Health Care Markets (HLTHMGMT 711E)
Executive MBA Program

Professor

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Course Overview

We will apply tools from business and the social sciences, especially economics and strategy, to challenges faced by managers, patients, and policy makers in the health sector. We will aim for broad coverage of health care, including products and providers, but we will pay special attention to payers. Payers are of interest throughout the health sector, because most providers and product manufacturers want to be paid.

First, we will discuss health insurance, including alternative payment mechanisms. Second, we will demonstrate cost effectiveness of a new medical intervention and suggest profit-maximizing and ethical prices. Third, we will examine the demand for medical products, including biologics, devices, and pharmaceuticals. Fourth, we will look at hospital competition, including new sources of competition. Fifth, we will examine disruptive innovations with the potential to provide care at lower costs.

We will begin each class with a lively discussion of the health sector, often using a business strategy case as the focal point. 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 experience as payers, providers, and producers to gather in a room and debate the big issues of health care. Alumni tell me that they miss this interaction. At the end of class each day, I lecture, drawing on my knowledge of strategy and economics.

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, for those with less background in health, I posted supplementary materials on my web page.

Businesses and foundations have supported my research. This can provide helpful insights, but also may be a source of bias. I genuinely hope to encourage vigorous discussion and welcome diverse views.
Course Objectives

- Consider that to control health care costs someone must say “no”: payer, provider, or patient.
- Understand insurance economics including adverse selection, moral hazard, and risk pooling.
- Be familiar with alternative payment mechanisms.
- Understand reimbursement for manufactured products, including the recognition that regulatory approval is often necessary but not sufficient for government reimbursement.
- Know how to demonstrate the value of a medical product using cost effectiveness analysis.
- Understand the differences between non-profit and for-profit firms, particularly in the hospital and insurance industries.
- Examine demand for medical products and the dependence of demand on copayments and advertising.
- Understand the importance of ethical behavior in the health sector. Ethical behavior is particularly important, because (i) the industry impacts health and wellbeing, (ii) firms have market power, and (iii) governments are major purchasers and often bring civil and even criminal penalties against firms and people.
- Realize that generic products are not inherently low cost. Generics are low cost in markets with high profit potential and low entry costs, because many entrants are attracted, and competition drives down prices. On the other hand, when markets are small or entry costs are high, generics often have high prices.
- Calculate the cost of product development, accounting for failures and cost of capital.
- Know incentives for encouraging development of products for orphan and neglected diseases.
- Be aware of rising competition from generic manufacturers, retail clinics, medical tourism, and specialty hospitals, and how best to respond.
- Understand options for providing more health insurance to more people.
- Be better health care managers who understand current health care institutions and economics, and the implications of health care strategy for profits and social wellbeing.

Materials

We will read cases from the course pack, articles from the course web site, and chapters from the textbook, “Health Economics” by Frank Sloan and Chee-Ruey Hsieh.
Grading

- 35% Discussion (including course board)
- 25% Assignments (written analysis of the cases)
- 40% Term paper (may include evaluation by team members)

Assignments

During the residency, no written materials will be submitted. However, please prepare the questions posted on the web page for the sake of class discussion. You may ignore the questions in the case.

During the distance portion, please submit your assignment in a short document (1-3 pages) on the Canvas web page in portable document format (pdf). Please include your name in both the file name and the document. Past students reported working an average of 3 hours per assignment. Full credit is 1 point and partial credit will be awarded for good effort.

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 a unique copy in her own words. Working with other current students should be a complement rather than a substitute for your own work.

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

Term Paper

You will create teams for the term papers. The executive MBA staff will tell you the team parameters. We will survey members of your team at the end of the class regarding contributions in terms of input and output.

The paper should be about health care strategy. The focus should be on a single firm (for example, GlaxoSmithKline), agency (Centers for Medicare and Medicaid Services), or organization (World Health Organization). The paper should include thoughtful analysis, rather than simple descriptions and lists of facts. The paper should provide a clear understanding of a problem, the major options available, and a way of accomplishing the solution.
Quantitative analysis should be used when appropriate. Here are some data options: https://faculty.fuqua.duke.edu/~dbr1/health/data.html

However, in many cases, data will not be available. In these cases you can forecast using logical, explicit assumptions. For example, in our research we estimated the market for biosimilars before any reached the market, based on the generic pharmaceutical market and expected differences in entry costs. Likewise, many consulting interviews feature questions such as the U.S. market for men’s razor blades, so start with the population of the United States, then take the fraction that are men of age to shave, ...

Good papers commonly range from 1,000 to 10,000 words.

The paper should include the following sections:

- Cover page. On page 1 include paper title, authors, acknowledgments, whether the material was submitted in other contexts (work or class), who helped you with the paper, and whether the paper may be shared with others.
- Executive summary (i.e., abstract). On page 2 summarize the paper (including strategic recommendations) in 300 words or fewer.
- Issue statement. Identify the firm’s problem or opportunity.
- Background. Provide information that is relevant for the specific firm or agency.
- Capabilities. Identify the key qualitative and quantitative capabilities that the firm or agency must use or develop. Be specific about capabilities that are relevant for the issue, rather than a general assessment.
- Recommendations. Outline specific actions for leadership. The set of actions should address the quantitative and qualitative issues identified in the capabilities section.
- Implementation. Review how long and in what order the firm or agency should implement the recommendations, what resources are needed to implement the recommendations, which people will be responsible for implementation, and what incentives and information will be needed to ensure that people implement the plan.
- Conclusion. Include summary, caveats, and broader implications (beyond the firm or agency in question).
- References. Include a list of papers cited in order to credit other authors and to help the reader identify further reading.
## Schedule

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Readings

1. **Consumer-Driven Care**


2. **Managed Care**


3. **Hospital Strategy**


4. **Health IT**

5. **Pharmaceutical Prices**


6. **Health System Change**


7. **Reimbursement**

CMS, Innovators' Guide to Navigating Medicare. 2015.


8. **Evidence-Based Medicine**


9. **Hospital Competition**


10. Biotechnology and Vaccines


11. Emerging Markets

