TECHONOMY 2017

Why Hyper-Local is the Future of Healthcare—and Capitalism

Speakers:

Mark Bertolini, CEO, Aetna

Moderator:

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(Transcription by RA Fisher Ink)

Kirkpatrick: This is one of the most thoughtful CEOs in the world of a large company. Mark is CEO of Aetna, which is, you know, a giant health insurer plus and really a company that has essentially, as he's described at Techonomy on several occasions in the past, really aiming at converting itself into a technology company in many ways. It's a health insurer that is skeptical about health insurance's future, in effect.

Bertolini: Yes.

Kirkpatrick: And a deep thinker about the future of healthcare and really the nature of capitalism and even maybe has some interesting observations on the conversation we just had. But so maybe—do you, before we get started on the health stuff?

Bertolini: About the last conversation?

Kirkpatrick: Yes.

Bertolini: I mean, privacy is a big deal in healthcare and I think if we can turn it to an advantage knowing some of this stuff about people that—about their health, about their practices. I'll give you an example. We just did a deal with—a partnership with Meals on Wheels and Ellie Hollander is the CEO and she saw me at one of my talks and said, "You know, I can help you." So we spent $100,000 and we built an app that all two million volunteers at Meals on Wheels will have and they will have a set of questions to answer every time they're in someone's home, which is four to five times a week. And the reason they go to homes is ostensibly to deliver meals but actually what they're doing is to socialize. It's more about the conversation than it is about the meal. And they'll give us a crowdsourced view of social determinants of health in the home so that we can make investments in heating assistance,

food, transportation, ramps, other things in the home that will actually be cheaper than one ER visit. So you know, is that good information to have?

Kirkpatrick: Yeah, of course it is.

Bertolini: I think it is. I mean, who wouldn't want in finding—we're actually doing this with his holiness, the Pope, in trying to create a million volunteers in Africa, community health workers.

Kirkpatrick: Working with the Pope?

Bertolini: The Vatican.

Kirkpatrick: Who's we?

Bertolini: It's a group of CEOs.

Kirkpatrick: All right.

Bertolini: And so we're trying to get a million community health workers in Africa. Do we need to train up 750,000 people or do we need to give them technology to do the work that a community health worker would do, which is I have the situation, these people need these things, how can I get it? So identify demand and by identifying demand create a sourcing opportunity by gathering the data and sourcing. Which is really I think a good use of technology and a good use of that kind of information.

Kirkpatrick: It is. Well, that was a very interesting thing to say. And I want to—before we finish, I want to get to something that I think relates to our previous discussion at a macro level, which is how capitalism dovetails with all this. But before we get to that, let's stick with health for a little while, because you have this very thorough way of thinking about what's really happening in healthcare in the United States and this idea that social determinants is so much more important than we normally give it credit for. So talk about that for a minute.

Bertolini: So if you look at life expectancy, 10 percent of one's life expectancy is determined by the clinical care they received throughout their lives. Only 10 percent.

Kirkpatrick: Wow.

Bertolini: And that's where we spend $3.2 trillion dollars a year. Twenty percent is related to social determinants, the environment that you're in, 40 percent is related to behaviors which are driven by your environment, and 30 percent is related to your genetic code. So your zip code, where you live, actually has more to do with your life expectancy than your genetic code or any clinical care you receive. And you can see it in Baltimore, in the Bronx, in Detroit, my hometown, there are zip codes where people have 15 to 20 years less life expectancy than the zip code next door. So we have this huge problem around how we invest our funds. A big driver of that, particularly after 2008, which has exposed it even more in the rise of the opioid epidemic, is this notion that we are not socially taking care of people and it's showing up inside

the healthcare system as a loss of hope and a giving up on the future. So if we're to attack that issue—

Kirkpatrick: Which makes people less healthy.

Bertolini: Which makes them less healthy. I mean, we're suffering from the malaise in our nation that is a result of people being less healthy, less hopeful about being able to move anywhere as a result of their discontinuity in their employment and their wealth. And so they're stuck. And so what's the best thing to do? Well, in a lot of cases, places like central Kentucky, 50 percent of the people are opioid addicted. And so they've given up.

So this idea of social determinants is one idea. The other idea is that 50 percent of the American population now has a chronic disease and they consume 86 percent of that $3.2 trillion dollars a year. So we now have a chronic disease problem, which has less to do with my trip to the doctor and more to do with where I live and how I take care of myself when I'm not at the doctor's office, which in most cases is 15 minutes a couple two, three times a year. And so how do we get into the home, how do we understand the social determinants. They're cheaper investments to make than it is to wait for somebody to show up with their warranty card, which is now called a health insurance card, at the dealership when their body breaks.

Kirkpatrick: So is the basic thing you're trying to do to figure out how to reduce the cost of—reduce your cost, I mean, at the most elementary corporate level, and society's cost by simply keeping people healthier, which seems to be yes. But how do we do that, how much can we get the costs down and what's the process to get, you know, from A to B?

Bertolini: An emergency room visit runs anywhere from $20,000 to $40,000 dollars a visit.

Kirkpatrick: Really?

Bertolini: Yes, that's the cash out the door. So why shouldn't we do everything we can to keep somebody at home? So the idea would be, we will provide as much care as we can provide in the home, we'll make it convenient for you, we'll bring people to your home—it's a supply-demand issue. We need to understand the demand in the home, ergo the issue around privacy and what goes on there. And we then have all these sources that we can bring to bear so you're really creating an Amazon-like model of just making sure you're sourcing demands in the home. And when it can't be done in the home, make it as convenient and near to you as possible, which is a retail outlet.

Kirkpatrick: Oh, really?

Bertolini: So we have conversations going on with Walmart and Walgreens and CVS.

Kirkpatrick: You do have conversations with CVS.

Bertolini: We have been. With all these players about creating an in-store concept that looks more like an Apple store than it looks like a drugstore.

Kirkpatrick: Oh, really? So you think that's going to happen one way or another.

Bertolini: It has to happen. It's the only way to arbitrage costs out of the system. A CBC, a blood draw at an academic medical center is 50 to 100 times more expensive than doing it in a retail outlet. So you have this arbitrage of site of care where you can provide it and if it's more convenient then people are going to continue to use it. So this idea of disrupting healthcare is not about technology, it's about the customer experience. Customers disrupt industries. Amazon has not disrupted retail, the customers who like that model have disrupted retail. And so what is it about the customer experience in healthcare that is not being met today or people don't know is being met, and the biggest part of it is it's a miasma. You walk into it, you feel like a rat in a maze, you don't know where you're going next, how much it costs, why you went to this place versus that place, how much am I going to have to pay out of pocket at the end of it when the bills show up. If you could create a mechanism and a place where people can go and say, "How do I do this?" and you could have someone build it for them and help them through it, then they're going to continue to use it.

Kirkpatrick: I mean, the idea of an Apple store for health is a wonderful conceptual game, but the idea that anybody could have the profits that would allow that to be available is hard to envision.

Bertolini: Well, I mean, have you been in an Apple store lately? I mean, they've got these long benches, you know, you've got the genius bar—

Kirkpatrick: Want to know how many Apple products I have? I have three Apple products on me right now.

Bertolini: Yeah, and you've got the genius bar, right? And you've got these long tables people are all sitting at. They pay for that appointment, right? They wait, they buy stuff. And if you look at the—they don't sell anything at the Apple store. People buy stuff at the Apple store. So if you take that concept—and so it has to be a place that's not, you know, linoleum floors and Formica counters. It needs to be a place where people want to go and it doesn't need to be as expensive as the marble on the floor in the Apple store or the glass staircase, right?

Kirkpatrick: It really does not need to have a glass staircase.

Bertolini: No, it does not need to have a glass staircase. But it can be a better fit and finish, it can be a better, higher trained individual who can sit with somebody like at an REI store, "Oh, you're going on a hike? Well, let me show you how that can get done, here's all the equipment you need." It's the same kind of thing. You have a bad ankle from running, let me show you the kinds of devices you can use.

Kirkpatrick: But we live in the United States and when it comes to healthcare one has to say—sadly, right? So how do we allow that to emerge in our system? Is it just you and CVS merge and that's all done? Is that it?

Bertolini: [LAUGHS] No, of course I'm not allowed to comment nor will I comment on that situation.

Kirkpatrick: It was only reported in the *Wall Street Journal*, it hasn't been—

Bertolini: Well, then it's got to be true.

Kirkpatrick: It hasn't been confirmed by you, I know that. And thank you for coming and not being afraid to be asked that. But okay—

Bertolini: [LAUGHS] Well, the idea is if you build a compelling customer experience that is repeatable and consistent and valuable, the customers will continue to use it until somebody else develops something better. How many people still have a BlackBerry, right?

Kirkpatrick: Some do. [LAUGHS]

Bertolini: Well, I did this in a government audience and half the hands went up.

[LAUGHTER]

Kirkpatrick: No, I don't think there's too many. I'll bet—how many, are there any BlackBerry owners still in this room? Maybe, there might be one or two. It's not a BlackBerry crowd. No, no, sorry about that. But anyway, the point is well taken. Things go away.

Bertolini: But that's the point, and so what does that experience need to be and why would people find it valuable?

Kirkpatrick: Okay, is it too soon to go to the future of capitalism? Can we go to that?

Bertolini: No, I can go to that whenever you're ready.

Kirkpatrick: Well, actually no, let me just—before we do, because I have a note, when we were on the phone, you said you were about to go meet with George Blankenship.

Bertolini: I did.

Kirkpatrick: Who had helped design the Apple and Tesla stores.

Bertolini: Yes.

Kirkpatrick: And so you're really seriously interested in this Apple store model. It's not just a rhetorical thing.

Bertolini: No, it's not. No, it's a real deal. I mean, what would you have to do to reimagine that experience so that you became the front door for the healthcare system? And when you become the front door for the healthcare system and you know that customer really well, all of a sudden all of the prior authorizations go away. All the benefits really go away because you provide whatever that person needs. You know, my better half and I had this argument over

shower chairs. She's an occupational therapist. She goes, "I can never get a shower chair covered." Well, because you order a shower chair. You're not ordering a shower chair for this person who needs it for this reason, because we know nothing about it. And so we have to build this sort of holistic view and the only way you do that is to have a relationship. In the exam room, you have 15 minutes with your doctor to talk about a thing. Very rarely does your doctor say, "Oh, how are things going at home? Family life, okay? How's the diet going?" You usually lie, "I'm doing great, doc, getting exercise 30 minutes a day, doc, religiously." You know, it all happens and then you're out and you're gone. It's true. And so how do you get from the exam table to the kitchen table where you find out who's getting divorced, who's getting married, who bought a new house, got a new car. That's where the information is.

Kirkpatrick: Right. This dovetails very much with Dean Ornish's thinking. He's been here the last couple days. He gave a couple of sort workshops and, you know, it's all about behavior. I mean, he has this basic view that almost no drugs are necessary. I mean, not that none are, but an amazing percentage of things we are treated with by expensive and often very problematic drugs in terms of their side effects can be managed by behavioral changes, diet, etcetera.

Bertolini: Yes. And we work with Dean on a few programs as well and I think that's—that is an aspiration we should all achieve, you know, strive for as organizations in healthcare. Because unless we get this cost down, it's going to become unaffordable.

Kirkpatrick: Okay. Before we get to capitalism, but you are a health insurer, right?

Bertolini: Right.

Kirkpatrick: What is the future shape of your company if you succeeded in making this metamorphosis?

Bertolini: So I'll use a Detroit analogy, being a Detroit boy. I used to work in the auto plants. I put together rear axil differentials on the Ford Motor—yes, at the Mercury Bobcat, so I was really—

Kirkpatrick: Did you wear a skull ring then?

Bertolini: I actually did. The tattoos were there already too.

Kirkpatrick: I haven't seen the tattoos.

Bertolini: Yeah, no, I keep them hidden. But the idea of people going to General Motors Acceptance Corporation to buy a car is absurd. They don't sell cars. You can't walk up to the GM building and knock on the GM building and say, "I want a car." They don't sell them there. You go to a dealership, you describe your ambitions for transportation: "I want a red car. I want it to have a V8 engine. I want leather interior. I want a Bose stereo system." Or I mean, I have four motorcycles and a pickup truck in my garage, spotless, trickle charged, ready to go,

fully gassed so when I get home, which is very early, I can hop in and go. My better half has a 2002 Subaru. It gets washed by God. It has one headlight. The tires rotted on it this last winter and it goes to the shop when it doesn't run. We have two very different ambitions for transportation. You go and have that conversation and discuss the investment and then the financing comes on the backend, how do you want to pay for it. In healthcare we start with the financing. Actually, we sell a warranty. Here's your car, you pay so much a month, and when you get broken, present it at the dealership and we'll fix you. There's no discussion about our ambition for health. So if we are to define for an individual what is important to invest in, we need to then understand them and this is where personalized health comes in to play. We need to understand what they want, so if we talk to a diabetic with pedal neuropathy and say, "Hey, if we get your diabetes under control your feet will be better, you can run the 5K at the senior center next year." Well, if you never run an inch, you don't care. I don't want to run. But if it's about taking my grandchild for a walk, which I love to do, or walking to the senior center to play cards once a week, now you've got my attention. You create that project and then say, okay, what is the cheapest way we can finance it for you? What set of benefits and what kind of price can we put on it? So the financing, which is health insurance, goes on the backend of it all and the reason we're struggling as a nation is we keep trying to fix health insurance as a way of redoing the investment and we haven't touched the investment at all.

Kirkpatrick: Well, okay, but the last two years at Techonomy we've had Bernard Tyson, who's CEO of Kaiser Permanente, on the stage. So is that the kind of company you want to become? I mean, where are the revenues down the road that allows Aetna to keep growing is what I'm asking.

Bertolini: Well, I love Bernard, He's a great guy, he's a great friend. And he's got a model that's been there since 1932 and it's grown up in that place and every time they try to transport it anywhere else in the nation it doesn't work because it is a creature of its customer base, right? There are generations of families that go to Kaiser Permanente. They have a valuable model that people always want to buy.

Kirkpatrick: And just for anybody that doesn't know, they both insure you and treat you.

Bertolini: Right.

Kirkpatrick: So they are incented to keep you healthy.

Bertolini: Right. And so they've got it all in one location, they've been doing it for 80-plus years and so they're an organization that gets it. Recreating that in the current medical industrial complex we have is going to require us to disrupt it because not everybody's going to say, oh, we all want to be Kaiser, we want to be salaried physicians. We're going to have to disrupt it and to disrupt it, we need to get the customers where they want to be, not where we think they should be, which is this idealistic version of health that you see in fitness magazines all the time. People don't think that they can achieve that. Most people can't.

Kirkpatrick: So to answer my question though, in 10 years, if things go the way you want, would you employ a lot of doctors?

Bertolini: No, I don't think we need to employ doctors. I think we need to create this customer experience and we need to keep people away from the healthcare system. And so we should have an attitude that when somebody has to go to an emergency room or they have to go in the hospital or they need to see a specialist, we have failed them in some way. And I would rather create that model and work on it from that perspective than try to get into the provider business.

Kirkpatrick: Okay, since this is Techonomy, give a quick tip of the hat to the tech piece and why you—because you have talked about becoming a platform, etcetera.

Bertolini: Yes. But you have to create the platform to support the business model which is all about the customer experience and so when you roll that all back—we have a thing we're building called NextGen that connects all of these things into an ecosystem where the person doesn't have to figure out what password, what site, what tool to go use, that it all becomes a seamless experience for them. So our partnership with Apple, where we're giving away Apple watches, or we're actually having people earn their way to own an Apple watch, is we gave them our list of the top drivers of healthcare costs and we said what can you do with the watch to help us oversee and incent people to do this?

Kirkpatrick: You said this to Apple?

Bertolini: Yeah, and we have collocated teams in Cupertino and they're working together on trying to make these apps to launch for 11/18 in a test pilot for the first year with half a million-plus customers to look at, how do we make this watch work, and if we can make it work it'll be well worth it for us to give everybody an Apple watch. But we've got to get the technology right. But it's the technology supporting, reducing trend, because every 50 basis points reduction in trend at Aetna is $483 million dollars of underwriting margin that we can apply back into the business or into rates or into growth.

Kirkpatrick: So in a way then you're answering my question about the corporate growth is basically you'll still be some kind of insurer but you will have healthier people that are paying you less to get there but maybe you'll have more of them and that's how you'll grow?

Bertolini: No, the financing will go to the back room and as you go through life change—so it'll be all about the lifetime value of a customer. Financing will go to the back room and as your lifestyle changes, I lose a job, I get a job, or I retire, we will find the financing mechanism for you that's cheapest. And so the financing, it'll be like your mortgage—does anybody know where their mortgage is? No, as soon as you sign it, it gets trenched off and sent into the ether. That's the way financing should be in healthcare. It should be low margin, it should be in the back room, and it should be the cheapest available option for anybody trying to find their way through life.

Kirkpatrick: All right, capitalism.

Bertolini: Yes.

Kirkpatrick: And we have 10 minutes left and I do want to hear the audience stuff. But you talk about—you know, you actually said on the phone that we have to fix the capitalist system or it's going to be done for us by somebody else.

Bertolini: Yes.

Kirkpatrick: What do you mean by that?

Bertolini: I just think the income inequality and the tension and discourse in our nation over inequality is at a pitch level where if we don't step forward and make a difference, we're going to have it legislated away or taken away. When you have more than 60 percent of people under the age of 35 thinking socialism is a better model, you know, we've got a bit of a problem. I mean, everybody at some point in their life should think socialism is a better model, right?

[LAUGHTER]

And then you go to work and then you go, "Well, I don't know if that's going to work exactly the way I want it to." But right now the capitalist model rewards too few people and we've got to find a way to fix it and I was part of fixing the debt back in 2011 with Mark Warner and Saxby Chambliss and Dave Cote from Honeywell and we said let's get government's head back in the game about how to get their fiscal crisis in shape. It didn't work.

Kirkpatrick: That seems quaint.

Bertolini: Yeah, it didn't work, right? The gang of six and then you had the super committee and all those people. It was just—you couldn't get anything done. So when I walked away from that I said you know what, it's a waste of time trying to get the government to do the work of what we should be doing as citizens and as corporate citizens. And so we raised our minimum wage from $12 to $16 dollars, we wiped out healthcare costs for our employees under 300 percent of the federal poverty level, we pay back student loans for our employees, we reimburse their tuition, we raised their tuition assistance. We pay them to sleep, $300 dollars for 20 nights in a row of seven and a half hours sleep.

Kirkpatrick: What, they wear something and then they get a prize?

Bertolini: Yeah, yeah, they get a prize. And if you do it for 20 days in a row for seven and a half hours, you'll not want to stop.

Kirkpatrick: You actually give them money if they do that?

Bertolini: Yes, $300 bucks.

Kirkpatrick: Anytime you do 30 days?

[LAUGHTER]

Bertolini: No, no, no, once a year. And they can't be sleeping on the job, right? It has to be—

[LAUGHTER]

Kirkpatrick: [LAUGHS] Okay.

Bertolini: It has to be at home. We do yoga and mindfulness throughout the whole organization.

Kirkpatrick: I know you do that stuff.

Bertolini: I do that stuff. And that's all resulted in a 1200 percent increase in employee engagement. It costs us anywhere from $50 to 70 million dollars a year depending on the number of employees that take it up. Our stock price was at $70 dollars a share when we did it, we're at $176 dollars today. So it hasn't hurt us, right? And it's worked. And the view is that the bottom line of a corporation is a result of sound business fundamentals in revenue, cost, and in customer support. And when you build that right, the earnings will come. You don't manage the earnings, and this is what Larry Fink is pushing at BlackRock. You don't manage earnings, you manage the business fundamentals, and a key part of our business fundamentals are the people who provide the services, our employees. And so invest in those and if you do it right it creates an economic flywheel where the company keeps growing, you keep having margin to reinvest in the business, including your employees, and the profits come out of the bottom of the machine the way they should instead of the other way around. And that needs to be the new capitalist model, which is we don't worry about profits as the way to manage a business, we worry about the business fundamentals, including our people.

Kirkpatrick: So that's how you manage your company. But also, as you mentioned with the Pope, you're working with a lot of other CEOs to try to spread this idea very consciously, so to speak.

Bertolini: Right. So there's a group called Higher Ambition Leaders, it started with four or five of us back in 2010, there's now 40, 50 CEOs that get together and talk about how can we do this, how can we do good and do well. We share ideas, we critique each other's work. When I raised the minimum wage and eliminated out of pocket costs for our employees, about 7,000 of our employees back in 2015, I took it to this group and said, "What do you think? Am I going to get crucified by the CEO community for being a nut?"—which didn't much bother me anyway, but, you know, this idea of what could do. And I think there are more and more CEOs paying attention. I think then we need to turn to the government and say here's how you can help us. So right now, I can depreciate a machine but I can't depreciate investment in an employee. So machines are better off than employees. So how do we eliminate that discrepancy? Well, you either don't allow depreciation on machines, which is a bit about what the tax code change is, or you allow us to depreciate for employees. But they should be the same. We should be indifferent on the investment. Capital gains taxes after one year, day 366, it should be if you

hold it for 10 years you have no capital gains tax at all. But in the beginning it's going to be a slope all the way out to eight to ten years. So we're interested in investing longer term in the business than waiting for a year to show up.

Kirkpatrick: Okay. Some of the tax changes then sound moderately appealing to you.

Bertolini: Some of them are, yeah.

Kirkpatrick: Let's go to the audience, if anybody has anything they want to say or ask. Okay, there.

Batson: Hi, I'm Paula Batson and, Mark, I know you have an amazing story about how you regained your health and all of the different alternative things even that you went to. And I wonder about medical innovation and this idea that you can have a knee replacement, you can have a hip replacement, there are new drugs for diabetes, and do these kinds of fixes, you know, actually give people license to not lose the 20 or 30 pounds that if they did that, they wouldn't need the knee replacement or the hip replacement, or if they changed their diet and exercise they wouldn't need the diabetes medicine. And so I just wonder in your model, how do you actually incent people or convince them that changing habits are going to be beneficial when they know that down the road, well, I could just do this and have this medical solution?

Kirkpatrick: Good question.

Bertolini: Well, I think what you need to do is you need to say I'm going to pay for everything you need individually to do the right thing for you to be in better health instead of waiting for—I mean, that's the problem with health benefits or benefit plans. You cover medications, you don't cover yoga, right? And so what we need to say people is let's build a plan for you and when we build that plan for you, all the things that we put in that plan will be taken care of. And so you eliminate the need for plan designs because you know the individual, you know the treatment, the project that they want to develop, and you invest in that individual. We learned this in Medicare back in 2005, when we took risk on having sicker people in our program and found out that 75-year-olds with three chronic comorbidities when you just bolted a nurse to them got a lot better. Like the next year. Because we got them off of polypharmacy, we made sure they ate their meals, we made sure they got to the doctors on a regular basis, all those sorts of things. And so this idea of actually investing in an individual where you have a plan with them is where you create this sort of genius bar concept where you can sit with them and say, "What do you want to do? How do you want to handle this?" And that's the only way we're going to get there.

Kirkpatrick: Okay, I want to get a few more voices. Back there and then here.

Audience: Hi, good morning, or good afternoon, Mark. My name's Greg. I'm actually a current Aetna customer and I found this conversation very, very interesting. I'm curious, from my perspective and what you've talked about in the retail concept—I'm actually a One Medical Group member, I live here in the Bay Area, and one of the things that was very appealing to

me is what they were doing for that actual doctor visit. But you, from an Aetna perspective, how do you now connect to me? I know it's a vision, it's not going to happen tomorrow where I'm excited to interact with what I previously think about as my health insurer, but you know, from an organizational perspective, how do you understand me better with these many, many layers between my general practitioner, my specialist that I see for my chronic disease, and you guys? Thank you.

Bertolini: I think the idea is to actually have the conversation directly with you about what you want and then coordinate the rest of it through the system. So what we want are is the home or a retail outlet to be the front door for all your healthcare. And we have that fundamental relationship that you want that to be your front door, not that we're forcing you through it. And we can do things like, you know what, your prescriptions have no copays now. We've got the plan now, we know what you need to do, stay compliant with your medications. That follow up visit you need, we'll take care of it. So all of that works because we know you versus the generic you that we're trying to get to an ideal state of health that is really ill-defined.

Audience: That's the frustration that I feel, as someone who's had chronic disease for a long time, is it's a bunch of different games and a shell game and it's quite frustrating and—I'm an expert in medical payments as well.

Bertolini: Five card monte on the street corner, yeah.

Audience: Only by necessity. Thank you.

Kirkpatrick: Up here, Tony.

Audience: Mark, you mentioned a number of CEOs trying to get together and do good and do well and you alluded to something that's been a pattern in the conference, which is whether you're talking macroeconomics, about labor and wanting to engage in labor, is that as long as the system that you're measured against calls people liabilities and things assets, isn't it ass backwards?

Bertolini: It totally is, number one. Because people are really the assets. You know, and companies like to say, "Well our fellow employees are our best assets," but then they don't treat them like that. They treat machines better. So I think that's an important part.

Bertolini: We should eliminate depreciation all together, which is what the tax code changes they're talking about are. And that way you're indifferent.

Audience: Because it seems like you're going against the grain of what, you know, as a business school professor, people might say you should do, right? When in fact that actually could yield more value but—

Bertolini: But I think we've proven it differently and a number of businesses that have proven it, like Henry Schein, that corporation's done really well. You can make these investments and do really well.

Kirkpatrick: What company is that?

Bertolini: Henry Schein.

Kirkpatrick: What company?

Bertolini: They do—that's the name of the company. They do dental supplies and medical supplies.

Kirkpatrick: Oh, okay.

Bertolini: They're a great company.

Kirkpatrick: All right. Over here.

Audience: Hi, I'm Emily from Humana. I'm very curious to know what your most exciting future technology that will be housed in the Aetna store is, what you're most excited about and does it have AI.

Bertolini: Well, I know Lowell McAdam was here yesterday, so I'm on the Verizon board and I think 5G is going to present all sorts of different opportunities for us because of the latency, less than one millisecond, in the technology.

Kirkpatrick: Oh, you do know him?

Bertolini: Yes, I do, yes.

Kirkpatrick: Because he said—those were his exact words.

Bertolini: Yeah.

Kirkpatrick: We like 5G here at Techonomy. But what does that have to do with what you're going to sell in the Aetna store?

Bertolini: It's the ability to simultaneously monitor multiple threads of data to make decisions instantaneously. So for example, we are now working with Medtronic and with J&J on self-sensing glucose pumps in type 1 diabetics where they have the capability of actually adjusting the insulin on a real time basis. When you use them properly, the cost of a type 1 diabetic goes from $1,500 dollars a month to $1,000. It reduces cost by $500 dollars a month. So how do we get more of those out into the market and, you know, when or if do we turn on the ability for the automatic adjustment of insulin or do we still use—which is now the phone or the watch to notify the person that their blood sugar is out of sync.

Kirkpatrick: Okay, over here.

Ellison: Alec Ellison with Outvest Capital. I was intrigued about the percentages you gave, these determinants about one's life expectancy and care being based on where you live and the behaviors that are in part related to where you live. And I was also intrigued hearing the way you treat your employees, the minimum wage changes. However, several months ago you decided to move from a zip code which is a challenge, which is Hartford, to New York. And so I'm curious about what was the communication to your employees, given that you clearly have a very employee-friendly attitude but leaving one of these zip codes, if you will, that's being left behind?

Bertolini: Well, it's not being left behind. We'll have 4,000 employees there. But I did say to the group in the room when we announced it, "How many employees want to go with us?" and everybody's hand went up. And it's more about quality of life.

Kirkpatrick: It's New York, baby.

Bertolini: Well, it's not only New York. We have offices in Scottsdale and we have offices—you know, we have offices all over the country and Hartford is no longer our largest employee base. Ohio, Florida, Texas, Arizona are now bigger places because that's where people want to be. And so the opportunity is for anybody to be where they want to be, but if they want to be in Hartford, we need people that do the work they do in Hartford.

Kirkpatrick: Unfortunately, we have to wrap. It's been a fantastic conversation, as usual, with you.

Bertolini: Good to see you, David.

Kirkpatrick: So thank you, Mark. Keep doing the good work.

[APPLAUSE]