

# FORTUNE

MAY 12, 2008

C-SUITE STRATEGIES **The Colvin Interview**

**“We all pay for the uninsured.”**

Optimistic but practical, Aetna CEO Ron Williams defends the U.S. health insurance industry.

**V**

**OTERS ARE MORE WORRIED** about health care than about Iraq, according to recent polls, making it a key political issue—and leading many health insurance company CEOs to keep their heads down. Aetna’s Ron Williams has been an exception, speaking up on many major issues, though declining to endorse any candidate’s health-care proposal. Formerly Blue Cross of California’s president, Williams came to Aetna as COO in 2001 when the company was on the brink of failure. He and CEO Jack Rowe engineered a turnaround that increased the company’s value from \$3 billion then to \$21 billion today. Williams succeeded Rowe as CEO in 2006. Before an audience in the Time & Life Building in Manhattan, Williams sat down with *Fortune*’s Geoff Colvin. Edited excerpts:

In the U.S. “we purchase [health care] in the aggregate, but we consume it as individuals.”

**In most industries rising revenues are regarded as good. Why is it that in health care, rising revenues are regarded as a grave national problem?**

I think the U.S. is conflicted. When it comes to our own health care, we all want the best—access to the latest and most important technology. At the same time, health care is typically purchased in an institutional setting. So we purchase it in the aggregate, but we consume it as individuals. Today the U.S. spends about \$2.2 trillion a year on health care. As an industry we have to do a better job of describing how we help people get access to the health care they need and improve the quality of care they're given, and how that \$2.2 trillion could easily have been \$2.4 trillion.

**Why does the U.S. spend so much more per capita than any other country?**

We are a wealthy country. We also are the global engine of innovation in health care, whether it's the pharmaceutical industry or the creation of medical devices. Our health-care delivery system is different from many others in that we have a smaller group of primary-care or family-practice physicians and a much larger base of specialists. There's at least one economist who argues that the increase in health-care costs has actually been a positive in the context of productivity in health in the U.S. So in a lot of ways we're getting what we want, which is more health care, more access, and more technology.

**One criticism is that the U.S. devotes too much spending to administrative costs, and the health-care industry gets blamed for some of that. Is that valid?**

We spend about 11% [of revenues] on sales and general administrative expenses, but we've invested an enormous amount in technology and innovation to get at the real cost drivers in health care, which we believe to be poor quality and lack of clinical decision support. Physicians today don't have any real decision support tools.

**What's an example?**

The idea that best practices as determined by, say, cardiac specialists would be available in computers that physicians could access along with your complete medical history, to apply with their clinical judgment to make certain you're getting the best quality of care. Today that doesn't exist.

**Can any individual company create that? Inevitably there will be all kinds of other entities involved.**

Ultimately we have to connect the system in total. In the interim we do believe—and it's a big part of our strategy—that we can use the information and data that we have. For example, we know every physician that you've seen if you're one of our members. We know that you had lab tests conducted, and we know the actual lab values for those tests. We also know the prescriptions that have been filled and therefore the medication that you're on. We can apply that to computer decision support rules and determine, for example, that you have a cardiac condition and that when you saw a dermatologist, you neglected to mention that. The dermatologist writes a prescription that interacts with your condition. We have the ability to use that data to reach out to your physician. It's an imperfect solution. It's not as great as having the whole system connected, but I think it will have a very significant impact on the quality of health care.

**When buying health care, most of us don't behave like regular consumers. Seven out of eight dollars we spend is somebody else's money, and we don't have very good information about doctors or hospitals.**

**What's the outlook for better information?**

At Aetna, in 35 markets, you can go online and know what your physician will charge you before you see that physician. That's helpful for a routine service, but when it comes to, say, a serious cardiac condition, what you really want to know is whether this is a high-quality physician. We think there is data available. There's going to be a huge transformation in this area.

**Who are the uninsured, and how can we get them covered?**

I'm always amazed that 20% of the 47 million uninsured are eligible today for Medicaid or the Children's Health Insurance Program. They could sign up and have a relationship with a primary-care physician. About 10% of the 47 million are college and university students, very inexpensive to insure. Slightly more than 20% are not citizens but are in the country legally. We might find a way to link visa entry or other mechanisms with comprehensive coverage. And about 20% have household incomes above \$75,000. On this we agree with many of the presidential candidates. Aetna believes there is a place for an individual coverage requirement for individuals

who can afford insurance. I think reasonable people could agree that at some point there's enough income that someone should be expected to participate in the health-care system. That leaves us with about 14 million to 17 million who really need tax credits and subsidies or tax deductions.

**An individual coverage requirement would force people to buy what you sell. Tell me why this is the best solution.**

Today we all pay for the uninsured. If an individual sticks up a bank and walks off with \$25,000, there are consequences. If someone who really could have had an insurance policy consumes \$25,000 worth of health care, everyone else pays for that. The average employer is paying 12% more in premiums today to cover the uninsured than they would pay if we brought those 47 million into the system. So for every group we bring in, health care becomes more affordable.

**Is it going to be possible for consumers to get comparable data and be able to choose a doctor the way they choose a car?**

I think it will be possible within three to five years. Important efforts are under way, with the collaboration of physicians, to agree on quality standards. There's collaboration in the industry for all health plans to pool their data to create very rich data sets. So consumers could look at a set of performance indicators that physicians think are appropriate, and be able to judge how their physicians fare.

**Explain the strategy behind Aetna's introduction of an online system to provide medical information.**

Every person should have a personal health record. I have a personal record. When I log on to the secure, password-protected site, I see the physicians, pharmacists, dentists—everyone who delivers care to me. I see all the tests and procedures that I've had. I see the lab values. And I can supplement that data with family history. If my mother, for example, had breast cancer, that's important for a physician to understand.

**Many people think the last thing they want to tell their health insurance company is that their mom had cancer.**

The industry was very careful in establishing standards.

We have agreed that the data would be transferred from plan A to plan B only after the member was already enrolled in the plan, so the data could not be used for medical underwriting purposes or to deny anyone access to health insurance.

**What about genetic information?**

Our former CEO, Jack Rowe, helped us develop a policy, which the industry adopted, that we would not use genetic information for underwriting purposes. We also put in place reimbursement for genetic testing where the tests can inform the treatment. For example, if a woman has breast cancer, we will pay for the genetic tests associated with determining the type of cancer she has.

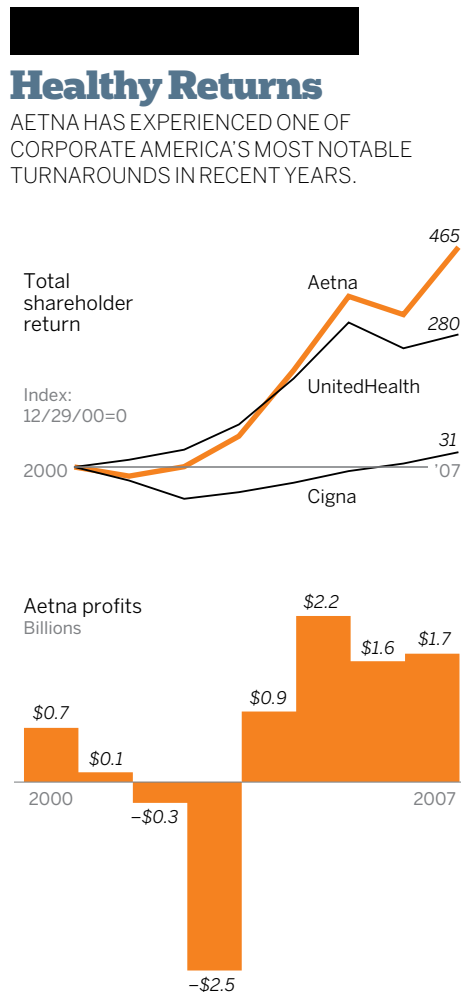
**We may be on the verge of an age of miracles, but these new treatments could be very expensive. Is there a risk of a social crisis because not everyone will be able to afford these treatments?**

If we're not careful, we're going to have a situation where people who have comprehensive coverage have access to everything, and people without have access to very little. So we have to focus on comparative effectiveness. Physicians and experts should study the science and reach a conclusion about what courses of treatment and technology give society a good payback. It's not necessarily a role we should have as insurance companies. But I think as a society we need mechanisms that help us allocate those dollars so everyone has access to something, and we don't invest strictly in high tech.

**Health care is a tax-free benefit if your employer buys it, but if you buy it for yourself, you have to use after-tax dollars. Does**

**that make sense?**

No. I do not think it makes sense. We need to provide the same tax incentives to individuals to buy their own health insurance. It's also important to recognize that one of the biggest expenses a retired couple will have is health-care services. So things like health savings accounts, health reimbursement accounts, and special savings accounts will help people directly, or with the assistance of their employer they can set money aside to fund their co-pay and cost-sharing requirement. Tax equality in that regard is something we would support.



**Of the three major presidential candidates, whose health-care plan do you like?**

There are elements I like in all of them. Our position on the individual coverage requirement is a little different from either Senator Clinton's or Senator Obama's. Senator Obama's is for kids. Senator Clinton's, as I understand it, is for a coverage requirement on everybody. We say a coverage requirement for those who can afford it, and leave it to the policymakers to decide where. I don't see enough time and effort directed at getting at the 20% of the uninsured who are eligible today and could be covered if we would simply sign them up.

**Senator Clinton in particular loves to pound on the health-care insurance industry. Why isn't the industry better liked, and is that ever going to change?**

We do sit in a very uncomfortable intersection. We have the employer whom we lay out the health plans to, and we say, "You can buy good, better, or best." We have the employees who, when they make a plan selection, are thinking about their family budget and not necessarily about the car wreck or the health problem that's around the corner. Physicians, whom we understand and try to collaborate with, really are concerned with delivering high-quality care, being good advocates for their patients as individuals, and receiving maximum reimbursement for their services. So it's a pretty

uncomfortable intersection. And when the employee calls up and says, "I have a plan in which my cost sharing is 20%. How come I don't have a plan where my cost sharing is 5%?" we've found it not to be great for business to say, "We offered your employer one, and he chose the one you've got."

**What were the most important factors in your becoming the CEO of Aetna?**

A willingness to reinvent myself and to recognize that when one has a set of aspirations, and you reach them, there's a huge opportunity to ask yourself what more you can do. I've been very fortunate. I've worked with some great executives. I grew up in a generation that didn't have a lot of role models who looked like me in the business community. So I've been very deeply committed to increasing diversity in our company and in the industry. I had a great academic experience. MIT's Sloan School of Management was a terrific school, and it helped transform me from a functional specialist into a real generalist who had a more strategic point of view and perspective. I've always been one who sought out challenges and troubled situations, because I have found that you learn a lot in taking a chaotic situation and creating structure, process, and strategy. I'd have to say luck counts too. Staying healthy counts, which is extremely important. ■