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I write about the intersection of healthcare innovation and policy.

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Aetna CEO Bertolini Outlines 'Creative Destruction' Of Healthcare At HIMSS14

As CEO of Aetna – [#312 on Forbes Global 2000 list](#) – Mark Bertolini knows something about sustainability. According to his keynote at HIMSS14 earlier today, back in 2001, Aetna was losing \$1 million a day. As with many things healthcare related, that was truly unsustainable (and hard to imagine today given their recent history).

HIMSS is the annual healthcare IT tradeshow that now attracts over 1,000 exhibitors and about 37,000 attendees. This year's week long event is in Orlando, Florida.

In just under 32 minutes, Mr. Bertolini's keynote outlined what he sees as nothing less than the "creative destruction" of the business of healthcare. Here is a summarized version of his speech – which started easily enough with a definition of health.

[NB: edited for length and italicized words in brackets were added – often to aid the summary]

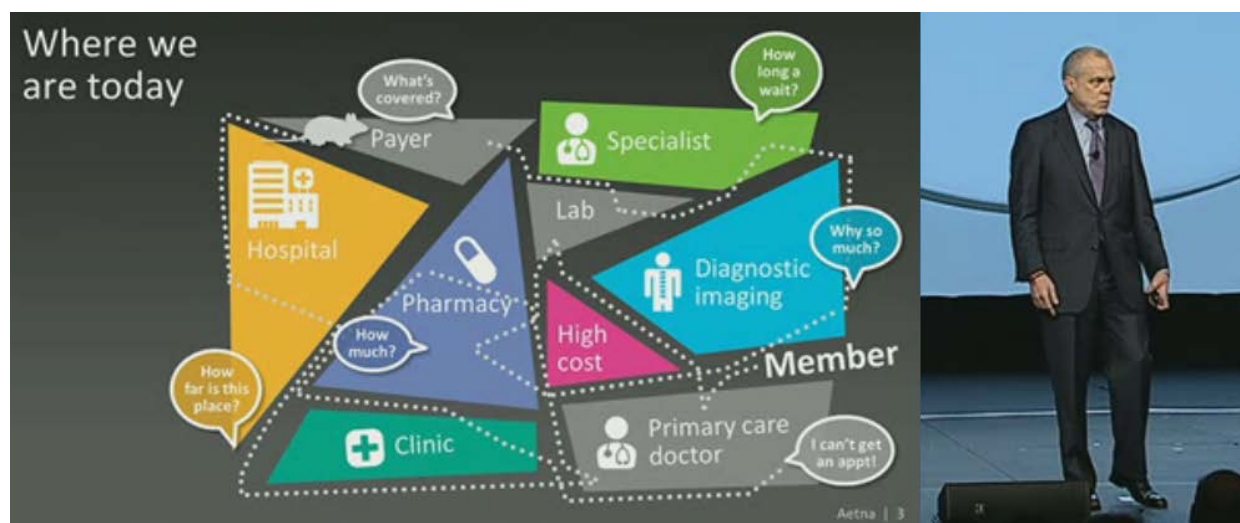
“What is health? Health is a more productive individual, who is economically viable, and is satisfied or happy. That should be our outcome. And yet our systems – here and around the world – everywhere around the world – are not functioning that way.”



“What do people want to hear when times are tough? They want to hear the truth. And so how should we define integrity. Well, integrity is based on information – not ideology. Integrity is focused on solutions not soliloquies. And finally, people want to know who’s accountable to execute – not who we ascribe blame to.”

“This is one of my favorite slides. This is how the healthcare system works. It was designed in 1945 after WW II and if you’ve ever been in this maze – and I have with my son and myself – you know how difficult it is to figure out how much things cost, where to go for care, how to follow up, where’s the office,

how long do I have to wait – and it shouldn't be this hard.”



“Now, I would argue that inside my organization today, with record membership, our largest acquisition, record revenue and this year higher profits and stock pricing than we’ve ever had – people would look at me and say why do we need to change now? It’s the perfect time to change – because the solution we need is not found in how well Aetna does – it’s in whether or not we meet that goal of healthier individuals *[who]* are more productive, more economically viable and that are satisfied. And when we do that with groups of individuals we solve that problem for communities and when we do it for communities we solve that for nations and when we do it for nations we solve it for the world. And until that’s done, no matter how well we do – or any of you do – it just doesn’t matter – because it’s not sustainable.”

[Referencing the 2009 IOM study which calculated that about 30% of healthcare spending is wasted in the United States.] “The number is over \$800 billion – and when you solve that problem – if you were to solve it all – the United States could pay back half its debt over the next 10 years. So this should be the focus of our efforts. This should be the focus of our policy decisions, of our solutions and of our IT. How do we get at this waste?”

“Healthcare premiums are growing at four-times the rate of inflation. Currently today – through both premium sharing and benefit costs – employees are paying 41% of the healthcare dollar. If the trend line continues over the next 3-5 years – employees will be paying more than 50%. How do we break this? I’m going to give you three prescriptions for how we think about a new foundation for health.”

Defining the components of this new structure

Investing in wellness

Taking care of the chronically ill

Aligned incentives

The health system in the palm of your hand

Wellness tools that keep you healthy

Integrated care

Aligned incentives between hospitals, doctors and insurers

Aligned economic incentives between providers and payors

Care at most efficient place

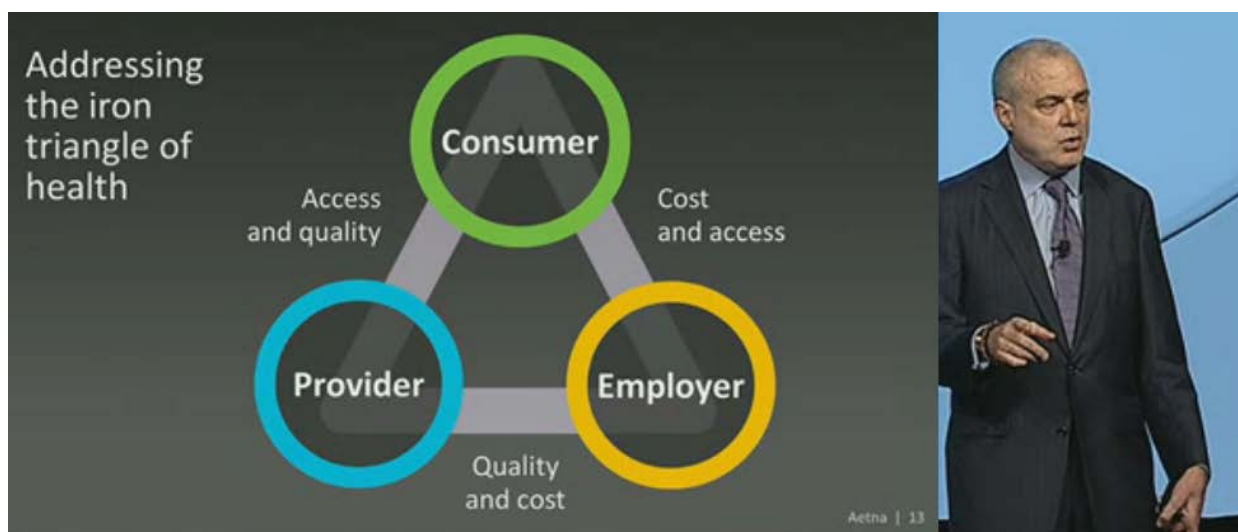
Aetna | 10

“*[In] 1983 – hospital bed days [were] at their highest point – and continuing to grow – and then something happened. What was it? DRG’s [diagnosis-related groups]. What has happened to bed days since then? They’re way down. What made it different? We aligned incentives. We changed the payment model. More didn’t mean more in revenue – more meant I had to think more about how I took care of these patients.*”

“We just recently updated some data at Aetna of the \$880 billion spent in Medicare. The top 5% consumed 43% of the Medicare dollar. They spend on average \$108,000 a year per person – they have multiple physicians, 25 prescriptions and an interesting dynamic – they don’t rotate in and out of that top tier. *[Of that population] the top 20% [almost 9% of the Medicare dollar] are individuals who are over 85 with cardiac disease – another 20% of that population are under 65 [with] end-stage renal disease and [represent] the fastest growing portion of the top 5% in Medicare.*”

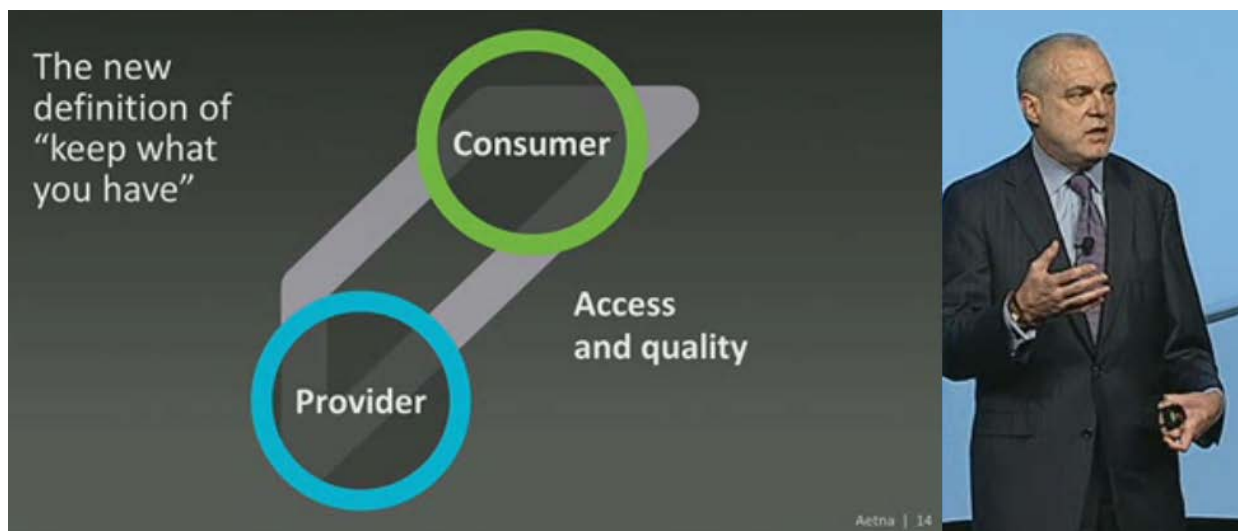
“How do we engage people? How do we make it work? We put it in the palm of their hand – we make it relevant – we make it simple. If we can do it *[in retail]* for one of 300 sweaters sitting on a rack in one store in Manhattan – why can’t we do it for healthcare? We have to have this in healthcare. *[We have to]* connect the healthcare system so it can be simple because the new definition for quality is convenience. I don’t care if my phlebotomist has a PhD. I just want to get my blood drawn on my way to and from work.”

“So I want to talk about the infamous iron triangle in healthcare – access, quality and cost. The problem with this thing as you can see is that between consumers and employers it’s all about cost and access, between employers and providers it’s about quality and cost and between providers and consumers it’s about access and quality.”



“How do you solve that problem? And so we’ve had this delicate balancing act where we first had HMO’s when those first came around, and then we blew those up and put in point-of-service plans and then we created PPO’s because they provided more access – and we’ve come full around to the same problem. It’s impossible to solve this equation.”

“So how should we think about it? Well the way to solve an equation with too many variables is to eliminate some of those variables. So here’s my new definition of keep what you have. It’s about the individual and its their doctor and their hospital. It’s not about the employer, it’s not about the health plan – it’s about this relationship. It’s about access and quality – and if we do access and quality right – we’ll take care of cost. This is the new model. This is really the only model that works.”



“So what does this mean for the healthcare system? The way we do this is that we work with CMS and we work with employers – and here’s what I would argue. Not too far away from now – in the next 6-7 years – 75 million Americans will be retail buyers of healthcare. And they’ll come to the

marketplace with their own money and either a subsidy from their employer or a subsidy from their government. And it doesn't much matter – they'll be spending their money.”

“And the way you should think about this system *[is]* that in the past – everybody went to the hospital – and if you go to a lot of emerging nations, everybody queues up at the hospital. And what we need to do is we need to move the care as far away from the highest cost areas to doctor's offices, to ambulatory facilities, to minute clinics all the way down to the home where care can be provided by the lowest cost and most effective provider. Not the super-specialist, but the family member – and the only way we enable them is through all the stuff you people in this room do – creating technology. Three years ago *[we did it and]* we reduced in one year congestive heart failure readmission's by 49%.”

“So Aetna's going to have two businesses. One is going to be around ACO's enabling the provider system and the other will be not only creating but driving a consumer healthcare experience because we're that close. Connecting the two and *[then]* standing back and getting out of the way. *[We are]* creatively destroying the current business model to enable a new one that will have an impact on our healthcare costs. So this is our strategy – connecting private exchanges here and around the world to ACO's, building healthier communities, *[a]* healthier nation and a healthier world.”

This article is available online at:

<http://www.forbes.com/sites/danmunro/2014/02/24/aetna-ceo-bertolini-outlines-creative-destruction-of-healthcare-at-himss14/>