

**Syllabus**  
**Healthcare Reimbursement (H456 and S456 Honors)**  
**Indiana University School of Public & Environmental Affairs**  
**Fall 2015**

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**Class:** M W 4:00-5:15 p.m., Woodburn Hall 101

**Office Hours:** M W 12:30 – 2:30 p.m. (and by appointment)

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**COURSE OBJECTIVES**

- To deepen the student's understanding of payment and financing for healthcare services under managed care arrangements, and the strength and weaknesses of its various organizational structures;
- To survey the performance of managed care organizations in the private sector;
- To provide students with the foundation needed to be knowledgeable consumers of healthcare;
- To familiarize students with contemporary management issues including capitation, risk sharing, utilization management, pharmaceutical benefit management, disease management, and behavioral health management;
- To introduce students to pressing public policy issues regarding managed care, such as patients' rights, consumerism, physician accountability, and quality assessment and assurance.

**REQUIRED TEXTBOOKS**

Kongstvedt, Peter R., Health Insurance and Managed Care: What They Are and How They Work, Fourth Ed., Jones & Bartlett Learning, 2015. ISBN 978-1-284-04325-9

*Available for purchase (\$86.00) or rental (\$55.90) at the I.U. Bookstore. The textbook is also available for \$85.95 through the publisher at:*

<http://www.jblearning.com/catalog/9781284043259/>

Harrington, Michael K., Health Care Finance and the Mechanisms of Insurance and Reimbursement, Jones & Bartlett Learning, 2015. ISBN 978-1-284-02612-2

*Available for purchase through the I.U. Bookstore or at the publisher (\$82.95) at:*

<http://www.jblearning.com/catalog/9781284026122/>

*A digital edition is available (\$41.95) at:*

<http://www.jblearning.com/catalog/9781284034929/>

***Additional required readings will be available as class handouts or through Canvas. Please refer to the Schedule of Topics for readings.***

## **COURSE REQUIREMENTS AND BASIS FOR FINAL GRADE**

- **Exams**

Three exams will be given, and will comprise 60% of the final grade. Exams are *NOT EXPLICITLY* cumulative – but concepts will build upon material previously covered. Contents of the exams will be based on lectures, reading assignments and exercise assignments. The format of exams includes multiple choice and true/false questions. The quantitative nature of this course means that exams will include questions requiring basic mathematical calculations. A basic calculator is allowed during the exams. Exams *MUST* be taken during the scheduled time period. Makeup exams will be granted only in exceptional situations and *ONLY* if arranged in advance. Verification from a physician is required for absence during an exam for medical reasons.

- **Assignments**

Assignments will comprise 15% of the final grade.

Assignments will be discussed in class when assigned. **Assignments are not covered in the textbook. Therefore, it is essential for you to attend class in order to understand assignments.**

Assignments are posted in Canvas with their due dates. Please turn in your assignments at the beginning of class on the due date. Give yourself plenty of time to work the assigned exercises, as they will require your analysis and are not always straightforward. *I appreciate neat, organized, grammatically correct work, as it is expected in your professional life.*

- **Attendance**

Attendance will comprise 10% of the final grade.

Attendance and participation at class is essential. Attendance tracking for credit will begin during the second week of the semester on **Monday, August 31, 2015.**

A total of **two absences**, for any reason, will be permitted without deducting attendance points. Please note that Canvas is configured to automatically drop your two lowest attendance scores. Thus, you will not be penalized for your first two absences. The instructor does not evaluate if an absence is considered excusable or not.

***It is your responsibility to sign the attendance sheet each class session.*** Points are awarded simply based on the number of classes attended. Please direct questions regarding your attendance record to our Undergraduate Teaching Assistant.

- **Final Presentation**

A comprehensive team presentation related to a critical issue and/or advanced topic associated with healthcare reimbursement will comprise 15% of the final grade. You will be randomly assigned to a team of approximately five (5) students.

Grading will be based on your team’s selection of an appropriate and relevant topic, content, presentation delivery, your team’s ability to generate questions and discussion following the presentation and peer evaluation of your teamwork efforts. Your instructor will need to approve your team’s topic in advance, by a specified date listed on the schedule. Details will be provided early in the semester.

### Lecture Recordings

Daily classroom lectures will be recorded and provided to you as a key learning resource. I use the Echo360 classroom recording system, which captures the presentation audio and video for your later review. Links to lecture recordings will be posted in Canvas, and are easily accessible. Occasionally, I have experienced technical issues outside my control which make recorded lectures inaccessible – therefore, the live lectures should be considered your primary resource.

*Please refer to the grading model and track your grades throughout the semester.*

*I utilize Canvas for grade tracking. If you notice any discrepancies, it is your responsibility to notify me.*

### Basis for Final Grade

Criterion	Possible %
Exam #1	20%
Exam #2	20%
Exam #3	20%
Assignments	15%
Attendance	10%
Final Presentation	15%
<b>Total</b>	100%

Grade	Minimum
A+	97.0%
A	93.0%
A-	90.0%
B+	87.0%
B	83.0%
B-	80.0%
C+	77.0%
C	73.0%
C-	70.0%
D+	67.0%
D	63.0%
D-	60.0%
F	<60.0%

**Important Note:** Historically, at the end of each semester, several students ask me to adjust their final letter grade upward or “round up” to the next higher grade. Students frequently provide extensive rationale for their request(s). The guidelines shown above are thresholds that must be achieved in order to earn the indicated grade. Therefore, I will not accept requests to adjust final grades.

### **GENERAL EXPECTATIONS**

1. Attendance and participation at class is essential. Experience shows that students who do not attend class regularly tend to perform poorly. If you have to miss a class, you are strongly advised to copy lecture notes from other students. Handouts will be available only on the day originally provided and may not be available on Canvas.
2. Anyone attending class is expected to conduct him or herself appropriately. Academic and personal misconduct by students in this class are defined and dealt with according to the procedures in the Code of Students Ethics. You are responsible for being familiar with this code and all other relevant SPEA and University policies.
3. In addition to attending class there is an expectation that you will spend several hours a week reading and doing assignments.
4. ***Silence cell phones and electronic devices while in class.*** You ***may*** use laptops for taking notes or for following lecture materials. Please restrict use of laptops and electronic devices to classroom purposes only. Browsing unrelated material during class is distracting for you and others.
5. Students needing accommodations because of disability must register with the Office of Disability Services for Students (DSS) and complete the appropriate forms issued by DSS before accommodations will be given. The DSS office may be accessed as follows: Herman B. Wells Library, Room W302, <http://studentaffairs.iub.edu/dss/>, (812) 855-7578.
6. Along with information given in class, OnCourse will be an important source of information for the course, including any class cancellation notices, exam date changes and clarifications concerning course expectations.
7. If you have questions about your grade, you must inquire in person or in writing.

**Healthcare Reimbursement & Managed Care (H456, S456)**  
**Schedule of Topics**  
**Fall 2015**

Lecture PowerPoints will be posted on Canvas at least one week in advance. Assignments will be posted in advance under the Assignments tab.

<i>Date</i>	<i>Topic</i>	<i>Assigned Reading/Resource</i>
Mon, Aug 24	Introductions, Syllabus & Course Overview	-
<b>Section 1: Introduction to Health Insurance and Managed Care</b>		
Wed, Aug 26	<i>Lecture 1:</i> The Basics of Health Insurance	Private Health Insurance 101 Online Tutorial: <a href="http://kff.org/interactive/private-health-insurance-101-tutorial/">http://kff.org/interactive/private-health-insurance-101-tutorial/</a> (Kaiser Family Foundation)
Mon, Aug 31	<i>Lecture 1 (continued):</i> The Basics of Health Insurance	Harrington – Chapter 4
Wed, Sep 2	Indemnity Insurance Coverage Exercise	Two (2) posted journal articles
Mon, Sep 7	<b>Labor Day – No Class</b>	
Wed, Sep 9	<i>Assignment 1 Due:</i> Indemnity Insurance Coverage Example <i>Lecture 2:</i> The Evolution of Insurance and Managed Care	Kongstvedt - Chapter 1
Mon, Sep 14	<i>Assignment 2 Due:</i> Indemnity Insurance Coverage Example <i>Lecture 2 (continued):</i> The Evolution of Insurance and Managed Care	Kongstvedt - Chapter 1
Wed, Sep 16	<i>Lecture 3:</i> Types of Managed Care Organizations: PPOs	Kongstvedt - Chapter 2 Harrington – p.117-127
Mon, Sep 21	<i>Assignment 3 Due:</i> Preferred Provider Organization Networks <i>Lecture 4:</i> Types of Managed Care Organizations: POSs and HMOs	Kongstvedt - Chapter 2 Harrington – p.117-127
Wed, Sep 23	<b>Midterm Examination #1</b>	
<b>Section 2: Managed Care Boot Camp</b>		
Mon, Sep 28	<i>Lecture 5:</i> Managed Care Contracts	Kongstvedt - Chapter 3, p. 55-60 Posted Reading: <i>Top Ten Pitfalls</i> Harrington – p.60-64
Wed, Sep 30	Model Managed Care Contract and Exercise (in class) <i>Final Team Presentation Instructions and Team Assignments</i>	Posted Reading: <i>United Healthcare Model Contract</i>
Mon, Oct 5	<i>Assignment 4 Due:</i> Contract Terms & Conditions <i>Lecture 6:</i> Hospital Reimbursement	Kongstvedt - Chapter 3, p. 75-89 Posted Reading p. 110-121 Harrington – p.137-143
Wed, Oct 7	Hospital Reimbursement Modeling Exercise	-

Mon, Oct 12	<i>Assignment 5 Due:</i> Hospital Reimbursement Modeling Review Reimbursement Modeling Assignment	Harrington – Chapter 8
Wed, Oct 14	<i>Lecture 7:</i> Physician Reimbursement and Practice Management	Posted Reading p.88-110 Harrington – Chapter 9
Mon, Oct 19	<i>Assignment 6 Due:</i> Physician Practice Reimbursement <i>Lecture 8:</i> Managed Care Organizations: Internal Organization and Operations	Kongstvedt - Chapter 5 Harrington – p.127-130
Wed, Oct 21	<b>Midterm Examination #2</b>	
<b><i>Section 3: Advanced Topics and Current Events</i></b>		
Mon, Oct 26	<i>Lecture 9:</i> Strategies to Control Cost and Quality	Kongstvedt - Chapter 4
Wed, Oct 28	<i>Assignment 7 Due:</i> Health Plans and Utilization Benchmarking <i>Lecture 10:</i> Disease Management <i>Final Team Presentation - Topic Approval Deadline</i>	Posted Reading
Mon, Nov 2	<i>Lecture 11:</i> Pharmacy Benefit Management	Posted Reading
Wed, Nov 4	<i>Lecture 12:</i> Managed Medicare and Medicaid	Kongstvedt - Chapter 6
Mon, Nov 9	<i>Lecture 13:</i> Integrated Delivery Systems, Accountable Care Organizations (ACOs) and PCMHs	Posted Reading Harrington – Chapter 13
Wed, Nov 11	<i>Lecture 14:</i> Integrated Delivery Systems, Accountable Care Organizations (ACOs) and PCMHs	
Mon, Nov 16	<i>Lecture 15: The Patient Protection and Affordable Care Act of 2010</i>	Harrington – Chapter 5
Wed, Nov 18	<b>Midterm Examination #3</b>	
Mon, Nov 23	<b><i>Thanksgiving Break – No Class</i></b>	
Wed, Nov 23	<b><i>Thanksgiving Break – No Class</i></b>	
Mon, Nov 30	<b>Team Preparation Time (on own) – No Class Session</b>	
Wed, Dec 2	<b>Final Team Presentations – Teams 1-4</b>	-
Mon, Dec 7	<b>Final Team Presentations – Teams 5-8</b>	-
Wed, Dec 9	<b>Final Team Presentations – Teams 9-12</b>	-
	<b><i>No cumulative final examination will be given during finals week!</i></b>	

# H456 Healthcare Reimbursement Course Outline

## Perspectives from which to consider Healthcare Reimbursement

### The Basics of Health Insurance

- Risk theory and insurance

- Types of insurance

- Health insurance sources

  - Private/Commercial

  - Public (funding)

- Indemnity health insurance

  - Pure indemnity

  - Modified indemnity

- Basic health plan terms

- Premium basics

- Moral hazard

- Adverse selection

- Exercise: Indemnity premiums and out-of-pocket expenses for single coverage

### Private/Commercial Insurance - Basics

- Employer-based

- Premium participation

- Self-funded plans

  - Stop Loss and reinsurance

  - Third party administrator

  - ERISA

- Usual, customary and reasonable

### Public Financing Programs

- Medicare

  - Eligibility

  - Funding

  - Spending

- Medicaid

  - Example Indiana plans

- Veterans Administration

- TriCare

## **The Evolution of Health Insurance and Managed care**

Hospitalization – Blue Cross

Physician – Blue Shield

Employer-based health insurance and the historical reasons for it

Medicare and Medicaid historic origins

Healthcare cost inflation 1965-1985

HMO Act of 1973

Characteristics of HMOs

Prospective payment and the implementation of DRG reimbursement (1984)

Management of hospitals in the wake of prospective payment

Examples of DRG classification and billing

Clinton era efforts at healthcare reform

Managed care, defined

The Managed Care Backlash

Employer responses to rising costs

Healthcare provider perspective and responses to managed care

The continuum of managed care development

## **Types of Managed Care Organizations**

Preferred provider organization

Network

Contracts

Discounts

Advantages and disadvantages from each stakeholder's perspective

Reimbursement methods

Utilization management introduction

Example PPO plans, premiums, terms, benefits

Point of service plan

Exclusive provider organization

From the insurer's perspective

Selection of network providers

From the provider's perspective: To contract or not?

Rental networks

Health maintenance organizations

Defining characteristics

Capitation

Models

Gatekeeper

Largest HMOs currently operating

Integrated delivery systems and PSOs – IPA, GPWW, PHO, MSO

## **Managed Care Contracts**

- Contracting process
- Contract structure and contents
- Contract evaluation process
- Contract pitfalls from provider's perspective
- Exercise: Model managed care contract and exercise in reviewing/negotiating

## **Hospital Reimbursement Systems**

- Charge Master (CDM)
- Flowchart of hospital billing process
- Determination of payable amount
  - DRG grouper
- Electronic billing systems
- Hospital billing and collections staff
- Types of hospital reimbursement arrangements
- Calculation of DRG reimbursement
  - Base, outlier
- Calculation of other reimbursement forms
- Exercise: Model a contract proposal and make recommendations

## **Physician Reimbursement Systems**

- By Payor
  - Fee for service
  - Fee schedule
  - Capitation
  - Hybrids
  - CPT Codes
  - Example office services
- By Group/employer
  - Incentive structures
  - Salary, percent of billings, base plus incentive
  - Dividends in a group practice

## **Managed Care Organizations: Internal Operations**

- Functional makeup and organization
  - Network management
    - Credentialing
  - Provider relations
  - Marketing and sales
  - Member services
  - Utilization management
    - Carve-out
  - Claims administration
    - Explanation of benefits
  - Underwriting
  - Finance and Information systems

## **Strategies to Control Cost and Quality**

- Utilization Management
  - Metrics and benchmarking costs and utilization
  - Benefit design to control costs
  - Preventive services
  - Prospective, Concurrent, Retrospective techniques
- Disease Management
- Worksite Wellness

## **Prescription Drug Benefit Management**

- Costs and trends
- Pharmacy benefit manager (PBM)
- Pharmaceutical distribution and acquisition
- Formulary
- Pharmacy & Therapeutics Committee (provider and plan)
- Brand vs. generic
- Tiering
- Generic and therapeutic substitution
- e-prescribing
- Point of sale claim adjudication in pharmacy
- Rebate program
- Regulation – FDA, DEA

## **Managed Medicare and Medicaid**

- Part C history and current
- Part D
- Medicare Advantage plans
- Payment system for Part C
- Requirements for operating a Part C plan
- Quality monitoring and reporting of Part C plans

## **Accountable Care Organizations and PSOs**

- Market evolution and reasons
- Delivery system – market-driven reform
- Patient Centered Medical Home
- Accountable Care Organization and taking on risk
- In the Affordable Care Act
- Quality criteria

## **The 2010 Patient Protection and Affordable Care Act**

## SPEA Academic Policies

### Academic Dishonesty

SPEA faculty do not tolerate cheating, plagiarism, or any other form of academic dishonesty. If you have not done so, you should read the IUB *Code of Student Rights, Responsibilities, and Conduct*, which can be accessed at <http://www.iu.edu/~code/code/index.shtml> so you will be sure to understand what these terms mean and what penalties can be issued for academic dishonesty. Academic dishonesty can result in a grade of F for the class (an F for academic dishonesty cannot be removed from the transcript). Significant violations of the Code can result in expulsion from the University.

Plagiarism is using another person's words, ideas, artistic creations, or other intellectual property without giving proper credit. According to the *Code of Student Rights, Responsibilities, and Conduct*, a student must give credit to the work of another person when he/she does any of the following:

- a. Quotes another person's actual words, either oral or written;
- b. Paraphrases another person's words, either oral or written;
- c. Uses another person's idea, opinion, or theory; or
- d. Borrows facts, statistics, or other illustrative material, unless the information is common knowledge.

### Civility

Civility is important in an academic community to ensure that all parties—students, staff, and faculty—are working in an environment that fosters achievement of the individual's and community's goals and objectives. Civility requires all parties to demonstrate personal integrity and conduct themselves in a manner that shows respect, courtesy and tolerance to others. Examples of discourteous behaviors during class include reading the newspaper, listening to headphones, talking or laughing with others, chronically arriving late, and so forth. These behaviors are distracting to the instructor and classmates, and SPEA faculty will address these problems as they arise. Maintaining and fostering civility inside and outside the classroom is especially important to SPEA, which is a professional school.

Pursuant to the Indiana University Student Code of Conduct, disorderly conduct which interferes with teaching, research, administration, or other university or university-authorized activity will not be tolerated and will be immediately reported to the Office of The Dean of Students for appropriate disposition which may result in disciplinary action including possible suspension and/or expulsion from the university.

### Communication between Faculty and Students

In order to verify the identity of all parties involved, effective September 1, 2004, all email communication from current SPEA students to SPEA staff must originate from an Indiana University email account. For email communication with SPEA faculty, current SPEA students should refer to course syllabi for instructors' preferences (Oncourse, Webmail, etc.). This policy applies to current students only. Instructions for forwarding your IUB email to another account can be found at:

<http://kb.indiana.edu/data/beoj.html?cust=687481.87815.30>

### Course Withdrawals

Students who stop attending class without properly withdrawing from the class may receive a grade of F. It is important to withdraw from a course within specified timeframes (see chart below). Note that withdrawals after Week 12 of a regular session or Week 4 of a summer session are rarely granted. **Poor performance in a course is not grounds for a late withdrawal.**

No withdrawal forms will be processed in the Office of the Registrar after the last day of classes. Any requests for a late withdrawal after the last day of classes must go through the grade appeal process, but each student should remember that in accordance with campus policy, SPEA does not permit a student to withdraw from a course if he/she has completed the course requirements. Grade replacement should be used in this case. To withdraw, obtain a withdrawal slip (DROP/ADD Form) from the SPEA Student Services window. Instructions for completing it are given on the form.

SPEA Academic Policies (continued)

Withdrawal Deadlines	
Course deleted from record, no grade assigned, 100% refund (Advisor signature <b>IS NOT</b> required)	Week 1 (last day)
Withdrawal with automatic <a href="#">grade of W</a> (Advisor signature <b>IS</b> required)	Week 2 – Week 7 (regular session) Week 2 – Week 3 (summer session)
Withdrawal with <a href="#">grade of W or F</a> (Advisor and instructor signatures <b>ARE</b> required)	Week 8 – Week 12 (regular session) Week 3 – Week 4 (summer session)

### Incompletes

A grade of incomplete (I) indicates that a ‘substantial portion’ of the work in a course has been satisfactorily but not entirely completed by the student as of the end of the semester. The incomplete can be given to a student facing a hardship such that it would be unjust to hold the student to the established time limits for completing the work. To be eligible for the incomplete in a SPEA course, the student’s work must be of passing quality, and the student must have completed 75% of the course requirements. **Poor performance in a course is not grounds for an incomplete.** SPEA follows the campus guidelines in awarding incompletes which may be accessed at the Office of the Registrar’s website at:

[http://registrar.indiana.edu/stu\\_grades.shtml](http://registrar.indiana.edu/stu_grades.shtml)

Incompletes must be removed within a time period not to exceed one year after the semester in which the student was enrolled in the course. The incomplete will revert to an ‘F’ if the work is not completed within the allotted timeframe established by the instructor.

### Students Called to Active Duty

SPEA encourages any student who is in the Indiana Military Reserves and is called to active duty to finish his/her coursework if at all possible. Students who cannot complete their courses have the option of withdrawing with 100% fee refund, but this request must be made within one week of being called to active duty. Students who are called to active duty may qualify for an incomplete (provided that all the above criteria have been met). For further information, please see the Office of the Registrar’s website at:

[http://registrar.indiana.edu/stu\\_infopoli.shtml](http://registrar.indiana.edu/stu_infopoli.shtml)

### Final Exam Schedule

If a final exam is given, it must be held on the day and time set in the final exam schedule. If an instructor has changed the final exam date, the student should first consult with the instructor. Students who have more than three final exams in one day or insufficient time to get from one exam to another should consult with their instructors to resolve these conflicts. Exams may not be given in the week before the final exam week. If a student is not able to resolve a final exam problem with the instructor, the student may report the problem to the Director of Undergraduate or Graduate programs. The final exam week schedule can be found at the Office of the Registrar’s website at:

[http://registrar.indiana.edu/stu\\_calsche.shtml](http://registrar.indiana.edu/stu_calsche.shtml)