

MBA 893C Spring 2016:
Financial Management of Healthcare Providers
Professors Robert Bushman and Eva Labro

Course Overview

This course examines fundamental economic and financial management issues confronting healthcare providers in the U.S. from three distinct perspectives: (1) an economy-level view of financial, political and regulatory challenges facing healthcare providers and citizens; (2) a market-level view of health care organizations and the competitive and regulatory landscape in which they operate; and (3) a micro-level view from inside of provider organizations focusing on cost and outcome measurement, outcome transparency, implications of different financial reimbursement mechanisms, and incentives.

The course is built around cases and readings designed to serve as vehicles for discussion and learning, and will involve a mixture of lecture and case discussions. Students are expected to come to class fully prepared to engage in meaningful discussions of the assigned material. There are required deliverables due before each of the two class meetings (see details below). The course will consider:

- The financial condition of the U.S. Government as a major healthcare player as viewed through the 2015 Financial Report of the United States and recent budget projections from the Congressional Budget Office. We will consider long run financial implications for the healthcare sector of the promises the U.S. government has made to its citizens.
- Economy-wide incentives created by the ACA and its effects on both the supply of and demand for labor across the nation.
- Competition in the healthcare sector with a focus on market structure, bargaining power between providers and payers, and impacts of regulation and politics on competition. Case studies include Partners Healthcare and Cancer Treatment Centers of America.
- Elements of the healthcare value chain by exploring the financial statements of Hospital Corporation of America (HCA).
- Value measurement as a tool for transforming quality and controlling costs in healthcare organizations. We will examine practical approaches to such measurement, such as time-driven activity based costing (TDC) at Boston Children's Hospital. We explore how improving cost measurement accuracy for patients and treatments facilitates improved outcomes achieved by the total treatment of the patient. Opportunities to reduce costs by eliminating unnecessary activities, increase utilization of equipment and staff, altering the way in which patients are treated and speeding up cycle time will be discussed.
- The effects of outcome measurement on providers' incentives and behavior. Case Studies include the UCLA Kidney Transplant Program and Cancer Treatment Centers of America.
- Health care price transparency
- Deep issues arising from changing financial reimbursement mechanisms (e.g. fee-for-service, capitation, bundled payments) on 3 levels (the medical condition, hospital and physician levels), illustrated using a case study on Boston University Medical Center.

Evaluation:

Students will be evaluated on the basis of submitted answers to case questions and class participation. We will primarily evaluate whether you made a serious attempt at confronting the course material.

1. **Answers to cases questions:** required to be submitted prior to each class. The case question assignments can be found on the Canvas site for this course. In evaluating your answers to the case questions, we are primarily interested in whether you made a serious effort to confront the question, rather than focusing specifically on the “correct answer”.
2. **Class Participation:** Constructive contribution to class discussions and genuine listening to others are crucial elements of this course. It is the quality of your contributions that counts, and not the quantity. Criteria considered are the following. Would the quality of the class discussion diminish if this student were not a member of the class? Are the points made relevant to the discussion? Is there a tendency to make “safe” comments (e.g. regurgitating facts of the case), rather than a willingness to try out communicating new ideas? Do the participant’s comments reflect a thorough preparation of the material? Are arguments well-presented and substantiated?

Day 1 Class: April 1, 9am–5pm: Readings, Case Preparation and Deliverables

Morning Session: The financial condition of the U.S. Government and competition in the healthcare sector

Reading:

1. Citizen's Guide to the 2015 Financial Report of the U.S. Government ([link](#)) and the discussion of Social insurance on page 25 in the Management's Discussion and Analysis ([link](#))
 - For the hardcore: peruse the Financial Statements ([link](#), especially the “Statement of Social Insurance”) and related Notes ([link](#), especially Footnote 23 “Social Insurance”)
2. A handshake that made healthcare history (in E-ship club course pack & via Study.net). Optional Reading ([link](#))
3. After the ACA: Freeing the market for health care, by John Cochrane ([link](#)). Optional Readings ([link 2](#), [link 3](#))
4. Cancer Treatment Centers of America Case (in E-ship club course pack & via Study.net) ([Link to case discussion questions](#))

Required Deliverables:

Prepare to discuss the Cancer Treatment Centers of America Case. Submit answers to a series of questions on the readings and Cancer Center of America Case prior to class via Canvas.

Afternoon Session: Outcome & Cost Measurement for Enhancing Health Care Delivery as Viewed through the Lens of Managerial Accounting

Reading: all in E-ship club course pack, also available via Study.net

1. Kaplan, R.S. and M. Porter (2011). “How to Solve the Cost Crisis in Health Care”. Harvard Business Review.
2. Kaplan, R.S. and D.E. Haas (2014). “How Not to Cut Health Care Costs.” Harvard Business Review.
3. Kaplan, R.S., M. Witkowski, and J. Hohman (2013). “Boston’s Children’s Hospital: Measuring Patient Cost - abridged”. Harvard Business Case.
4. “What are a Hospital’s Costs? Utah System is Trying to Learn”, by G. Kolata. The New York Times, September 7, 2015.
5. “Special Report: Behind a Cancer Treatment Firm’s Rosy Survival Claims, by S. Begley and R. Respaud. Reuters, March 6, 2013.

Required Deliverables:

Prepare to discuss the Boston’s Children’s Hospital and the Cancer Treatment Centers of America cases (which is listed under the morning session readings). You are required to submit answers to a series of questions concerning these cases prior to class via Canvas.

Day 2 Class: April 8, 9am – 4pm: Readings, Case Preparation and Deliverables

Morning Session: Labor market incentives created by the ACA and financial analysis of HCA.

Reading:

1. How ObamaCare Wrecks the Work Ethic (in E-ship club course pack & via Study.net).
2. The Myth of ObamaCare's Affordability (in E-ship club course pack & via Study.net). For more depth on this issue see Casey Mulligan's book ([link](#))
3. Economic Growth by John Cochrane ([link](#))

Required Deliverables:

1. Prepare to discuss the HCA Case (link to case: [HCA Case](#))
2. Submit answers to a series of questions on the Articles and HCA Case prior to class via Canvas.

Afternoon Session: Price transparency, Reimbursement mechanisms, risk and incentive compensation for health care providers

Reading: both in E-ship club course pack, also available via Study.net

1. "How to Bring the Price of Health Care into the Open", by M. Beck. Wall Street Journal, February 23, 2014.
2. Young, D.W. (2012). "Apogee Health Care". Harvard Business Case.
3. Jost, M.G. and D.W. Young (2013). "Boston University Medical Center Hospital". Harvard Business Case.

Required Deliverables:

Prepare to discuss the Apogee Health Care and Boston University Medical Center Hospital cases. You are required to submit answers to a series of questions concerning these cases prior to class, via Canvas.