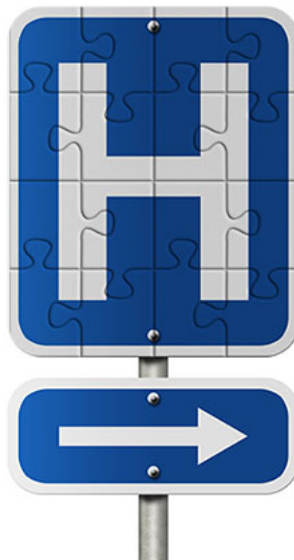


LEADERSHIP

Aetna's Mark Bertolini: A New Definition of Success for Health Care

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📍 Global Focus, North America 📌 Health Economics, Insurance and Pensions



Mark Bertolini sounds more like a patient activist than the CEO of a major health insurer, Aetna. He believes it is “criminal” that some Americans do not have health care coverage. Bertolini also wants to see changes to a system that cures diseases but does not care about the individual after treatment. In 2015, he famously raised the minimum base pay of Aetna employees to \$16 per hour because he believed anything less was unfair.

Before Bertolini was hired as CEO, he told Aetna board members that one of his goals was to reestablish the credibility of corporate leaders in the eyes of the public. Only if the board agreed with him would he take the job. In his sixth year as CEO, Bertolini has presided over a quadrupling of Aetna's stock price to an all-time high.

In an interview with Knowledge@Wharton at the World Business Forum in New York.

Bertolini shared his thoughts on improving the U.S. health care system and reveals what Hinduism taught him about leadership.

2nd part did not deal with Healthcare

What follows is an edited version of that conversation and the first of two parts.

Knowledge@Wharton: I am here with Mark Bertolini, the CEO of Aetna, which is now poised to become the biggest health care insurance company in the U.S.

So you've been called many things including "Health care's Mr. Fix-it." How do wear that mantle given that you've been in this health care economy for a while now? You've seen it from your perspective in the trauma care center when you were working there and now you're a CEO. How is it evolving?

Mark Bertolini: Through all of my experiences, in a Level I Trauma Center as an EMT, Emergency Department Coordinator and, working in the hospital industry, working in the early days of managed care back in the 1980's and then my own personal experiences with my son and myself in the health care system — I realized that it wasn't getting any better.

lots of excellent background

“The system wanted to fix the medical issue but wasn't at all concerned about the individual they put back into society.”

I think the issue is that we define health the wrong way, and it became incredibly apparently to me when my son battled with cancer for quite some time and when I had my ski injury where I broke my neck — the system wanted to fix the medical issue but wasn't at all concerned about the individual they put back into society. And so for me it was my pain and my limitations, my physical limitations trying to get my life back which you never really do. For my son, it was his whole journey for a year-and-a-half, two years with cancer and then, I gave him a kidney in 2007. It was just this whole journey where they just wanted to get rid of the cancer and once the cancer was gone they were done with him.

I came to this conclusion that there were a whole lot of things wrong with that but probably the most important thing was — what do we define as success? And success is

probably the most important thing was — what do we define as success? And success is really **healthy individuals who are productive**; productive individuals are economically, culturally, socially and spiritually viable; and viable people are happy. And if we can do that individual by individual and community by community, we'd have a much better world. So, how do we design a system around that is really the point, right?

he is interested in more than just the medical treatment. Perhaps he might also be interested in Prevention

Knowledge@Wharton: How does that change how you think of Aetna's products and services?

Bertolini: When I put my son into hospice [care] in ... July of 2002 ... I had to admit he was going to die in six months and he couldn't get curative services anymore.

Today, he's 30 and a productive human being in society. [When] I was working with [former Aetna CEO] Jack Rowe. I said to Jack: "You know, we should change the way our end-of-life care program works. And let's waive the requirement that you have to admit you're going to die and let's allow people to get curative services while they're in hospice."

When we did that ... what we found was that **instead of 25% of the people dying at home, 75% of the people died at home and we saw an 89% reduction in inpatient bed days and we saw 75% reduction in costs.** And the families and the feedback we got on the program was, "This is incredible." He got a win-win. People felt better AND Aetna had 75% cost reduction He 'might' be interested in a win-win with Vitamin D as well. Healthier AND cost reduction

And it worked. So today, every Aetna customer gets that product.

Knowledge@Wharton: Have you seen a difference in the type of people who want to work for you given the changes you're putting into place?

Bertolini: Definitely. When I joined Aetna in 2003 I worked for a sleepy insurance company that was struggling to figure out whether or not it was going to survive. When I took over as chairman in 2010, we were a \$30 billion dollar company and in July of next year we'll be a \$125 billion dollar company. Part of that has been our ability to be a thought leader and go out into the community and talk about what could be better....

Health care is one of the biggest budget busting problems in the world in every country and people want to fix that. And when you look at millennials, they want to be involved in a big, hairy problem that they can actually have an impact on.

We have people lined up to come to work. I just hired Gary Loveman, the CEO of Caesars. He came to work for me because he wants to be involved in the consumer part of the

health care revolution. All of a sudden, all of these really big folks, and great folks, and smart people want to come to work with us because we're about solving a big problem and everybody wants to be a part of that.

These people may be VERY open to trying some was of solving the "big hairy problem

“Success is really healthy individuals who are productive; productive individuals are economically, culturally, socially and spiritually viable; and viable people are happy.”

Knowledge@Wharton: A key thing about health care is the interconnectedness of various institutional players. Have there been partnerships that you feel have helped or others you like to see in play? What's going to be the next big shift?

Bertolini: So solution number one — when you step back from the problem itself and you admit that your value chain is on fire, which is what the Affordable Care Act did, you have to say, “Okay, if I've got an opportunity to grab one or two things out of my burning house, what do I do?” And I grabbed those things and I let the rest of the house burn and then I take those important things over to the new value chain.

You can do two things when there's a disrupted economy or industry. One, is you can put your thumb in your mouth, get in a fetal position in the corner, cut your costs and hope you're the last person standing. That's what U.S. Steel did, that's what the auto companies did. ... Or what you can do is you can say, “Okay, there's a new value chain. What is it? And what is it that I do in the current value chain that has some value and can be repurposed there?” When we did that, we looked at the provider systems and what we could do to provide them with skills and capabilities that we had that they didn't, and they couldn't afford to build on their own. And the view was that we had multiple economic models in the industry that didn't work well together.

Doctors work on a cash basis, hospitals work on a revenue basis, device manufacturers, pharma and the insurance industry work on a margin basis. So it's a wonder any of that worked together. So what we have to do is get people on the same economic model. And

our view is that every good organization, regardless if it's for profit or not-for-profit, has to make a margin to continue to invest in its business fundamentals. So investing in those business fundamentals requires you to generate that margin and let's get everybody on a margin model. Let's convince them that that's the best way to run their business.

“Health care is one of the biggest budget busting problems in the world in every country and people want to fix that.”

Knowledge@Wharton: And how does that help the patient?

Exactly what I want

Bertolini: The only way the margin model works in a hospital or in a doctor's office is if I get paid upfront to ensure the health of an employee or a person and I make the right investments to do that — I get to keep the rest. It's a margin, right? And so versus the other way around, which says I make a margin on everything I do and so if I do more things I make more margin and we know that doesn't work. That's way too costly.

So this whole idea of getting everybody on a margin model says ‘Well, you know, what the hospitals don't know — how to manage risk, how to underwrite, they don't have the risk-based capital like we do and access to the markets, they've got all this real estate ... and so what can we do to share that with them?’ If we can build what I call a health plan in a box — a toolkit for health systems to begin to make that change and doctor groups to make that change, then we can make headway in changing the system.

new term for me

So we have relationships like that all over the country. It's called value-based insurance design. We're doing that in Qatar, we're doing that in China, we're doing that in the Middle East as we start to show them — don't follow the West. Go to where the puck is going to be versus where it is now.

Knowledge@Wharton: It's been noticed that Aetna exited a few health exchanges. What does that mean for the big health care experiment that's going on in the U.S.?

Bertolini: We're still the largest provider of health insurance exchange products and it

~~Bertolini:~~ We're still the largest provider of health insurance exchange products and it was just that in those markets we could not provide a product that was valuable or affordable for people, so why continue to provide it? We should be in the markets where we can provide something of value instead of expending our resources everywhere and trying to make it work everywhere. We actually exited three markets but we entered two. So we're just switching it around. The bigger issue with the Affordable Care Act is that in every other major social program this country has ever enacted, we tweak it every year. Social security, Medicare, Medicaid, right?

We have not touched the Affordable Care Act for five years because politically it's a third rail. If you open up any part of it, everybody will rush in to change all of it or repeal it. So this administration, for good reason, has decided that they didn't want to do that. Whoever becomes president [next] ... should start there and they're going to have make promises to get the presidency because I don't think there are a whole lot of people happy with the program as it is. I think that'll be the next big step. So we're two years into it. It's 6% of our revenue. We don't make any money on it but it's not breaking our bank. Why not continue to experiment and see if it works?

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