



**Navigating Through Disruptive Change: A Conversation with Stephen J. Hemsley, CEO UnitedHealth Group**

Steve Hemsley, CEO of UnitedHealth Group, offered his insights at a well-attended NACD luncheon on how management and boards can successfully work together to navigate through an environment of disruptive change; the program's question and answer session was moderated by Michele Hooper. Using the backdrop of a turbulent U.S. healthcare environment, Hemsley detailed a number of complexities that he believes are leading to rapid transformations in the medical marketplace.

- 1) Healthcare affects the fabric of families and communities and is often a very local, emotional issue.
- 2) Healthcare involves a number of interdependencies between governments and corporations as well as between for-profit and not-for-profit entities.
- 3) Demand for healthcare involves a huge market – virtually all 325 million people in the United States need some form of healthcare – yet beneficiaries and recipients do not necessarily provide the payment for the services they receive.
- 4) The U.S. healthcare industry has been consolidating for 30 years.
- 5) Technology is a huge factor driving both demand and supply as well as costs.

UnitedHealth Group approaches these changes by using its mission statement – help people lead healthy lives – as a navigational instrument. The company deliberately builds accountability into its organization and focuses its culture on integrity, relationships, compassion, innovation and the realization that performance must be measured by more than financial results. UnitedHealth is partnering with health care providers and other constituents in health care to effectively apply private capital to this sensitive social market.

Hemsley stressed that dealing with a rapidly changing marketplace requires the “right” board. A company must respect its board as a governing body, recognizing directors' responsibility to be accountable to and represent shareholders; corporate employees must make sure they take no actions that would compromise the board's ability to fulfill its responsibilities. In return, directors need to “keep their distance,” allowing management to carry out the company's operations and strategies on a daily basis. To make sure their company is ready to deal with the rapid changes affecting the health care industry, UnitedHealth rotates management roles on a regular basis, encouraging executives and employees to become “comfortable with the idea of being uncomfortable.” In fact, Hemsley believes that making change “normal” is healthy within an organization. As a follow up, one of the attendees asked Hemsley to discuss how he encourages his board to deal with change, given that director shifts cannot be made frequently or easily. Hemsley and Hooper both stressed that the board must be exposed to new ideas and encouraged to think broadly in order to support and encourage appropriate change within an organization; Hemsley added that he looks for “restless” directors.

Hemsley believes that boards have a very important role to play in setting and maintaining the appropriate culture for an organization. In particular, Hemsley relies on his board to help him and his management team set performance measures around all aspects of the company's accomplishments, not just financial performance. In response to a question from Hooper, Hemsley discussed the board's role in setting culture expectations during a period of fast growth. Hemsley admitted that early acquisition activity by UnitedHealth failed to sufficiently incorporate cultural considerations, and he quickly learned to make culture discussions more explicit during the acquisition process. Just like technology, culture needs constant attention to stay fresh, and UnitedHealth today uses robust training and follow-up employee surveys to make sure that its culture is “owned” by all levels of the organization.

The program ended with several questions for Hemsley on the social implications of a civilization that spends as much as 18% of its GDP on health care costs. Hemsley noted the American consumer's desire for more of everything, including medical care. He pointed out that 50% of costs are spent by only 5% of the population with complex and chronic conditions. Hemsley commented that other nations have lower spending levels, in part because they just don't treat all patients as well as we do in the United States. We are also the only society, according to Hemsley, that advertises drugs. He believes health care costs can be lower when consumers are engaged and aware, but suggests it may take several generations to realize a meaningful decrease in overall health care spending in the U.S.