

National Association of Corporate Directors Texas TriCities Chapter

Houston | Healthcare Innovation and Impact on Board Oversight

Houston, TX | April 2, 2015

Program Moderator

- **Dan Wolterman:** President and CEO, Memorial Hermann Health System

Program Speaker

- **Nick Augustinos:** Senior Vice President, Health Information Services and Strategies, Cardinal Health
- **Bruce Sammis:** Chief Executive Officer, Lockton Dunning Benefits

Program Summary:

For the last half century, healthcare has become a remarkably complex and disconcerting national issue, enduring as one of the highest growing costs for any corporation. Although the US per capita spends double the amount of other nations on its healthcare system, international statistics reveal that in terms of a country's health index, the US falls severely short at number thirty-eight, just below Costa Rica. Moderator, Dan Wolterman, ascribes this problematic situation to the organization and prioritization within America's basic healthcare infrastructure.

During the NACD program, "Healthcare Innovation and Impact on Board Oversight," Wolterman, Nick Augustinos, and Bruce Sammis address various aspects and flaws within the US healthcare system while alluding to possible solutions involving healthcare reform.

According to Wolterman, the US operates on a "rescue" system instead of a balanced health care system. He suggested, for example, if a man suffers a stroke or a heart attack, the US, and more particularly, the Texas Medical Center, can "rescue" him better than any other country or system. This response is not unexpected due to the US's heavy investments into medical and technological advancements. However, other nations spend only a fraction of that budget on their own healthcare systems, and they still consistently fare better than the US in their national health index. These results demonstrate two American quandaries: 1) the value spent is not the value returned, and this problem is due to 2) the value spent is not being spent in the right areas.

Augustinos asserts that health is the destination, not care. Technology brings forth an engagement of the individual in managing their health (commonly referred to as the proxy-clutch movement), which is utilized through methods of increasing and improving health productivity (i.e. using pedometers, fixtures, etc.). In the future, the diagnosis of a certain condition will remotely involve a combination of blood and other procedural tests (on site or in-home), which will then be more immediately analyzed, thus allow an individual to choose the best possible route in improving their health. As specified by Augustinos, the most significant modification in the healthcare system will be the ability to analyze and create individualized treatment options. The panel discussed the benefits and concluded that this

could be a major step in helping companies cater health programs individually for their employees, improve work efficiency and satisfaction, and potentially having a significant effect on employee retention and recruitment. Predecessors of these future models are found in the forms of stem cell harvesting and DNA profiling. They are becoming evermore affordable.

Wolterman contends that the US healthcare system is rooted in an archaic structure: one that operates on a fee-for-service arrangement. Modern medicine has evolved to the point where treatments for an ailment now range in effectiveness and are administered in accordance with how much one is able to pay. The current healthcare system is not being paid to keep people healthy; rather, it is creating a path for profit driven hospitals. Wolterman proffers that in order to improve the US's health index, healthcare must be removed from this form of an "incentive-driven" system.

The panel then considered how most corporate boards view healthcare as a commodity as opposed to a necessity. They agreed that companies should shift from commodity thinking and progress towards a philosophy that addresses employee health management. Augustinos suggests that boards take the initiative by creating transparency. When given the choice for several medical procedures, all which involve different costs and outcomes, most people make choices that contain irrational decisions due to the opacity of the healthcare system. Companies should encourage their employees to challenge billing methods as well as provide employees with the costs of certain procedures (all inclusive), thereby, assisting people in making rational choices about their health.

Sammis gauges the Affordable Health Care Act as an incomplete solution towards the system's flaws, deeming the Act as more of an insurance reform than a healthcare one. Sammis does note that the ACA produced several improvements such as creating easier access to insurance for the poor as well as requiring employers to expand coverage into preventative care; nonetheless, the reform did not address the cost of healthcare to its highest capacity. It also intentionally swayed away from areas in the US healthcare system where governmental interference was particularly needed. Augustinos agrees with Sammis' views; however, he adds on that the ACA has caused growing investment into the private sector, which in turn will potentially lead to more innovation.

Q&A:

Question: "Will it be the government or major employers that will drive transformation of the US healthcare system?"

Answer: Employers will play a key role. The government is a safety net – Medicaid for the poor, Medicare for the old –, but employers are responsible for their employees. For years, the healthcare industry was wholesale; there were only two ways providers received business, either through insurance companies or physician referrals. This model is now breaking. Employers should be finding ways to eradicate the middleman, who usually takes an 18-20% cut, by contacting contractors directly. Most contractors are willing to provide service and set a fixed price for a company's employees. Therefore, companies are able to lower the cost for healthcare as well as have better productivity outcomes.

Question: “What were some factors that inhibited the Affordable Health Care Act’s effectiveness?”

Answer: Insurance reform is important, but the major problem with this particular reform was that it brought sick individuals into a high-cost system. The government should have lowered healthcare costs through a series of smaller reforms instead and then brought these individuals into a system that required less per capita. Because of this issue, many employers cannot afford health insurance for their employees.

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