness benefits to workers. Rather than just ask the usual policy question of how business decisions and reactions affect public policy goals, this course will also ask how public policy does and/or should affect business. Both likely or optimal impacts and responses to public policy by business and business perspectives on the feasibility, likelihood, and efficiency of public policy will be discussed. Frameworks will include formal policy analysis, economic models of business reaction to taxes, subsidies, and regulation, and political economy and public choice analyses. Understanding that business and policy will always co-exist in healthcare, the goal of the course is to help students craft solutions to business problems that are consistent with policy, and how to judge strategic opportunity stemming from enacted public policy actions.

Course structure: The course will begin by providing analytical and empirical frameworks for analyzing the desirability and political feasibility of public policy programs in the health care sector. It will then deal with three major public policy issues in detail: (1) employer payment for and management of health insurance; (2) Medicare and its future; and (3) changes in insurance reimbursement away from current fee for service toward a more bundled approach.

STUDENT ASSIGNMENTS

Student performance and evaluation: There will be two main assignments: (1) an individual student draft policy brief on some relevant public policy, to be chosen by the student in consultation with the faculty; (2) team projects selected from a set of important public policy questions in which some team members will develop and present a proposed business strategy in response to a particular version of the policy and others will develop policy statements and present testimony arguing for a particular form of that policy (or no policy at all).

The draft policy brief is to be a nonpartisan discussion of a policy issue affecting business and health care. As the name implies it should be brief (5-10 pages) and should both describe the potential impact of a policy change on business and economic metrics (e.g., prices, demand, investment, discovery, wages, profits) and give the pros and cons for the policy change from a business perspective (as distinct, say, from an ethical or vote-getting perspective). This is to be a near final “draft” seeking comments from the faculty and others. **Due in electronic form on February 27.**

The team project selects a single issue which is approached from different perspectives by team members. Oral presentations of both the business strategy perspective (in the form of a simulated briefing) and the public policy perspective (in the form of simulated congressional testimony) will be followed by any written background material the team wishes to file “for the record.” Brief presentations, responses and questions from the audience (other students in the course, faculty, and experts) will occur in the last class on **March 3**. A proposal for the team project listing the question, team members, and the approach will be due on **February 13**.

CLASS SESSIONS

Weekly class sessions will include both didactic material from the faculty and less formal discussion with content experts when appropriate and in-class “rhetorical question discussions” for the class. Topics and problems will be presented in advance of the class meeting. Part of the discussion will consider, deconstruct, and evaluate the talking points presented by various parties to the discussion of the policy issues. Prior to each class students will receive a moderate amount of reading material with the arguments as presented by the interests involved and analysis/evaluation by consulting firms, the Congressional Budget Office, other government entities, and the health policy research literature.

GRADING

Grades will be assigned based on the individual policy briefs, the team project, and class discussion and participation. Weights are 40%, 40%, and 20%.

TENTATIVE TIMETABLE

Tuesday January 20: Introduction to public policy; framework for policy analysis and the efficiency/equity tradeoff; other analytic tools; models of insurer, consumer, employer, regulator, and politician behavior (with examples). How do major US corporations deal with policy change, and where

in their structures does consideration of policy sit—dedicated public policy units, the C-suite, or in formal or informal efforts/opinions of decision makers within the firm?

Readings:

- Stokey, E., and R. Zeckhauser (1978), *A Primer for Policy Analysis* (New York: W.W. Norton & Company), pp. 3-7, 259-277.
- Pauly, M.V., F.A. Sloan, and S.D. Sullivan, “An Economic Framework for Preventive Care Advice,” *Health Affairs* 33(11): 2034-2040.
- Summary of the Affordable Care Act – KFF ([Link](#))
- Glick, H.A., et al., (2014) “How Often Do Costs Matter in Clinical Decision Making?”
- Carroll, A.E., “Forbidden Topic in Health Policy Debate: Cost Effectiveness,” *The New York Times* ([Link](#))
- Increased Role of Government in Health Spending:
 - o Hartman, M., et al. (2014), “National Health Spending in 2013: Growth Slows, Remains in Step with the Overall Economy,” *Health Affairs*, December 3 (doi: 10.1377/hlthaff.2014.1107).

Tuesday January 27: The public policy landscape in the American health economy: how do major relevant branches of government interact with the healthcare industry, and how does policy affect each major sector in healthcare—CDC, FDA, NIH, CMS, ACA. How can business anticipate and be appropriately agile and responsive? This section returns to the material of HCMG 841 but views it through the lens of policy analysis and political economy. There will also be some discussion of priority/pressing nature of problems both now and (perhaps unexpectedly) in the future—and a discussion of how businesses can keep abreast of/get ahead of policy problems while raising appropriate concerns at appropriate times.

Readings:

- Understanding the Mandate of Relevant Agencies:
 - o CDC Mission, Role and Pledge ([Link](#))
 - o About USPSTF ([Link](#))
 - o What Does the FDA Do and What Does It Regulate? ([Link](#), [Link](#))
 - o About NIH ([Link](#))
 - o CMS Strategy 2013-2017 ([Link](#))
- Public Choice
 - o Summary of the Affordable Care Act – KFF ([Link](#))
 - o Pauly, M.V. (2010), “How Stable Are Insurance Subsidies in Health Reform?” *The Economists' Voice* 7(5): Article 6.

Tuesday February 3: Public policy and health care providers: reimbursement, regulation, and reform. Pay for quality, integration of providers, relationship between managed care and providers. Is the delivery model really changing and if so in a way that is fair, efficient, and sustainable politically and economically?

Content expert: Jonathan Blum, former principal deputy administrator and director for Medicare, Center for Medicare and Medicaid Services, now Executive Vice President, Carefirst of Maryland

Readings:

- Hospital Consolidation – Good or Bad?
 - o Fewer Hospitals May Lead to Higher Prices – TIME ([Link](#))
 - o Vertical Integration: Hospital Ownership Of Physician Practices Is Associated With Higher Prices And Spending – Health Affairs (subscription required) ([Link](#))
 - o F.T.C. Wary of Mergers by Hospitals – NYT ([Link](#))
- The Role of Providers in Determining Their Own Payment
 - o How a secretive panel uses data that distorts doctors’ pay – WaPo ([Link](#))
 - o Rosenthal, E. (2014), “The Odd Math of Medical Tests: One Scan, Two Prices, Both High,” *The New York Times* (December 16, 2014), A18.
- Early Lessons from P&D Reform
 - o Pauly M.V., and L. R. Burns (2008), “Price Transparency for Medical Devices,” *Health Affairs* 27(6): 1544-1553.
 - o A More Complete Picture of Pioneer ACO Results – Brookings ([Link](#))

Tuesday February 10: Public policy and employers: the future of employment-related health benefits, complementarities and conflicts with exchanges in health reform; profit maximizing management of health benefits, impact of tax treatment. Public and private exchanges and their potential relationships to employer managed health insurance benefits. How does/should an employer decide on benefits policy for a heterogeneous workforce, and what patterns of different employer decisions can coexist in competitive labor markets?

Content experts: Paul Fronstin, Employee Benefits Research Institute

Readings:

- How Should Profit-Maximizing Employers Deal with Employee Healthcare Costs?
 - o National Bureau of Economic Research, Employer Sponsored Health Insurance and Health Reform (<http://www.nber.org/bah/2009no2/w14839.html>).
 - o Furman, J. (2008), “Health Reform Through Tax Reform: A Primer,” *Health Affairs* 27(3): 622-632 (doi: 10.1377/hlthaff.27.3.622).
 - o Pauly, M.V., and S.E. Harrington (2013), “Private Health Insurance Exchanges,” *Health Management, Policy and Innovation* 1(4): 61-72.
- Trends In How Employers and Employees Are Dealing with Healthcare Costs
 - o Employer Health Benefits Survey – KFF/HRET ([Link](#))
 - o High Health Plan Deductibles Weigh Down More Employees – NYT ([Link](#))
 - o Private Exchanges – Likely Pace of Progress: [Link](#)
- Example: Castlight Health (working with employers to increase cost transparency)
 - o Association Between Availability of Health Service Prices and Payments for These Services – JAMA (subscription required) ([Link](#))

Tuesday February 17: Medicare and its future: what is likely to happen and why business should care. Growth in Medicare Advantage, other integrated models (e.g., ACOs), activity with the Centers for Medicare and Medicaid Innovation (CMMI), dual eligible. Medicare as a government-approved template and exemplar for private health insurance—and reasons to go against the grain.

Content experts: Gail Wilensky, PhD, Senior Fellow, Project Hope, former head of CMS

Readings:

- Medicare Advantage as a Model?
 - o Medicare Advantage: Moving Toward A Better Model For American Health Care – Forbes ([Link](#))
- Medicare Solvency
 - o Medicare Is Not “Bankrupt” – Health Reform Has Improved Program’s Financing – CBPP ([Link](#))
- Early Lessons from ACOs
 - o No Correlation Between Quality and Cost-Effectiveness Among Medicare ACOs – Avalere ([Link](#))
- Duals Demos (early perspectives on the goals)
 - o The Coming Experiments In Integrating And Coordinating Care For 'Dual Eligibles' – Health Affairs (subscription required) ([Link](#))

Tuesday February 24: *First half of class:* Paying for Innovation. Pharmaceutical pricing models, how costs of technology are incorporated into the healthcare system, the role of government evaluation of medical necessity, state and federal government review of prices in healthcare.

Content experts: Elizabeth Fowler, JD, Vice President for global health policy, Johnson & Johnson, former chief counsel to Senator Baucus and the Senate Committee on Finance; Scott Gottlieb, MD, former deputy commissioner for medical and scientific affairs, US Food and Drug Administration, now senior fellow, American Enterprise Institute

Readings:

- The Calculus of Cures – NEJM ([Link](#))
- Establishing New Payment Provisions For The High Cost of Curing Disease – AEI ([Link](#))
- The Real Cost of “High Priced” Drugs – NEJM/HBR ([Link](#))
- The Federal Government’s Key Role in Healthcare Innovation – BAH ([Link](#))
- Myers, K. (2014), “Data on Discovery: The Current Situation and the Recent History,” forthcoming in M.V. Pauly et al., *Managing Discovery in the Life Sciences* (OUP).

Second half of class: Panel discussion with political experts on practical/strategic/inside-baseball aspects of the policy process. How much is predictable, where are the buttons to push, and what are the risks of over-reach, timidity, and poor timing?

Readings:

- Political Intelligence – Where do we draw the line?
 - o Washington Trading Probe Broadens to Hedge Funds – WSJ ([Link](#))
- The Reach of Industry in Policy-Making
 - o Fiscal Footnote: Big Senate Gift to Drug Maker – NYT ([Link](#))

Tuesday March 3: Student team presentations