

Dean's Executive Leadership Series - 2009-2010

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

Start

Dean Linda Livingstone: Well, it's my pleasure to welcome you to Malibu for this installment of our Dean's Executive Leadership Series. We have moved the series around California this year more than we have in the past. So this is actually our first event in Malibu. We've done them in West L.A. and in Orange County and in downtown. And then we go to Northern California from here. We'll have Ned Barnholt, who is with Agilent Technologies. He's on the board of e-Bay. And then we'll have John Figueroa who is the president of the pharmaceutical division of McKesson Pharmaceuticals, who will be our closing speaker there. And he's actually an alum. So we're very excited about that. So it's been a wonderful series and I can't think of a more timely or interesting topic to be discussing at this very moment than health care. And I wish I could tell you that we knew that was going to be the case when we picked Leslie for this date. Leslie probably wouldn't have come if she had known that this date was going to be at the time it is. But we're so glad you're here and know that it will be an interesting discussion that you'll have lots of good questions to add to the conversation. Before I introduce Leslie more formally, I want to mention just a couple of things that are going on in the school that we're really excited about and that we believe are very important in moving us forward on our strategic goals. We have a strategic plan called Distinctive Leadership 2015/ And two very recent initiatives that are getting kicked off related to that are our Center for Teacher and Learning Excellence and our Center for Applied Research. We introduced just a few weeks ago our director for our Center of Teaching and Learning, Dr. Charla Griffy-Brown, who is an information systems professor in the school. And she's going to really be working with our faculty to continue to enhance what we do in the classroom to enhance our learning efforts and then to really move out, beyond our walls, our philosophy of learning around experience-driven learning experiences and around value-centered leadership. And we think that's going to be really important not only to the quality of experience our students have, but also to building our reputation more broadly for that type of learning, particularly with working professionals. And then our Center for Applied Research, we just announced, I guess, publicly today that Dr. Mark Chun, who happens also to be an information systems professor—I don't think there's supposed to be a theme going there, but he's going to chair or direct our Center for Applied Research. And again, we're a very applied, experience-focused school and we believe our faculty research should have impact to the business community and should also inform the learning process. And so, he will be helping us to do that more effectively internally and then also building our reputation

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more fully externally in that regard. So lots of exciting things going on. I will mention that tomorrow, on this campus, we will have, I guess, it's the second or third round of our business plan competition. We've implemented a brand new entrepreneurship curriculum and we've hired an entrepreneur-in-residence. We have a new director of that program. And this will be our first business plan that sort of embeds all of that into the experience. So we're really excited about it. We have a round of competition tomorrow and know we're going to have some really exciting things come out of that. So we look forward to you learning more about that. And, you know, maybe we'll have the next Facebook or Google or something that comes out of our entrepreneurship program some day in the future. Do we have any students that are graduating on April 17? Do we have any? Yes! Congratulations, yeah. Well, it's just around the corner and we have two really wonderful guests that are being honored there. Dave Bowman is an alum of the school. He will be honored as our distinguished alumni. And he is a vice president at Boeing. So we're looking forward to that. Boeing is actually our largest corporate client in the business school. So we will honor him and certainly recognize Boeing for the support of our school that they provide. And then Dr. Carl Schramm, who is the CEO of the Kauffman Foundation, which is based in Kansas City but provides tremendous support to universities around the country for their entrepreneurship efforts, will be honored as our honorary doctorate. And so, it's going to be a wonderful day and we will look forward to honoring those of you that are graduating as well as all of your colleagues. Always an exciting time in the school to recognize those that are leaving us and going out into kind of their full-time employment and practice. Well, tonight, we are here to talk about health care. We've been hearing an awful lot about it on the news. Some of it very interesting, some of it challenging, and I don't know how much of it is actually true. So we have someone with us that can help us kind of differentiate that along the way. Leslie Margolin is the president of Kaiser—excuse me, she was at Kaiser before coming to Anthem Blue Cross. I'm getting my timeline wrong. She's the president of Anthem Blue Cross in California. She was at Kaiser Permanente before coming there and at CIGNA prior to that. So she's had a really broad range of experiences in the insurance industry and she can certainly share those with us in both the non-profit and for-profit side of that. She actually has a law degree and a background in that that informs a great deal her thinking and how she goes about doing her work. She's very involved in the community. She's a part of the Los Angeles Urban League. She is a part of the March of Dimes and is on the board of March of Dimes with some of our wonderful Board of Visitors members and is on the Ambassador Council of the AIDS Project in Los Angeles. So she is a wonderful representative to have with us and to answer the questions that we have tonight. The other thing I will say is that she is really also an amazing person in that she is a marathon runner and has run the Los Angeles, the Boston, and the New York Marathons. And she also biked across the United States, a 4,000 mile trek from the West Coast to the East Coast. So beyond all that, she's done in business, she's also an amazing athlete and obviously a very disciplined and committed person to be able to do that. So I'm going to ask Leslie to come forward. She's going to share some remarks with us and then we'll have a conversation that includes you in that so that you can ask your questions of her as well.

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<applause>

Leslie Margolin: Thank you so much. What a nice introduction. What a pleasure to be with you. I was mentioning to Mike as I arrived here on campus that I think this is one of the most beautiful places on earth. It is just spectacularly stunning. I moved out here in the early '90s and one of my first trips was to your campus. And now, whenever anybody comes to visit me, I drove over from Altadena to here to show them how beautiful California is. So thank you for letting me use your grounds. And I also have such enormous regard for this school. Some of the people who I work most closely with in my career, who I have regard for in the most profound ways are graduates of your school. In fact, Mark Morgan on my team over here and Artie Southam, any number of others, just really terrific people. So thank you for sharing yourselves with me and your alumni with me. And thank you for giving me the opportunity to be with you tonight. And I heard that it is an interesting time to be here and be talking about health care. And it really is. I must say that this period in my life is one that is so very exciting because there is so much that is in the balance right now around health care. This immediate period, these last several weeks are really among the most difficult in my career. They are weeks that have tested my leadership mettle in ways that I never could have begun to imagine. I find myself right at the dead center of a political firestorm, a firestorm here in California and a firestorm that has taken on incredible national import and interest. And I find myself in this place oddly enough for a decision that I didn't make and for an action that I didn't take. That said, I am the president of Anthem Blue Cross and I am responsible. So I understand that. It is just the challenge, the leadership challenge, the personal challenge of trying to figure out what is the right and what is the dignified and what is the constructive path forward that is one that lets us get to solutions. And I think that, that is, if one thinks about one's life and one's career, I suspect that some of the lessons I'm learning through this are the lessons that will guide me through the next chapter in my life. Just for a bit of context, I run the commercial division of Anthem Blue Cross. So the division I run provides health care to about 4 million Californians, all of whom are covered under employer-sponsored health care plans. The decisions that have made their way into the news and into the wanted posters and all of that, it's wild. It is wild. One of the advocacy groups has published my address on the Internet and my ex-partner's address, a mile away, and has suggested that people go to Google map so they can figure out a way to access the property and cause whatever trouble they want to cause. It's just the goofiest thing in the world and to think, how do you land here? And what do you do with that to be really constructive and positive? The decisions that are at the heart of this particular firestorm are decisions that relate to individual rating and the price that we charge, the rates that we charge for individuals to obtain coverage. And it is a division of the company that runs in parallel to mine. And as I said, I wear the president's cap. And I want you to know I've had no reason to doubt the decisions that were made, the legality of them, the actuarial appropriateness of the decisions. I think that all of that was sound. Where I struggle and where I'm trying to find a path through is, I struggle with the timing of the announcement of the decisions. I think that it was not a politically sensitive time. It wasn't an

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economically sensitive time and it wasn't a personally sensitive time to make those announcements. And we've impacted individual consumers in ways that are so significant for those individuals. And for that, I personally feel very, very sorry. That said, let me move on and talk with you about what I think is the right and the appropriate and the responsible and the constructive path forward. I think there has to be some good that comes out of a firestorm like this. And I actually think there is a lot of good that will come out of it. As odd as that may sound, I think that what we have done, not intentionally, but what we have done is reawakened passions and we've shown a very bright light on the need for health-care reform and the need for health-insurance reform. So, I think that shining that light and reawakening passions really creates a unique opportunity for us, for me as a leader in the health-care industry, for you as members of the community, of the academic community as just people walking around in the world every day. I think there is a huge opportunity for leadership. Linda mentioned some of my background at Kaiser. I was their national chief operating officer. I ran their hospital and health-plan operations. I spent a good number of years, nearly 10 years there. And one of the major assignments I had and one of the most exciting parts of my career was I ran for several years their partnership with organized labor. Kaiser was trying to figure how to bring people together to find common ground and common purpose. And I had the privilege of leading what is the largest labor management partnership in the nation and especially the privilege and great career success of leading negotiations on behalf of Kaiser, with all of their partnership unions. So, just to give you a scale, at the time, they had 125,000 employees, 86,000 represented by unions. There were 44 separate local contracts in the partnership—29 local unions, eight international unions. We at Kaiser had eight medical group boards, eight hospital boards. And I had the bright idea along with one of my labor partners that we should bring everybody together at once and try and figure out across the entire nation, across all the unions, across the medical groups, across the hospitals, what are the challenges that we're facing and how do we work together to overcome those challenges? What are our aspirations? What are the things that we get up and get out of bed for in the morning? Why do we come to work? And how do we start focusing on those things rather than with things that divide us? I had enormous success and great fun and really hard work leading those negotiations. I led them in 2000 and struck a five-year contract with great things coming out of that, led them again in 2005 for another five-year contract. The two sets of negotiations have been written up by Harvard, MIT, Rutgers, the UC system as the largest, most complicated, interspaced labor negotiation—sorry, I left out the most important part, largest, most complicated, most *successful* <chuckles> interspaced negotiations in the history of American labor relations. I'm so proud of that, I could bust. I wish I had retired right then but <laughs> not really because I think if you think about what was required to do that, what's the skill set, what's the patients, what's the level of engagement and the level of leadership required to pull that off. And you think about the crisis we face today, I think the parallels are so extraordinary. And I think the opportunity is so great. So, I didn't tell you about the bargaining to be boastful. I really told you because I think in the essence of what we accomplished there is the answer to the health-care reform debate. And I'm excited about that. I think if you can hold that many unions, medical groups, hospital health plans, you know, those dynamics, it's like a university setting. The dynamics are really challenging. If you bring all of

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that together successfully, then thinking about what are the challenges, you know, in this health-care system, I actually think fixing them seems pretty achievable and pretty possible. And I'm excited to be part of leading it. I think you read a lot in the papers and you know a lot about the health-care debate and I think one of the most unfortunate parts of the debate—and I would have told you this four weeks ago before I found myself at the center of it. I think one of the most unfortunate aspects of the debate is that we make villains. We found a need to make villains and create enemies. And I think that's so unfortunate, because I actually believe that the way through is to find what unites us, not what divides us. So as we look at this debate, I think it's important for all of us to remember that although some are casting it as a debate around Anthem Blue Cross or around the insurance industry, the fact of the matter is it is and should be a debate about the insurance industry and hospitals and medical groups and individual consumers and how they take care of their health and employers and how they pay for their health. It is a debate that in one way or another touches every one of us. And every one of us should feel responsible for finding a solution. I think in thinking about it that way, recognizing our respective responsibilities for a system that in many respects is failing us and then moving forward to take collective action to address and to eliminate those failings is what we need to be doing. On the 19th of January, I had the pleasure—I've been working on this kind of work in one way or another throughout the entirety of my career. My two years here with Anthem Blue Cross, I have made it my mission. I am so passionate about it. I think about it every moment. I want nothing more than to lead this effort and find these solutions. And on the 19th of January, I had the pleasure of launching the first leg of our effort. It is a partnership that I negotiated with representatives of the hospital associations across the state of California. It is an initiative that links 95 percent of the hospitals in the state of California with Anthem Blue Cross to attack the issues of patient safety to try to wipe out, to eliminate avoidable medical errors. And I won't go into a long talk about that but just to give you an idea of how important this is to us in terms of being 8-A basis of the solution to the health-care crisis, avoidable medical errors. Back in 1999 when the Institute of Medicine published its report on patient safety, they said, "Avoidable medical errors claimed 98,000 lives a year." They cost the health care system \$11 billion a year. That was the estimate back in 1999. And it was when people defined avoidable medical errors so narrowly that they thought they couldn't take on things like infection, hospital acquired infections, sepsis. They thought they couldn't take on those things. So they put those right off the side as kind of a cost of doing business. And the fact of the matter is we know today, we can solve those things. We can wipe them out. We can bring it to zero and the effort that we launched and that we are leading is focused on linking all the hospitals across the state. We are sharing resources and learnings. And when one hospital figures out a best practice, a way to avoid an error, we're linking them with all the other hospitals across this state. It's huge. The opportunity here is so big. I mentioned that the estimate was \$11 billion. We actually think the costs to the system nationwide are more on the order of 50 to \$60 billion a year. And that's just one aspect of what's broken in the health-care system. So we can all goof around and point fingers at each other and lay blame at each other's feet or we can say there are areas that we could focus on that everybody can agree we've got to fix. And patient safety, moving to zero in terms of avoidable medical errors is probably the single best place to start. In the absence of work

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such as the work that we have just launched, in the absence of that, the literature shows it takes as many as 17 years for a best practice to find its way from one hospital across the whole system of care to all hospitals. We'll be able to do this in a matter of months when one of the university hospitals has figured out a way to deal with ventilate or acquired pneumonia in the ICU. And it's simple. It has to do with how high you elevate the back of the bed. And you can wipe that out to zero if you have the right elevation of the bed. And so, one of the nurses said, "What if we put a red dot on the wall at the"—I can't remember now whether it's 25 or 35 degrees but there's an appropriate degree. You put a red dot on the wall and you train every single person in the hospital. If you walk into the ICU and you see the red dot, get somebody in to lift the back of the bed up. And they wiped out ventilator acquired pneumonia to zero with a red dot. And the problem with the system is that nobody else knows about the red dot. The beauty of our—and I guess some of the solutions are much more complicated than that. I'm taking such a simple one because it makes a really important point. Linking those hospitals and showing leadership about bringing people together is where the answer is. This work is the most important work I've undertaken in my life. Through this work, we're going to improve safety. We're going to improve quality. We're going to take huge, huge costs out of the system. And the costs in the system are what create escalation in premiums. It is what makes coverage unaffordable. It is what makes access unavailable. Doing things like this, taking real costs out of the system, will save those costs and we will save lives. And we'll start saving lives in a matter of months not years. So I'm so excited about it and it makes me want to ask for your help and your friend's and families' help to try and take the political theater and move it to the side and really focus on what we need to be focusing on. This kind of work is going to create quantum and sustainable improvements. And it will. It is the kind of work that we will all be so proud of because when we accomplish it, we will, in fact, be able to fund affordable care and affordable coverage across the population. It is my greatest area of interest. It is my area of expertise. And it is absolutely my passion. It is what I testified to the legislature about a couple of weeks ago. They chose not to show you that on television. They wanted to know how much money I made. And they just kept hammering to find out how much money I made. And I would have given my left arm to tell them how much money I make because their theory was that around for-profit and not-for-profit healthcare. And they're really quite wrong about how people get compensated. So it would have been a wonderful moment. But it just seemed not the place, not the conversation to be having. I think what I wanted the legislature to hear is that I and we, the people at Anthem Blue Cross, are here standing ready to make this system better. And I tried to explain to them the ways that I think we can do that. And my personal willingness to lead it with all of our delivery system partners, with hospitals, with doctors, with the legislature. I asked people and ourselves included to just lay blame aside and come together and work on these issues. We have wasted so much time and so much resource in the health-care reform arena fighting with each other instead of really focusing on what we need to do, what is the critical work of comprehensive reform. There's no question in my mind there has to be health-insurance reform, absolutely has to be. There also has to be health-care reform. And there has to be leadership. There has to be leadership that takes it and says whether the government legislates or regulates, we shouldn't have to wait for that. We, as leaders of hospitals and

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medical groups and health plans and pharmaceutical companies, we can solve most of these problems ourselves. I look at the biggest problem in the health-insurance industry and it is, in the individual market, the idea of medical underwriting. And people not being able to get coverage if they had pre-existing condition limitations. We, working with the legislature, could make that problem go away if only people would sit down and really work the issues. We could make it go away by requiring all insurance companies to stop doing medical underwriting, to stop having pre-existing condition limitations and to provide coverage to everyone. But the tricky part of it and the part that is so controversial is that only works if there is an enforceable and an effective mandate so that people have to have coverage. Without that, what you end up with is people jumping in and out of the system only at the point at which they need care. So if you had a way of knowing that tomorrow you were going to have a car accident or your house was going to burn down, you go out today and buy the coverage, cover the losses and then drop out of the pool. The market can't work that way. So there must be guarantee issue insurance and there must be a mandate that goes along with it. There should also be—and then that's the biggest part I think of the insurance market reform. I think beyond that, we have to look at ways to tackle fraud and abuse in the system. And some of that's just doing our work better. Some of it is through legislation and regulation. In Medicare and Medicaid alone, we waste 60, six-zero, billion dollars a year on fraud and abuse, defensive medicine, doctors ordering tests and multiples of tests and tests and pharmaceuticals that they don't really think are necessary, but they're afraid that they're going to get sued or disappoint somebody. There has to be a way of getting at that. And we always lose the opportunity to talk about it because we, all of us, go out with a solution. We got out with the solution of tort reform. But I would rather see us all come together, look at the problem, try and figure out why that problem is there and brainstorm about what are the alternatives and options and solutions. I believe that there are many. We lose just redundant or unnecessary medical imaging. The American College of Radiology says we waste \$16 billion a year. So you think about avoidable medical errors at \$60 billion and fraud and abuse at \$60 billion and radiology alone at \$16. And then you start thinking about the other areas. There's some real money to be saved if only we could work on it. We need to do a few other things. We need to expand the rules and regulations about who can perform what type of service. They're called scope of practice regulations. We need to think more creatively about ways to address the shortage of primary care physicians, the shortages of nurses. And one of the best ways to do that is to enable some parts of their job to be done by others in the health-care system. We should figure out a way to address the funding deficiencies in Medicare and Medicaid across the country. There is a huge deficiency of funding for hospitals and medical groups. And what happens is they can't cover their costs through Medicare and Medicaid. So they turn and move those costs over to the commercial insurance. It's fact. It happens. And it is something that we need to address. And then finally, I think just one or two other issues that we should take on, and there are probably, you know, another dozen or more, but one would be the magic of having—then if you think about having just hospitals, health plans and medical groups in the room at the same time and just engage in the conversation about administrative efficiency and clinical efficiency, the very same work often gets done three or four or five times across the system of care because the doctor's office does it.

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The hospital does it. The health plan does it. The pharmacy does it. If we could figure out the workflows and processes—enormous savings. And that's on the administrative side and on the clinical side. My point is I think it's time to stop political posturing and engage in real conversation, in-the-moment conversation that has us roll up our sleeves and get the work done. I think that the sooner we can get to this, the sooner we can get to working on real problems, the sooner we can fix the processes, the far better off we will all be to put this crisis behind us. I want to lead these issues. I want to lead them with anybody else who is willing to stand up and lead. And I would call the secretary of health and human services, the president, the governor, the legislature. I don't care. I want to work with all of them and any of you who are interested. I think that the leadership effort here is about embracing people who don't agree with us rather than throwing stones at them. It's about staying strong and staying courageous. It's about listening and understanding the problem from the perspective of others in the system. And in particular, thinking about it from the perspective of the patient—what can we do all of us together to make it better for the patient. I think it's important for all of us, each of us individually and all of us as components of the industry to stop thinking that we know it all and that we have all the answers and to sit and listen to each other and make some strategic steps forward. I think that's what leadership is about. I think that's what the health-care crisis is all about. I think that's what the solution is all about. And I'm so proud and honored to be invited to talk with you about it tonight. I hope in our conversation, you'll ask any questions that are on your mind. Members of my team who are here, you know, have wanted to protect me from hard questions. And they've asked—I had occasion to speak in Pasadena the other night and they wanted to say, "You know, no hardball questions." My judgment is you should ask any question you want and I'll answer it as well as I know how and as honestly as I possibly can. I can't think of a question that you could ask me that I wasn't asked in my two and a half hours of testimony.

<laughter>

Leslie Margolin: Including the most frustrating and embarrassing and disappointing one of all which was a question about whether or not I had any shame. I don't have a moment's worth of shame. I am so proud of the work I have lead over a career in health care. I have done so much to improve health care and improve the lives of working men and women. You know, there's nothing about this career and my involvement in this career that I feel a moment's worth of shame about. And thank you for letting me talk with you this evening.

<applause>