NYUWagner

The Business of Health Care - P11.2848

September 13 – December 20, 2010

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Course Description and Objectives

Should health care be viewed as a business model and managed as such or is it considered to be a social obligation that is to be made available to society? This question has still not been answered satisfactorily. Accounting for more than 16% of this country’s Gross Domestic Product, the medical care industry certainly requires effective and financially prudent management to achieve its purpose. Greater numbers of health care organizations are adopting business principles in order to compete in the current marketplace.

This course will explore the idea if health care can be managed in a competitive and market based environment, the current issues affecting the health care industry, what approaches not-for-profit health care organizations can take to remain viable, and the phenomenon of the mergers and acquisition process and its underlying determinants in the health care sector.

The course will be divided into three segments:

- September 13 – October 4: Overview of the health care industry, financing, market position, effect on consumers of health care services, provider accountability and remuneration, and current issues on health care reform.
- October 18 – November 1: The evolution of not-for-profit organizations into social ventures and social entrepreneurship including mergers and acquisitions in the not-for-profit sector.
- November 8 – December 20: The mergers and acquisition process in the health care field including reasons, valuation principles, determinants and maximizing of value, negotiating, the effect of the economy on the M&A process, and issues occurring post-transaction.

A primary objective of this course is to provide the student and next generation of managers with a practical and working knowledge of the health care industry.
Course Requirements

Three written assignments are required:

- The first will be a paper on a current issue in health care of your choosing and will be due October 18\textsuperscript{th}. Please submit an outline of your topic and sources on September 20\textsuperscript{th}.
- The second assignment will be a case study of a not-for-profit health care organization for which you will recommend a business venture which the organization can create and implement. This is due November 15\textsuperscript{th}.
- The third assignment will be the development of a Confidential Information Memorandum (CIM) of a health care company that you have analyzed and are presenting as an acquisition candidate. This will be a group project and will be due December 20\textsuperscript{th}. Your group will also present the analysis in class on December 20\textsuperscript{th}. Select the company you will analyze by November 22\textsuperscript{nd} and indicate the reasons why you chose this company.

Reading and Other Materials:

You will receive a packet of articles, book chapters, and other publications on the subject matter. You will also be provided with examples of documents and memoranda used in the M&A process (including a sample of a CIM). The reading assignments are indicated in the body of the syllabus.

Grading:

Your grade will be determined by the quality of your written assignments and presentations, your participation in call discussions, my perception of your insight and analytical thought processes about the course topics, and your attendance.

Now, take a deep breath, relax, and enjoy the learning experience. A detailed syllabus follows.
Week 1 - September 13th
• Review of course requirements
• Overview of the Health Services Industry: Services, Revenues, Operating Environment

Reading
• Current U.S. Health Care System; a Braff Group presentation

Week 2 - September 20th
• Health Care Financing

Reading
• Health Care USA: Understanding Its Organization and Delivery, 6th Edition; Chapter 7; Sultz and Young; Jones and Bartlett Publishers

Topic for first written assignment due.

Week 3 - September 27th
• Is Health Care a Market Good?
What does economics tell us about how markets work in a competitive system? What are the requirements for a market to work? What are the indications that a market does not work?

Reading
• Uncertainty and the Welfare Economics of Medical Care; Kenneth Arrow; American Economic Review 53(#5) December 1963

• Is Health Care a Market Good?: pro
What are the arguments of those who believe that health care is a market good and works well on a market basis?

Reading
• Redefining Competition in Health Care; Michael E. Porter and Elizabeth O. Teisberg; Harvard Business Review; June 2004
• Is Health Care a Market Good?: con
What are the arguments of those who believe that health care is not market good and should not be delivered on a market-driven basis?

Readings
• Can Markets Give Us the Health Care System We Want?; Tom Rice; Journal of Health Politics, Policy and Law; April 1997.
• Going for the Gold: The Redistributive Agenda Behind Market-Based Health Care Reform; Robert G. Evans; Journal of Health Politics, Policy and Law; April 1997

Week 4 – October 4th
• Consumer Driven Health Care
• Pay for Performance
• Health Care Reform

Readings
• Consumer Driven Health Care – Promise and Performance
  James C. Robinson and Paul B. Ginsburg. Health Affairs, March/April 2009, 28(2)
• Managed Consumerism in Health Care; James C. Robinson, Health Affairs, Nov/Dec 2005, 24(6)
• Pay for Performance Incentive Programs in Healthcare: Market Dynamics and Business Process; Geoffrey Baker; Research Report
• Pay for Performance; a Braff Group publication
• Should Health Care Come With a Warranty?; Francois de Brantes, Guy D’Andrea, and Meredith B. Rosenthal; Journal of Health Affairs
• My Father’s Broken Heart; Katy Butler; New York Times Magazine; June 20, 2010
• Focus on Health Reform; Henry J. Kaiser Family Foundation
• What’s in the Bill?; WSJ.com; March 22, 2010
• Toward a 21st-Century Health Care System: Recommendations for Health Care Reform; Kenneth Arrow, et al; Annals of Internal Medicine; April 7, 2009; Volume 150 Number 7
Week 5 – October 18th
- Are not-for-profit organizations adopting for-profit principles?

Readings
- Evolving from a Not-for-Profit to a Social Venture; a Braff Group publication
- Genius at Work, an interview with Bill Strickland, CEO of Manchester Craftsmen’s Guild and the Bidwell Training Center; Source: Management Assistance Program for Nonprofits

First written assignment due.

Week 6 – October 25th
- Social Entrepreneurship

Readings
- The Meaning of Social Entrepreneurship; J. Gregory Dees, Professor of Public Service, Graduate School of Business, Stanford University
- Eight Basic Principles for Nonprofit Entrepreneurs; Jerr Boschee; Nonprofit World; July/August 2001

Week 7 – November 1st
- Business and Diversification Strategies for Health Care Organizations

Readings
- Startup, Acquisition, or New Programs and Service
  A Framework for Choosing the Best Business Expansion Strategies; a Braff Group publication
- Strategic Déjà Vu - Strategic initiatives that appear to be good often go bad; a Braff Group publication
- Evaluating Diversification Strategies – Diversification is not for everyone; a Braff Group publication
- Strategic Planning for Business Value – Planning a strategy to grow your business for maximum valuation means reducing risk through strong financials, a seasoned management team, diverse referral base, optimal business mix, and a strong brand identity; a Braff Group publication

Week 8 – November 8th
- Mergers and Acquisitions in the Not-for-Profit Sector

Readings
- Bringing Mergers and Acquisitions to the Nonprofit Mainstream; Alex Cortez, William Foster, Kate Smith Milway; Philanthropy Magazine; Spring 2009
- Nonprofit M&A: More Than a Tool for Tough Times; Alex Cortez, William Foster, Kate Smith Milway; The Bridgespan Group, Inc.; 2009
- Consolidation Strategies for Non-Profit and For-Profit Companies; a Braff Group presentation
Week 9 – November 15th

- Factors Influencing Mergers and Acquisitions in the Health Care Industry – Economic and Otherwise

Readings
- Mergers/Acquisitions – Still the Right Strategy?; Joel Wittman
- Essentials of Health Care Finance, 6th Edition; William O. Cleverley and Andrew E. Cameron; Consolidations and Mergers – Chapter 19; Jones and Bartlett, Publishers
- The Credit Crunch, Private Equity, and Home Care; a Braff Group publication
- Private Equity Investment in Home Health Care: Is the Window of Opportunity Beginning to Close?; a Braff Group publication
- Private Equity Groups Take an Interest in Home Health; a Braff Group publication
- Why the Home Health Public Markets Stumbled; a Braff Group Publication
- Why You May Have a Rooting Interest in Publicly Traded Competitors; a Braff Group publication

Second written/case study assignment due.

Week 10 – November 22nd

- Valuation of Health Care Companies and Steps to Maximize Value

Readings
- What Is My Company Worth?; Joel Wittman
- Mergers and Acquisitions: The Multiple Problems with Multiples; a Braff Group publication
- Business Valuation - Demystifying Risk and the Earnings Multiple for Both Buyers and Sellers; a Braff Group publication
- From Theory to Practice - Common Errors and Misconceptions in Business Valuation; a Braff Group publication
- Value Is Not Absolute - Selling a business for more than fair market value involved knowing your true value to the buyer; a Braff Group publication
- Selling Your Business - 10 Critical Strategies to Maximize Value in a Divestiture; a Braff Group publication
- Ten Ways To Increase M&A Value; a Braff Group publication
- Various handouts

Outline of company to be analyzed due.

Week 11 – November 29th

- The Mergers and Acquisition Process

Readings
- Various handouts
- How to Sell Your Company: The Cliff Notes Version; a Braff Group publication
Week 12 – December 6th
- Buyer Intelligence and Negotiation

Readings:
- Corporations Don’t Buy Companies – People Do: A Glimpse Inside the Brain of the Buyer; a Braff Group presentation
- The Art of Negotiation; a Braff Group publication
- Let’s Make a Deal; a Braff Group publication
- Negotiation Techniques; Gerard I. Nierenberg; The Complete Negotiator; Chapter 10; Nierenberg and Ziff Publishers
- Common Errors in Negotiation; James F. Hennig, Ph.D.; M&A Today
- Negotiating with Difficult People or Situations; James F. Hennig, Ph.D.; M&A Today
- Negotiate Like a Teamster and Leave ‘em With a Smile; a Braff Group presentation

Week 13 – December 13th
- Timing the sale of a business
- What occurs after a transaction?

Readings:
- Is it Time for You to Sell?; a Braff Group publication
- After the Acquisition: Recognizing and Minimizing the Impact of Ownership Changes and Personnel; a Braff Group publication

Week 14 – December 20th
- Presentations of Confidential Information Memoranda (CIM)

Third written assignment/CIMs due.