

Dean's Executive Leadership Series - 2009-2010

Transcript of Interview with Leslie Margolin, President and General Manager of Anthem Blue Cross in California

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Start

Man 1: The Graziadio School of Business and Management at Pepperdine University proudly presents the Dean's Executive Leadership Series. This podcast invites top business practitioners and thought leaders to share their views on the real world of business.

Rick Gibson: Hello and welcome. My name is Rick Gibson. I'm the Associate Vice President for Public Affairs here at Pepperdine University and I'm joined today by Doctor Dean Linda Livingstone, who's the Dean of the Graziadio School of Business and Management. Welcome Linda.

Dean Linda Livingstone: Thank you, Rick. It's good to be here.

Rick Gibson: We're really excited about this series. It's developed nicely over this season. Tell us who you have lined up to speak to today.

Dean Linda Livingstone: We're going to visit with Leslie Margolin. She is the President and General Manager of Anthem Blue Cross in California and, given all of the debate that's going on in health care and all the changes that are likely on the horizon, it will be a fascinating discussion.

Rick Gibson: Well, this will be a timely discussion, won't it? Well, let me invite our listeners to sit back and relax and enjoy this conversation with Leslie Margolin.

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Dean Linda Livingstone: Well, today in our Dean's Executive Leadership series we're here with Leslie Margolin who is the President of Anthem Blue Cross in California, and so, Leslie, we're really thrilled to have you with us today and to talk about some of the interesting and challenging and exciting things going on in health care.

Leslie Margolin: Well, thank you. I'm delighted to have been invited and to be with you today.

Dean Linda Livingstone: Well, what I would like to start with—We call this the Dean's Executive Leadership series so a lot of what we like to do with our guests is talk about leadership and how they got in the role that they're in and kind of about their leadership style. So you might start by telling those who are listening kind of how you got to this place. You have an undergraduate degree in I believe government relations or in a government field, and then you have a law degree, but talk about how you went from there to being in the place you are right now at such really a momentous point in history with regard to what's going on with health care.

Leslie Margolin: It is the most wonderful time to be working in health care, as complicated and challenging as it is. I started out my career as a labor and employment lawyer working in private practice and was invited by one of the partners who left our firm to go work in-house at Cigna. And her reason for asking me had a lot to do with her realization that I was so interested in leadership and leadership issues and she felt that the team that was assembled there at Cigna was a team that could really help refine leadership insights, leadership talents, and it turned out to be just a wonderful launching pad for a pretty exciting career.

Dean Linda Livingstone: Well, you talk about being in labor relations, and after you were at Cigna you went to Kaiser—

Leslie Margolin: That's right.

Dean Linda Livingstone: —and did some very significant labor relations activity there and you were involved in a very major negotiation I guess at the time, and I'm not sure if it's still the case, was the largest labor negotiation that had ever occurred in the country. I don't know if it still stands as being that or not but—

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Leslie Margolin: It is a labor negotiation that came out of a labor management partnership that we built with a significant number of the unions representing our employees, about 86 or 87,000 employees represented by 29 local unions and eight internationals. And originally the partnership carved out collective bargaining and the thought was you couldn't possibly use partnership principles in negotiations and I really questioned that and pressed hard to have us add collective bargaining and negotiation. So you are quite right. The negotiations have been written up by a number of schools, Harvard, MIT, a number of schools who studied our use of interest-based bargaining in what they say is the largest, most complicated, most successful interest-based labor negotiation in the history of U.S. labor relations. I think it still stands as that.

Dean Linda Livingstone: Well, it's something to be proud of—

Leslie Margolin: I am so proud of it. I led the team through it twice in 2000 and then again in 2005. They're up for renegotiation right now. <laughs>

Dean Linda Livingstone: They haven't called you or anything to ask for advice?

Leslie Margolin: Well, I'm thinking I can't add that to my plate right now. <laughs>

Dean Linda Livingstone: You're probably a little busy with some other things. Well, because that was such a success and you used a model that was probably a bit different than kind of the traditional way of negotiating labor agreements, has that influenced labor negotiations broadly in the country both in health care and other areas because of the ability to do it successfully or do people tend to just sort of resort back to the traditional way of doing that that's much more contentious in the process?

Leslie Margolin: I think the fairest way to answer your question is that it has influenced labor relations and labor negotiations, not as broadly as I think it should. A lot of people studied it. A lot of schools studied it. I frequently get calls from other organizations going through negotiations and asking for help thinking through how to apply interest-based problem solving, but I think for many it's not a process for the faint of heart. You have to be really focused. You have to be absolutely committed to understanding the other parties' interests and concerns and fears, and it sometimes gets so complicated and just so draining that people revert back to traditional adversarial ways. And so I am a tremendous proponent of interest-based bargaining and interest-based problem solving. I actually run our business using those principles but I don't think it has caught on as broadly as I would hope.

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Dean Linda Livingstone: So I can't think of an issue that's going on right now that has more, sort of— You talked about concerns and differences of opinion and issues so, trying to step back a little bit from the role you're in and more from the perspective of someone who has skill and expertise in interest-based bargaining and all, which may be a little difficult to do given that you're right in the middle of all of this, but from almost a more clinical perspective, how do you bring interest-based discussions and negotiation into the health care debate? We see it so much in the press with what's going on in Washington, how contentious that is and how people feel like how in the world are these people ever going to come together and reach agreement on anything that's going to make any sense? So beyond sort of the details of some of the issues, how do you bring interest-based approaches to solving problems into that kind of very public, contentious discussion?

Leslie Margolin: I actually think that using interest-based problem solving, trying to understand what it is that each of the parties in the whole health care debate is trying to address, understand what objectives we have in common, is the single greatest opportunity that we have to address the challenges that we face in the health care reform debate. So much of the history around health care reform has been finger pointing and blame. Everybody blames somebody else and says, "I'll fix my part after you fix your part," and the beauty of using an interest-based approach is you can stop that blame and start talking instead about issues that we all need to address and have a common interest in addressing, so issues having to do with primarily cost, quality, safety, and access of health care. It's the work that I have been leading every day since I became involved in the health care reform debate.

Dean Linda Livingstone: Now let's talk a little bit about some of those and what are those? So you talked about cost. Everybody's concerned about the cost of health care and what are those points of agreement or what are the points you bring people around when you have those cost discussions that can get people to the same place?

Leslie Margolin: Well, it's interesting, the timing of our discussion today. I met yesterday with the leaders of virtually all of the hospitals in our network, our medical group leaders and some of our key customers and brokers, and we talked about just this set of issues. And what we focused on is first off, areas of broad agreement. It's easier to build a partnership and build trust when you can find an issue that is big and gnarly and everybody agrees it has to be addressed, so the first one that we launched was around patient safety. We at Anthem have just negotiated a deal with the hospital associations across the state of California to bring roughly 95 percent of the hospitals in the state together with a commitment to share their learnings, their resources, their best practices in critical areas of patient safety. It's a huge opportunity to improve quality and safety but there's an enormous cost opportunity—cost savings opportunity there. The Institute of Medicine says it's about \$11 billion but most experts think it is closer to

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\$50 or \$60 billion. So getting focused on something like that or taking fraud and abuse out of the system or addressing issues having to do with duplication or triplication of effort, work that is done at the medical group and done at the hospital and done again at the health plan, talking about issues like that and trying to decide who best is able to do that work and maybe just channeling resources that way. It builds the partnership and then lets you get—after tackling a couple of these issues lets you get to some of the more contentious, more challenging issues, but you're doing it from a point of trust and partnership rather than traditional adversarial relations.

Dean Linda Livingstone: So one of the other issues that there's so much discussion about is access to health care and to insurance and the number of uninsured individuals that are out there and how you manage that. So, kind of along these same lines, how do you approach that discussion about access in a way that brings people to the table and creates a productive discussion?

Leslie Margolin: Well, I think the access issue is probably the single most important issue. It is the one that makes me get out of bed in the morning and try to figure out how we can address the issues of providing access to high-quality, affordable care to all, and it's a big, big goal. I think the very best way we can get at it is through a combination of health insurance reform and health care reform. The health insurance reform that I think is essential is having legislation that would eliminate medical underwriting, that would guarantee access to coverage for anyone who wants it. I believe it needs to be coupled with a personal mandate so that actually everybody has to have coverage. I think if we could get that legislation passed and we could couple it with health care reform so that we could actually get some of these big costs out of the system we could use those cost savings to cover the broader availability of coverage.

Dean Linda Livingstone: So what are the chances of that happening?

Leslie Margolin: I think they're very good. I am so hopeful that it will happen at a national level. I've been a proponent of health care reform since back in the Clinton days, and there are issues and challenges with all of the proposals, but we can work those out. We can find our way through those. I think if we can settle four or five or six of the biggest issues through insurance reform and health care reform and then inspire leaders across the system of care, leaders of hospitals, of medical groups, of health plans, our customers and our members to focus on working together to drive the other kinds of changes that will enable a sustained value across the system of care I think it's quite possible. And frankly if it doesn't succeed at the federal level, I think we will see it come up across all 50 states, and what I worry about there—I believe that here in California we will find a solution and a path forward, but I worry about the increased cost of having 50 different solutions to pretty common problems—

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Dean Linda Livingstone: Especially for national companies like WellPoint, which you're under the umbrella of, it becomes quite complicated to do it that way.

Leslie Margolin: Absolutely.

Dean Linda Livingstone: So obviously right now you're in the middle of discussions around rate increases and that's gotten a lot of press and certainly it's not just here in California. There's lots of companies around the country that are dealing with that and it's caused lots of discussion and debate and you've been in Sacramento and there's been hearings in Washington, D.C., and so part of that then leads to the discussion about the role of for-profit providers and nonprofit providers in the health care space and you've actually worked for both in your career. So speak a little bit to that and the place for one or the other or both and how you see that playing out in the future in terms of what's going to be the best model.

Leslie Margolin: Sure. There actually, as you say, is an awful lot of debate focused on that issue and I don't think that's the right issue. I've spent roughly two-thirds of my career in the for-profit arena and about a third in the not-for-profit arena, and I think that each has its own value and its own contribution to health care. In the not-for-profit world there is a real luxury of being able to focus and talk about, almost without exception, quality, safety, care, community. They don't have to please investors so it gives them a freedom that enables inspiration of their teams, but in the not-for-profit world there is sometimes a lack of urgency to get to a solution. What I like to think of is to get to an opening night. In the for-profit world with investors contributing capital there is an opportunity to do great transformational efforts to take on significant innovation and to do it with a sense of urgency. So I actually don't think the issue is one or the other. It seems to me that the not-for-profit world probably needs to get more urgent about things and the for-profit world has to be willing to map out a longer term strategy and be quite clear about the investments required and the value that will be created and when.

Dean Linda Livingstone: So, given your career in health care and you've been through the challenging labor negotiations at Kaiser, you're going through some really interesting and challenging times right now at Anthem Blue Cross. From a leadership perspective, how would you say your philosophy of leadership has sort of changed and been refined through those experiences given what you have learned from that and what was and wasn't successful for you?

Leslie Margolin: The part of leadership that continues to grow and excite me and I continue to learn every day has to do with the value of really engaging people at all levels of the organization, finding a leadership message that helps everyone feel part of the organization, feel part of the strategy, feel part of

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the mission, and it's about more than just words. It's about a lot more than just the message. It is actually about engaging people who do the work in thinking about how that work should be done and then crediting them with their contributions. And I've always believed that and I find over the years and through the various experiences that I believe in it more fully and I get better and better at it as I practice that. I think it's the single most important part of the work. So many leaders believe that they have to know all the answers and that they have to be sort of all-knowing and always strong, and I don't approach it that way. I really think sort of minimizing differences in status and levels in the organization and engaging real concrete conversation with people. It helps me learn, it helps them learn, and we come to better conclusions.

Dean Linda Livingstone: In an interview that you did some time ago, you talked about power struggles in organizations and how challenging and detrimental that those can be to an organization. Can you talk a little bit about maybe experiences you've had there and what you learned from that and how you overcame those, because in all organizations that happens regularly and it can be very, very challenging, especially when a lot of people listening to this will be maybe young graduates of the program, not with the kind of experiences you've had dealing with that, but what advice would you give them when they're in an organizational setting trying to deal with some of those kind of power issues that come up?

Leslie Margolin: I know in theory what I would do every time a power struggle comes up, and in practice I do it about 90 percent of the time but—

Dean Linda Livingstone: The theory in practice thing doesn't always work like we'd like for it to.

Leslie Margolin: There's always opportunity to learn, but I do think that it has everything to do with understanding and trying to understand what people's motivations are, what they're hoping to achieve, giving benefit of the doubt about motivations, and really trying to take the steam, take the fire, take the anger out of conversation, which takes the struggle out of the power struggle and just lets you get on with solving and addressing each other's concerns. It's tricky to do though.

Dean Linda Livingstone: It is hard to do but certainly productive when you're able to get to that point.

Leslie Margolin: Absolutely.

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Dean Linda Livingstone: So we have a lot of students in both our part-time MBA and our full-time MBA and even among our executives that are either in health care or certainly interested in looking at health care. It is one of the industries that has still been hiring during the economic downturn. If you were to give insight or advice to someone who's not in health care but has interest in moving there from kind of leadership and management perspective, what advice would you give them about how to prepare for that, what kind of experiences would help them make that transition, and really what kind of leadership you're going to need in health care in the future?

Leslie Margolin: It has always for me been an exciting field but, as I mentioned, I think right now is the most exciting time because I think it is all up for grabs. I think that health care tomorrow won't look anything like it looks today, and I think that's exciting. I think the concrete things that your students can think about and work on: Leadership skills—how do you lead in a changing environment, how do you lead in a way that brings parties together and finds common solutions rather than traditional siloed, sort of turf-oriented solutions. So it's a skill set around problem solving, around engagement, around leadership, and then for people who want to be more involved in sort of running the operations I think having you give them opportunities and having them seek opportunities to understand all different aspects of the care-delivery system, understand it from the medical group perspective and from the hospital perspective, never forget to understand it from the patient's perspective, and really pay attention to what the experience is of a patient walking into a hospital. Talk with people. I think that understanding that will enable your students of today to be able to fashion a much more coherent system of care and a much more coherent system of coverage without all of the fragmentation and what many call the disintegration of care.

Dean Linda Livingstone: So let's have a little bit more about you as we kind of close our discussion today. Some of what I read said you're quite an athlete yourself and you've run I think three of the big marathons, Los Angeles, New York, and Boston, which is quite impressive to me. I was a basketball player and running was never much fun to me unless I was doing it on the court playing basketball. And you've biked across the United States, a 4,000-mile bike ride. What is it that motivates you to do that? That takes a great deal of discipline and focus and you're a busy person independent of doing those sorts of things. What is it that drives that motivation for you?

Leslie Margolin: Well, I've always been very athletic and absolutely committed to exercise. What drives me is many things. It is I feel better physically when I exercise. It is how I work out issues. I think. Even if I'm with other people, I find my mind wandering to things that I don't normally give myself time to think about. I love the physical challenge and the emotional challenge of it. The 4,000-mile bike ride— It was probably about 3600 and then 400 miles of just extra excursions, but it was an opportunity for me to test

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my own sense of self, my own boundaries, and to feel a sense of achievement when I concluded it that I've really never felt before. It was quite exciting.

Dean Linda Livingstone: So I'm thinking about that 4,000-mile bike ride. It was across the northern part of the United States from what I understand.

Leslie Margolin: From Astoria, Oregon, to Portsmouth, New Hampshire.

Dean Linda Livingstone: Oh, wonderful. So I'm sure you saw amazing parts of the country and seeing it from a bicycle has to be completely different than seeing it from a car, and so kind of from a more almost philosophical perspective what did you learn from that experience or what things did you notice about our country that you might not have ever thought about or seen if you'd done it a different way, by car or train or something—

Leslie Margolin: It's so different from a car or a train or a plane some because it's just slower. You have time to look and to smell, to hear. I was with a group of about 40 people but we were only together the first hour or so of the morning and then we'd go off in our own, and you could actually hear birds singing as they flew overhead and just experience it in a very physical fashion. The other thing that I really learned and appreciated about it was the motivation of the other people who were on the trip with me. We ranged in age from 13 to 73 and we had Olympians there and we had people who had just started riding a year or two before, and so we finished—some finished in five hours each day and some took 12 hours each day, but it was so interesting for me to hear why people undertook it, some career transition, some deaths in the family, some— There was a father-son team that just wanted time together. I just love talking with people and hearing what it is that is important to them and what motivates them, and for me it just gave me a lot of time to think about what contributions I wanted to make next in my life.

Dean Linda Livingstone: Uh huh. So in regard to that, I'll conclude with this question and I've actually been asked to write this little, short piece on what is success, which I thought was kind of an interesting question, one that now that I've started thinking about it is a difficult question, but, as you think about how you make an impact and as you at some point will look back on your career and your life, what would you for yourself define as feeling like you'd had success in your life?

Leslie Margolin: It is a really difficult question and I probably have two answers to it. Throughout my career, I have thought that the greatest sense of satisfaction and the greatest success would be in

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helping develop other people's careers and lives so that we together could go on and do really good work. I continue to think that, but at this moment in my career and in our history I would define success also to include being on the team, being at the center of solving the health care crisis. I think it is an embarrassment that we have so many people who go without coverage and who worry so about care and I want to fix that, and that being part of that success would be the greatest contribution that I think I could make.

Dean Linda Livingstone: Well, on that note—and we hope you have great success at that because it will be very important not only for individuals that are affected by it but for the country as well—I just want to thank you, Leslie, for joining us and for sharing so honestly and openly about your perspective and all that you're facing and that will be rich for our listeners to hear this. Thank you so much.

Leslie Margolin: Thank you. It was a pleasure.

Rick Gibson: Well, certainly as promised, Linda, that was a very important and timely conversation, wasn't it?

Dean Linda Livingstone: Well, it was, and Leslie has a front row seat on all the changes that are occurring in health care and provided some really interesting insights into the impact that's going to have not only on the insurance industry but on consumers as well.

Rick Gibson: Very informative certainly. Well, tell us who we have lined up next in the series.

Dean Linda Livingstone: We're looking forward to going to Northern California for our next two events and on April 15, when you've done your taxes and turned them in, join us for Ned Barnholt, the founding CEO of Agilent Technologies and the chair of the board of directors of KLA Tencor.

Rick Gibson: Well, we certainly look forward to that. Let me invite our listeners to visit us online at bschool.pepperdine.edu/dels; that's D-E-L-S. At that site you can learn more about this series or you can register to attend an event in person if you are in the area. You can also find us at iTunes U to download a podcast or on YouTube. Until next time, thanks for listening.

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