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 18% 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 topic segments:

- **September 10th – October 1st**: 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 8th – October 29th**: The evolution of not-for-profit organizations into social ventures and social entrepreneurship including mergers and acquisitions in the not-for-profit sector.
- **November 5th – December 3rd**: 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.
- **December 10th/17th**: Presentation of group papers.

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; papers should be five pages or longer:

1. The Supreme Court decision upheld the constitutionality of the Patient Protection and Affordable Care Act but did relieve the states of certain financial penalties if a state does not comply with the expansion planned for Medicaid. In your opinion, what will be the effect on the health care industry based on the decision, how will the business of health care change, and what changes should the industry make to accommodate the PPACA?

This assignment will be due October 8th.

2. You are the CEO of a not-for-profit incorporated health care services organization. Recessionary times and reductions in reimbursement have negatively affected your organization’s ability to meet its mission and planned objectives. What changes to the business model would you propose to ensure the continued viability of entity? Think like a social entrepreneur.
   Suggestions:
   • identify a health care organization and analyze its business and operating model
   • research the company’s marketplace and customer/patient base
   • identify causes of operating and financial distress: i.e., changes in reimbursement methodology and mix; decreases in non-earned revenues; shift in customer/patient base; increase in competition; regulatory changes
   • develop a plan of what you would propose including type of program/organization, revenue and financial enhancement opportunities, and hopeful results.

This assignment will be due November 5th.

3. Select a health care provider (public or private; I suggest publicly traded since the information is more readily available) and analyze its operating and financial positions. Create a Confidential Information Memorandum (CIM) on the company including its strengths, weaknesses, opportunities, and threats. Develop a valuation for the company. This will be a group project. Each group will review its CIM with the class. You will receive copies of a questionnaire that can be the basis for the analysis, a completed CIM, and a valuation spreadsheet.

This assignment will be due December 10th.
Reading and Other Materials:

Reading and other materials will be posted on Blackboard. 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 class 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 10th
- Review of course requirements
- Overview of the Health Services Industry: Services, Revenues, Operating Environment

Readings
- Current U.S. Health Care System; a Braff Group presentation

No class scheduled for September 17th

Week 2 - September 24th
- Health Care Financing

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

Week 3 – October 1st
- 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?

Readings
- 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?
Readings

- 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 8th

- Consumer Driven Health Care
- Pay for Performance
- Health Care Reform – The Hieroglyphics of Health Care – PPACA; ACO; PCMH; MLTC, etc.

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
- Accountable Care Organizations: Summary and Analysis of the Proposed Rule; MedeAnalytics White Paper
- Fierce Healthcare – October 21, 2011 issue
- Medical Homes: Awareness and Early successes; Health Intelligence Network (HIN.com) White Paper
- Multiple Paths to Integrated Health Care; HFMA Publication – 2009 Archives
No class scheduled for October 15th

**Week 5 – October 22nd**
- 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 29th**
- 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 5th**
- 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 12th

- 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
- The Role of Mergers and Acquisitions in the Not-For-Profit Healthcare Sector – Parts I and II; Joel Wittman; NYU Wagner Health Policy Blog; May and June 2012 issues

Week 9 – November 19th

- 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 assignment due.
Week 10 – November 26th
- 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 – December 3rd
- The Mergers and Acquisition Process

Readings
- Various handouts
- How to Sell Your Company: The Cliff Notes Version; a Braff Group publication

Week 12 – December 10th
- 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 12th – Classes meet on Wednesday
- 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 17th
- Presentations of Confidential Information Memoranda (CIM)

Third written assignment/CIMs due; group presentations