

Understanding and Transforming the U.S. Healthcare System

B7227 --- Fall 2021

PROFESSOR ASHLEY SWANSON

SUBJECT TO CHANGE

A. ADMINISTRATIVE INFORMATION

Contact Information

Office: Uris 621

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Office hours: Please send me an email to arrange for a meeting.

REQUIRED COURSE MATERIAL

There is no textbook for this course. See assigned readings linked on Canvas. All cases are available for purchase at the link specified on Canvas. At the start of each session, students will be provided with a handout which accompanies slide presentations. Students may find it useful to bring a notebook or other materials on which to take notes. Relevant materials from each class will be posted on Canvas on the day after class.

Lecture Notes I will post the lecture slides on Canvas after each class, but note that the slides are not a complete record of all that is discussed in class. It is recommended that you take notes during the class as a supplement to the slides.

B. COURSE DESCRIPTION

The U.S. healthcare system is an enormously complex, trillion-dollar industry, accounting for over 18% of GDP. It includes thousands of hospitals, nursing homes, specialized care facilities, independent physician practices and partnerships, web-based and IT-supported service companies, managed care organizations, and major manufacturing corporations. It continues to grow in size and complexity, complicating the long-standing challenges of controlling costs, expanding consumer access, and improving quality. The historic Affordable Care Act resulted in significant changes for the entire industry and subsequent federal and state legislation will continue to impact delivery and payment systems in the coming years. This tremendous dynamism is unmatched by any other industry and offers incredible opportunities for new business endeavors.

The first goal of this course is to provide an overview of the structure, dynamics, and challenges of the U.S. healthcare system. Our emphasis will be on providers, which account for the vast bulk of healthcare spending, and payers. We will explore history and

current trends, interrelationships, and evolving strategies in response to policy and regulation, technological change, and increasing consumerism.

The second goal of this course is to focus on the actions that innovative firms are taking to improve the quality of patient care, manage the escalating costs of providing such care, and enhance business performance. It will analyze the attractiveness and feasibility of new approaches to address the challenges facing providers, payers, and patients operating in an inefficient, misaligned, and fragmented healthcare system. Particular emphasis will be given to the impacts of health care policy and regulation.

The course will be useful for students interested in careers in health system management; health insurance; healthcare IT; healthcare consulting and banking; private equity; investment management; health policy; entrepreneurship in the healthcare services sector; and pharmaceuticals, medical devices, and diagnostics. There will be guest lectures by a variety of major leaders in healthcare business and policy.

C. REQUIRED PREREQUISITES AND CONNECTION TO THE CORE

The learning in this course will utilize, build on and extend concepts covered in the following core courses:

Core Course	Connection with Core
Strategy Formulation	<ol style="list-style-type: none"> 1. Competitive analysis 2. Strategic differentiation
Leadership and Organizational Change	<ol style="list-style-type: none"> 1. Influence & persuasion 2. Teams
Managerial Economics	<ol style="list-style-type: none"> 1. Pricing with market power 2. Barriers to entry
Managerial Statistics	<ol style="list-style-type: none"> 1. Variability 2. Linear regression
Operations Management and Strategy	<ol style="list-style-type: none"> 1. Alignment of business strategy and processes 2. Managing quality

Students will be expected to have mastered these concepts and be able to apply them in the course.

D. CLASS SCHEDULE

Session	Topic	Assignments
Day 1	Introduction and overview <ul style="list-style-type: none"> Defining value in health care Comparative health systems Structure of and trends in the U.S. healthcare industry Problems, pressures, and obstacles to improvement 	Reading Mirror, Mirror 2017: International Comparison Reflects Flaws and Opportunities for Better U.S. Health Care, <i>Commonwealth Foundation</i> Waste vs. Value in American Health Care, <i>NYTimes Economix Blog</i>
Day 2	Overview: the role of government <ul style="list-style-type: none"> Health insurance basics Market failure and government interventions Medicare and Medicaid 	Reading Health Insurance Coverage and Health: What the Evidence Teaches Us, <i>NEJM</i> An Overview of Medicare, <i>Kaiser Family Foundation</i> Medicaid Moving Forward, <i>Kaiser Family Foundation</i> Medicare Advantage: Moving Toward A Better Model for American Health Care, <i>Forbes</i>
Day 3	Payers and payment systems: insurers <ul style="list-style-type: none"> History and evolution of the private insurance sector Markets and products Regulation Consumer-directed and value-based plans Narrow networks 	Reading How Private Health Coverage Works: A Primer – 2008 Update, <i>Kaiser Family Foundation</i> Reference Pricing Changes the “Choice Architecture” of Health Care for Consumers, <i>Health Affairs</i> Case study Oscar Health Insurance: What Lies Ahead for a Unicorn Insurance Entrant? Guest speaker Eric Galvin, President, ConnectiCare
Day 4	Payers and payment systems: employers and policy <ul style="list-style-type: none"> The history of employer-based health insurance and recent trends Characteristics of employer-sponsored health coverage Employer strategies to control costs and improve quality Workplace wellness The impact of the ACA on insurers and employers 	Reading GM Steers New Path On Health Benefits, <i>The Wall Street Journal</i> Summary of the Affordable Care Act, <i>Kaiser Family Foundation</i> Success and Failure in the Insurance Exchanges, <i>NEJMs</i> Case study Pitney Bowes: Employer Health Strategy

Day 4 (cont.)		Guest speaker Marco Diaz, <i>Board Chairman, Northeast Business Group on Health; SVP, Global Head of Benefits, News Corp</i>
Day 5	Providers: hospitals and hospital systems <ul style="list-style-type: none"> • Hospital structure and strategies • Organizational, financial, and human resource issues and trends • Competitive forces and consolidation • Cost, quality, and safety pressures 	Reading Hospitals: Origin, Organization and Performance, in <i>Health Care USA, chapter 3</i> Evaluating the Impact of Health Insurance Industry Consolidation, <i>Commonwealth Fund</i> Case study The Dana-Farber Cancer Institute
Day 6	Providers: new challenges for hospitals <ul style="list-style-type: none"> • Quality management practices in health care • Process management and elimination of waste • Alignment of the hospital and its clinicians 	Reading Healthy Business? Managerial Education and Management in Healthcare, <i>HBS Working Paper</i> Case study Virginia Mason Medical Center (abridged) Guest speaker Brian Nester, <i>CEO, Lehigh Valley Hospital and Health Network</i>
Day 7	Providers: physicians and practice variation <ul style="list-style-type: none"> • Physician employment and practice types • Trends in physician practice • The quality “chasm,” spending discrepancies, and practice variation • Implementing best practices and moving from volume to value 	Reading The Cost Conundrum, <i>The New Yorker</i> Reducing Practice Variation at Crystal Run Healthcare, <i>Health Affairs</i>
Day 8	Providers: alternative venues <ul style="list-style-type: none"> • Home health care • New models for caring for the high-need elderly population • Medicare PACE program • Medicare for All: lessons from dialysis 	Reading When Wall Street Took Over This Nursing Company, Profits Grew and Patients Suffered, <i>Bloomberg</i> The Importance of Transitional Care in Achieving Health Reform, <i>Health Affairs</i> Case study CareMore Health System Fireside chat Sunil Budhrani, <i>CEO and CMO, Innovation Health</i>

Day 9	Intersections: pharmaceuticals and medical devices <ul style="list-style-type: none"> • The role of payers and providers in the life sciences industries • The challenges of precision medicine • Factors affecting adoption • Policy and regulatory issues • Opportunities and challenges 	Reading How Economics Can Shape Precision Medicines, <i>Science</i> Using Outcomes-Based Pricing for Medical Devices to Improve Cardiovascular Disease Treatment Value, <i>Health Affairs</i> Guest speaker Efreem Kamen, <i>Founder</i> , Pura Vida Investments; <i>Adjunct Assistant Professor</i> , Columbia GSB
Day 10	Transformation in health systems <ul style="list-style-type: none"> • Medical homes, bundled payments, and ACOs • Aligning with physicians • Working with insurers and employers • Social determinants of health Assuming risk and creating systems for population health	Reading At Virginia Mason, Collaboration among Providers, Employers and Health Plans to Transform... <i>Health Affairs</i> Mayo's Tricky Task: Revamp What Works, <i>Wall Street Journal</i> The Hot Spotters, <i>The New Yorker</i> Case study Intermountain Health Care
Day 11	The digital frontier <ul style="list-style-type: none"> • The virtual integration promise of electronic medical records • Evidence-based medicine and electronic databases • Healthcare IT application areas • IT trends and major growth areas • Telehealth 	Reading Clinical Decision Support for High-Cost Imaging: A Randomized Clinical Trial, <i>PLOS One</i> Virtually Perfect? Telemedicine for Covid-19, <i>NEJM Perspective</i> Case study Stanford Medicine: Health IT Purchasing Decisions in a Complex Medical Organization
Day 12	Wrap-up and presentations	

E. COURSE REQUIREMENTS AND GRADING

Grading will be based on participation (20%), case write-ups (40%), and a final project (40%).

1) Class Participation (20% – Individual/Type B)

Class participation will be based on attendance (with the exception of students taking the course asynchronously), as well as the extent and quality of contributions to class discussions. In-class discussions are an integral part of the course, and students are expected to contribute to the learning experience of the class by asking relevant questions and offering insights into the topic at hand. Quality of contribution matters (much) more than quantity. However, students should feel free – indeed obliged – to ask clarifying questions when they are not following what is happening in lecture. Particularly important to the participation grade will be students' participation during days when we analyze case studies.

2) Written Assignments (40% – Individual/Type B)

You will be expected to submit eight (of ten) written assignments. The reports will address specific questions that will be available on Canvas and should be no more than one page. Each is due electronically before class and will form the basis of some of the class discussion. Even if you do not submit a written assignment, you will be expected to have read the assigned material and be able to discuss it. Late assignments will not be accepted unless there is an exceptional circumstance. Under the business school designation, these assignments are Type B. You may discuss the assignments in groups, but you must hand in your own individually written report. Grades will be assigned on an individual basis and the grade will be out of a maximum of 10 points. *Only the first eight submissions will be graded.* You can expect cold calling will be used for these assignments and responses will count towards your class participation grade.

3) Final Project/Presentation (40% – Group/Type A)

The final project is a group project with a maximum of **four** students per group. There are several options for the final project. You are asked to submit a 15 (max) page report that takes a deeper dive into any of the topics that we covered in class (or missed in class). It is a good idea to mention your proposed question/idea to me ahead of time (either by email, before/after class, or during office hours). You are also encouraged to talk directly with a relevant company (or companies) in order to understand the full set of factors guiding firm decision-making.

Examples of project topics include:

1. Select a health system that has altered its investment or partnership strategy in response to the Covid-19 pandemic. Drawing on the material from this course, evaluate the pros and cons of that strategy.
2. Analyze a firm whose business model hinges on one of the payment or delivery reforms discussed in this course. For example, ACOs or PCMHs. How should such a firm grow?
3. Analyze the entry of private equity into a healthcare market. (There are numerous recent examples.) What opportunities did investors identify? How has the delivery of healthcare been altered by entry?
4. Evaluate a policy or regulation proposal with implications for the behavior and profitability of the market participants documented in this course. What is the pain point this proposal attempts to address? Does it create winners and losers? Do you think it will succeed? Why or why not?

Honor Code

This course will strictly adhere to the academic conduct guidelines discussed in detail at <http://www0.gsb.columbia.edu/honor/resources.html>.

Columbia Business School's Honor Code:

As a lifelong member of the Columbia Business School community, I adhere to the principles of truth, integrity, and respect. I will not lie, cheat, steal, or tolerate those who do.