

## **REFORMING STATES GROUP DINNER**

**DECEMBER 16, 2015**

**ONCE AGAIN I AM PLEASED TO WELCOME YOU TO THE RSG'S ANNUAL STEERING COMMITTEE MEETING. THE FACT THAT IT IS BEING HELD IN WASHINGTON DC AND NOT NYC REFLECTS OUR INTEREST TO BETTER ENGAGE OUR BOARD MEMBERS WHO RESIDE IN THE CAPITAL DISTRICT. THIS EVENING AND THE FOLLOW-ON MEETINGS GIVE OUR BOARD MEMBERS FIRST HAND EXPOSURE TO THE PUBLIC HEALTH POLICY CONCERNS THAT ARE IMPORTANT TO YOU INDIVIDUALLY AND COLLECTIVELY AS WELL AS TO HEAR THE POLITICS THAT ARE ARRAYED FOR AND AGAINST YOU.**

**IN MY COMMENTS I WOULD LIKE TO EMPHASIZE THE GREATER ROLE THAT THE STATES MUST CONTINUE TO PLAY IN CREATING A VIABLE HEALTHCARE SYSTEM. UNFORTUNATELY, THE PRIVATE SECTOR HAS BECOME A PROBLEMATIC PARTNER AS MANY OF THE CHECKS AND BALANCES THAT MOST OF US ASSUMED WOULD LIMIT THE EXCESSES THAT BEDEVILED THIS NATION IN THE EARLY PART OF THE LAST CENTURY NO LONGER EXIST. AS FOR THE FEDERAL GOVERNMENT, WE HAVE BEEN A WITNESS TO THAT DYSFUNCTIONAL BODY FOR FAR TOO LONG.**

**AS I MENTIONED IN MY REMARKS AT A RECENT BOARD MEETING THE FLAWS WITHIN THE PRIVATE SECTOR HAVE BECOME ALL TOO APPARENT. IN A PERFECT WORLD, THE FREE MARKET SYSTEM HAS CREATED LIMITATIONS TO GOVERN BEHAVIOR. THE US CORPORATION MUST UNDERSTAND THAT IT HAS A NUMBER OF CONSTITUENCIES THAT IT SHOULD ADDRESS. FIRST, THERE IS THE SHAREHOLDER WHO HAS MADE AN INVESTMENT IN THE HOPE OF INCREASING THE RETURN OVER RISKLESS ASSETS, SUCH AS TREASURY BILLS. SECOND, THERE ARE THE CUSTOMERS WHO EXPECT THAT THE PRODUCT THEY BUY IS OF THE QUALITY AND PRICE THAT THEY HAVE BEEN LED TO EXPECT. THIRD, THERE IS THE LARGER COMMUNITY OR ENVIRONMENT IN WHICH THE CORPORATION OPERATES THAT MUST BE RESPECTED AND PROTECTED. AND FOURTH, THERE IS**

**THE NEED TO PROVIDE THE EMPLOYEE A LIVING WAGE; ANYTHING LESS IS A FALSE ECONOMY.**

**TO FURTHER ELABORATE: SENIOR EXECUTIVES ARE BEING COMPENSATED BEYOND ANYTHING IMAGINABLE. INCOME DISPARITY IS THE GREATEST THAT IT HAS BEEN IN 120 YEARS. SHAREHOLDERS HAVE LOST THEIR VOICE AND HAVE ACCEPTED THE RECOMMENDATIONS BY CONSULTANTS WHO HAVE BEEN HIRED BY BOARDS THAT ARE NOT SUFFICIENTLY INDEPENDENT TO ADVISE ON THE MANAGEMENT TEAM'S COMPENSATION. A COUPLE OF STRIKING EXAMPLES INCLUDE: THE CEO OF UNITED HEALTHCARE WHO RECEIVED A BONUS OF \$2 BILLION BASED ON THE PERFORMANCE OF THE STOCK PRICE. CLEARLY, THE STOCK PRICE SHOULD NOT BE THE ONLY MEASURE TO DETERMINE AN EXECUTIVE'S COMPENSATION. ANOTHER INSTANCE WAS THE SEVERENCE PACKAGE PAID TO CARLY FIORINA WHICH AMOUNTED TO TENS OF MILLIONS OF DOLLARS FOR HER FAILED LEADERSHIP OF HEWLETT PACKARD. IN A ZERO SUM GAME THE SHAREHOLDER LOSES IN SUCH EXAMPLES. IN THE CASE OF UNITED HEALTHCARE, THE MEDICAL INSURANCE BENEFICIARIES ALSO LOSE AS THEIR COVERAGE BECOMES MORE AND MORE RESTRICTED AS A WAY TO BOOST THE SHARE PRICE.**

**ANOTHER STRIKING EXCESS HAS BEEN THE HIJACKING OF DRUG PRICES BY PHARMACEUTICAL COMPANIES THAT BUY PRESCRIPTION DRUGS THAT ARE NO LONGER IN PATENT BUT WHERE THERE IS NO COMPARABLE DRUG AVAILABLE. THOSE COMPANIES THEN ARE ABLE TO RAISE THE PRICES MANIFOLD AS IF THERE IS NO UPPER LIMIT. THESE PRICE INCREASES ARE NOT BASED ON ANY RATIONAL R&D COST CRITERIA BUT QUITE SIMPLY AS A MEANS TO INCREASE THE BOTTOM-LINE REGARDLESS OF THE IMPACT ON THE PUBLIC. THE RESPONSE FROM MANAGEMENT HAS BEEN THAT THE COMPANY HAS A "RESPONSIBILITY TO ITS SHAREHOLDERS TO WRING THE MAXIMUM PROFIT OUT OF EACH DRUG". THE ARBITRARINESS OF THESE INCREASES DOES NOT TAKE INTO CONSIDERATION THE IMPACT ON THE PUBLIC DEPENDENT ON THE DRUGS FOR THEIR CONTINUED GOOD HEALTH. TO SIMPLY SAY THAT MEDICAID OR MEDICARE WILL PICKUP THESE ADDITIONAL EXPENSES IS GAMING THE SYSTEM BEYOND ANYTHING TOLERABLE AND EXACERBATES THE COSTS OF A**

HEALTHCARE SYSTEM THAT IS ALREADY OUT OF CONTROL. CLEARLY, THE PROFIT MOTIVE CAN NOT BE THE SOLE DETERMINANT OF BEHAVIOR. IT IS AN INAPPROPRIATE GUIDE AND NEEDS TO BE BALANCED BY THE NEED TO PROTECT THE GENERAL WELL-BEING OF THE PUBLIC, MUCH AS WE WOULD DEAL WITH COMPANIES THAT POLLUTE THE ENVIRONMENT OR OTHERWISE INFLICT HARM ON THIRD PARTIES.

UNFORTUNATELY, THE FEDERAL GOVERNMENT HAS NOT BEEN ANY MORE RESPONSIBLE IN THE EXERCISE OF ITS DUTIES. THE PARTISANSHIP WHICH HAS CREATED DEADLOCKS AND PERIODIC SHUTDOWNS OF GOVERNMENT SERVICES IS CRIPPLING THIS COUNTRY. EVEN THE PASSING OF THE DESPERATELY NEEDED TRANSPORTATION BILL IS FRAUGHT WITH COUNTERPRODUCTIVE GIMMICKS AND IS BEING DESCRIBED AS A SHELL GAME. FRIENDS OF MINE FROM OVERSEAS REPEATEDLY DESCRIBE THE US AS A THIRD WORLD NATION. OUR INFRASTRUCTURE IS CRUMBLING. IT IS NOT BEING MAINTAINED MUCH LESS IMPROVED TO A STANDARD THAT ACCOMMODATES OUR NEEDS. WHEN WE CAN NOT ADDRESS SUCH BASIC NEEDS, HOW CAN WE EXPECT THE GOVERNMENT TO DEAL WITH THE COMPLEXITIES OF THE HEALTHCARE SYSTEM?

THIS IS WHERE THE STATES MUST COME IN. IT IS THE STATES THAT ARE ON THE GROUND AND SEE THE NEEDS OF THEIR COMMUNITIES AND WHAT MUST BE DONE. I AM NOT TALKING ABOUT MERELY ADDRESSING THE NEEDS OF THOSE WHO ARE LESS FORTUNATE SINCE A BROKEN SYSTEM AFFECTS EVERYONE. THE COST EXCESSES AND QUESTIONABLE CARE ARE WELL DOCUMENTED IN THE PUBLIC PRESS. WE NEED A CONSTRUCTIVE COLLABORATION BETWEEN THE STATES AND THE FEDERAL GOVERNMENT AS WE HAVE SEEN TAKE PLACE IN SEVERAL INSTANCES SUCH AS MARYLAND, ARKANSAS AND COLORADO. WE ARE HERE TO SUPPORT YOUR EFFORTS AND TO PROMOTE YOUR CONSTRUCTIVE DIALOGUE AROUND COMMON PROBLEMS.