

724: Health Care Institutions & Policy

MSQM: Health Analytics Program



Links

- Course web: <http://fuqua.instructure.com/>
- Personal web: <https://sites.duke.edu/ridley/>
- Twitter: https://twitter.com/dave_ridley
- Email: david.ridley@duke.edu

Faculty: David Ridley

I am a health economist and the Faculty Director for Health Sector Management at Duke University's business school. In my research, I examine innovation and pricing in health care. I was the lead author of the paper proposing the priority review voucher program which became law in 2007 and created a market of more than a billion dollars for drug development for neglected diseases. I enjoy discussing health care strategy and policy with Duke graduate students.

Overview

The course meets when other courses do not meet, in an effort to avoid adding class work to already busy times. The course is spread across three terms.

In the first term, we discuss the basics of health insurance. We also discuss insurance economics concepts such as adverse selection, moral hazard, and risk pooling. Furthermore, we discuss how some insurers and employers shift costs to patients to motivate consumers to shop for care.

In the second term, we discuss accountable care organizations and other alternative payment models. We examine how the reimbursement models are structured and which providers are most successful.

In the third terms, we discuss health care disruption. We focus on potential disruptors for health care providers, including specialty hospitals, medical travel, retail clinics, and telehealth. We also consider how regulation and reimbursement influence disruption.

We begin each class with a discussion of a health sector case. Class participants speak first so that we can reward preparation and so that we can utilize the richness of experience in the room.

One of the best features of the class is the diversity of experience. Rarely in life do we have the opportunity for people with expertise on the topics of payers, providers, and producers to gather in a place and debate the big issues of health care. Past participants tell me that they miss this interaction.

Some people in the class have little background in health care. Outside perspectives can help to identify dysfunction in healthcare. However, people new to health care might find terms unfamiliar. Please ask

for clarification of unfamiliar terms; it will help you and others. Also, please use the supplementary materials on the class web page.

Businesses and foundations have supported my research and this can be a source of bias, as well as a source of insights. I genuinely hope to encourage vigorous discussion and welcome diverse views.

Objectives

At the conclusion of the program, participants will understand

- how insurers cover patients and pay providers and product makers.
- the function of alternative payment mechanisms, including accountable care organizations
- insurance economics including adverse selection, moral hazard, and risk pooling
- which disruptive forces can succeed in health care
- how government regulation and reimbursement influence disruption
- how to be better health care managers using tools from economics and strategy
- the perspectives of many players throughout the health sector

Preparation and Assessment

Before each class session, participants should do the following:

- View the videos
- Read the case
- Read the assessment questions on the website (not in the case)
- Submit answers to the assessment at least 15 minutes before class

Pre-class activities take 3 to 6 hours per session. We ask that you do these before the class session in order to facilitate a richer discussion.

Assignments are not accepted after class, because i) the primary objective of the homework is to encourage preparation for class, ii) answers are included in the slides posted on the web page after class, and iii) it is generally better to work on future homework rather than past homework.

You may discuss the assignment with other current students in the class, but each student should submit her own work.

The slides for class will be available 20 minutes before class and the assessment answers will be available a few days after the class discussion.

Class Grade

Three grades will appear on the transcript for the course. There will be a course grade after each class meeting. Grades will be “credit” or “no credit”. Students who do not submit the assignment on time will receive a grade on the transcript of either “no credit” or “incomplete”.

To receive credit for the class, a person should do the following:

- For each assignment: submit on time with a score not too far below the mean
- For each class meeting: either attend for nearly all of the class or submit a two-page write up of class discussion after viewing the video of the class discussion

The Fuqua School of Business Honor Code applies to the course.

Class 1: Health Insurance	
Before Class	During Class
<p>Videos and Readings</p> <ul style="list-style-type: none"> • Healthcare Spending (video) • Health Insurance (video) • Insurance Economics (video) • High-Deductible Health Insurance (video) • Medicare and Medicaid (video) • Regina E. Herzlinger. "Consumer-Driven Health Care: Medtronic's Health Insurance Options." <i>Harvard Business School Case</i>. • James C. Robinson, et al., "Reference Pricing Changes the 'Choice Architecture' of Health Care for Consumers," <i>Health Affairs</i>. <p>Questions</p> <p>See the web (not the case). Here's a preview (with multiple choice options omitted):</p> <ol style="list-style-type: none"> 1. Capitation is a mechanism for encouraging what group to choose lower-cost health care options? 2. High-deductible health plans are a mechanism for encouraging what group to choose lower-cost health care options? 3. Approximately what percent of Americans receive health insurance from their employer? 4. What insurance problem can be mitigated by requiring that everyone have the same health insurance? 5. What policy is intended to reduce the unfairness and inefficiency of tax-advantaged health insurance? 6. Medtronic provides \$10,000 in health insurance to Judith Barnes. What is the opportunity cost to Mrs. Barnes? 7. Of the following, what are the best examples of countries using medical savings accounts? 8. Which part of Medicare accounts for the smallest segment of Medicare spending? 9. Which health insurance option should Judith Barnes select: HealthPartners, Medica, or Definity Health? Why? 10. If you were the CEO of Medtronic would you include a high-deductible health plan as an option for employees? Why? 	<p>Discuss</p> <ul style="list-style-type: none"> • Which health insurance option should Judith Barnes select: HealthPartners, Medica, or Definity Health? Why? • If you were the CEO of Medtronic would you include a high-deductible health plan as an option for employees? Why?

Class 2: Managed Care	
Before Class	During Class
<p>Videos and Readings</p> <ul style="list-style-type: none"> • Managed Care (video) • Medicare and Medicaid Managed Care (video) • Amy C. Edmondson, Ashley-Kay Fryer, Morten T. Hansen, "Transforming Care at UnityPoint Health - Fort Dodge." <i>Harvard Business School Case</i>. • David Muhlestein, et al. "<u>All-Payer Spread Of ACOs and Value-Based Payment Models in 2021</u>". <i>Health Affairs Blog</i>. <p>Questions</p> <p>See the web (not the case). Here's a preview (with multiple choice options omitted):</p> <ol style="list-style-type: none"> 1. An insurer agrees to pay \$20,000 to a health system for each hip replacement the health system performs for their enrollees. The \$20,000 would pay for all pre-operative services, the surgery, and post-operative rehabilitation. This is an example of 2. A health system receives a set amount of money each month for each enrollee, whether or not the enrollees receive any health care services. This is an example of 3. Accountable Care Organizations use which payment model? 4. Which of the following statements about Accountable Care Organizations (ACO) is FALSE? 5. A one-sided ACO's spending was higher than its annual target. When shared savings are distributed at the end of the year 6. ACOs tend to be more successful if they 7. Medicare Advantage is also known as Medicare Part 8. Medicare Advantage accounts for approximately how much of total Medicare spending? 9. How has care delivery changed at UnityPoint - Fort Dodge? 10. At the time of the case, 9 ACOs had exited the pioneer program. Should UPFD exit too? Why or why not? 	<p>Discuss</p> <ul style="list-style-type: none"> • How has care delivery changed at UnityPoint - Fort Dodge (UPFD)? • At the time of the case, 9 ACOs had exited the pioneer program. Should UPFD exit too? Why or why not?

Class 3: Health Care Disruption	
Before Class	During Class
<p>Videos and Readings</p> <ul style="list-style-type: none"> • Medical Value Travel (video) • Retail Clinics (video) • Clayton M. Christensen, Richard Bohmer, and John Kenagy. "Will Disruptive Innovations Cure Health Care?" <i>Harvard Business Review</i>. • Andrea Taylor, Erin Escobar, and Krishna Udayakumar. "<u>Expanding Access to Low-Cost, High-Quality Tertiary Care: Spreading the Narayana Health Model beyond India.</u>" <i>Commonwealth Fund</i>. <p>Questions</p> <p>See the web (not the case). Here's a preview (with multiple choice options omitted):</p> <ol style="list-style-type: none"> 1. What does Narayana Health have that Health City Cayman Islands lacks? 2. Which of the following is TRUE? In contrast to Duke Health, Narayana Health has 3. Which of the following statements about retail clinics is TRUE? 4. Which of the following is NOT a challenge for retail clinics? 5. Take the perspective of Narayana Caymans. How can you attract medical tourists? 6. Take the perspective of a U.S. employer. Should you offer health insurance coverage at Narayana Caymans? 7. Describe a potential source of disruption in health care. Does it lower costs? What should incumbents do? 	<p>Discuss</p> <ul style="list-style-type: none"> • Take the perspective of Narayana Caymans. How can you attract medical tourists? • Take the perspective of a U.S. employer. Should you offer health insurance coverage at Narayana Caymans? • Describe a potential source of disruption in health care. Does it lower costs? What should incumbents do?