



BENTLEY
UNIVERSITY

**Center for
Business Ethics**



Raytheon Lectureship in Business Ethics

Health Care and the Ethics
of Building Healthy Communities

Rich Statuto

President and CEO, Bon Secours Health System

April 8, 2014



BENTLEY UNIVERSITY is a leader in business education. Centered on education and research in business and related professions, Bentley blends the breadth and technological strength of a university with the values and student focus of a small college. Our undergraduate curriculum combines business study with a strong foundation in the arts and sciences. A broad array of offerings at the Graduate School of Business emphasize the impact of technology on business practice. They include MBA and Master of Science programs, PhD programs in accountancy and business and selected executive programs. The university is located in Waltham, Mass., minutes west of Boston. It enrolls nearly 4,200 full-time and 140 part-time undergraduate students and 1,400 graduate and 43 doctoral students.

THE CENTER FOR BUSINESS ETHICS at Bentley University is a nonprofit educational and consulting organization whose vision is a world in which all businesses contribute positively to society through their ethically sound and responsible operations. The center's mission is to provide leadership in the creation of organizational cultures that align effective business performance with ethical business conduct. It endeavors to do so by applying expertise, research and education and taking a collaborative approach to disseminating best practices. With a vast network of practitioners and scholars and an extensive multimedia library, the center offers an international forum for benchmarking and research in business ethics.

Through educational programs such as the Raytheon Lectureship in Business Ethics, the center is helping to educate a new generation of business leaders who understand from the start of their careers the importance of ethics in developing strong business and organizational cultures.



W. Michael Hoffman, PhD

Executive Director
Center for Business Ethics and
Hieken Professor of Business
and Professional Ethics
Bentley University

Accounting for more than 17 percent of the U.S. gross domestic product, health care is big business. And while no one denies that it is ethically good to support the development of a healthy population, problems arise when health-care companies focus more on profit maximization than health optimization.

Consider this: In the United States we spend more per capita on health care than any other country in the world, and yet according to a World Health Organization study, the U.S. ranks 37th in terms of population health. What's wrong with this picture? The U.S. is not lacking in outstanding health care, but for a large percentage of the population the problem is access to it. This is not a health problem, but an ethics problem.

That is why this talk by Rich Statuto, president and CEO of Bon Secours Health System, is so timely and important. Mr. Statuto has done an impressive job illuminating the tensions as well as the opportunities within the health-care industry and balancing business realities and a commitment to social good. He recognizes both the promise and inadequacies of the Affordable Care Act (ACA, aka "Obamacare"), and despite its flaws, he sees the ACA as representing a significant step in extending health-care coverage to the large portion of uninsured Americans.

Here is where Mr. Statuto's talk gets especially interesting: Bon Secours' mission is to bring "compassion to health care and to be of 'Good Help to Those in Need,' especially those who are poor and dying." Instead of waiting for the government to fix things, Statuto looks to his own company's mission to inspire creative solutions that respond to the health-care needs of the communities served by Bon Secours. Consequently, rather than seeing itself as a company simply in the business of treating illness, Bon Secours sees its business as "building healthy communities." By taking this ethical mission to heart, the organization has unleashed an unusual capacity for innovation. Furthermore, Bon Secours' commitment to be of "good help" has contributed to building not only healthy communities, but a healthy bottom line as well.

The **Raytheon Lectureship in Business Ethics** at Bentley University is made possible through the generous support of the Raytheon Company.

Raytheon is a technology and innovation leader specializing in defense, homeland security and other government markets throughout the world. With a history of innovation spanning 92 years, Raytheon provides state-of-the-art electronics, mission systems integration and other capabilities in the areas of sensing, effects, and command, control, communications and intelligence systems, as well as a broad range of mission support services. The company reported sales of \$24 billion in 2013 and employs 63,000 people worldwide. It has built a reputation for adhering to the highest ethical standards in the industry. The Raytheon Lectureship in Business Ethics series aims to illuminate and promote ethical values and conduct in business, highlighting best practices in corporations throughout the United States. Learn more about Raytheon online at raytheon.com.



Rich Statuto delivers the Raytheon Lecture in Business Ethics to students, faculty, staff and friends at Bentley University.



William H. Swanson

Chairman
Raytheon Company

Ethics in business is about so much more than just following rules. Fundamentally, it is a matter of creating the right culture in our organizations, so that people have the ability and support to make decisions that are not only effective, but consistent with the values and principles we hold dear.

Raytheon has worked very hard in establishing an ethical business culture that is accepted by our employees and woven into the fabric of the ways in which we work. Our continued growth and profitability depend on it.

Raytheon has supported the Center for Business Ethics at Bentley University for many years, and our sponsorship of its Lectureship in Business Ethics is an important commitment for the company. We recognize the enormous value of the leadership given by the center for over three decades, to promote ethical business practices and cultures in the United States and around the world. And ethical leadership — illuminating and inspiring conduct that is instinctively ethical — is what the Raytheon Lectureship in Business Ethics is about. I'm proud that Raytheon can play a part in bringing to the Bentley campus highly respected leaders of companies that have a manifest and deep-rooted commitment to doing business in the right way. Their insights contribute much to an important discourse on how the business community can and should achieve ethical excellence.

Bon Secours Health System Inc. (BSHSI) is a \$3.4 billion not-for-profit Catholic health system employing more than 23,000 people. Headquartered in Marriottsville, Maryland, the system owns, manages or joint ventures 19 acute-care hospitals, one psychiatric hospital, five nursing care facilities, four assisted living facilities and 15 home care and hospice services in six states, primarily on the East Coast of the United States.



(From left) Tim Schultz, Director of Business Ethics and Compliance, Raytheon Company; Rich Statuto, President and CEO, Bon Secours Health System; Jeff Oak, Senior Vice President, Corporate Responsibility Officer, Bon Secours Health System; and W. Michael Hoffman, Founding Executive Director, Center for Business Ethics and Hieken Professor of Business and Professional Ethics, Bentley.



Rich Statuto

President and
Chief Executive Officer
Bon Secours
Health System Inc.

Rich Statuto is President and CEO of Bon Secours Health System Inc. (BSHSI).

Rich Statuto is president and CEO of Bon Secours Health System Inc. (BSHSI). He is also currently the chair of the board of Premier Inc. (NASDAQ: PINC), and serves on the boards of Covenant Health System and Mercy Housing. Previously he served as chair of the Catholic Health Association, vice chair of Christus Health and a member of the board of the Kmart Corporation.

Mr. Statuto is responsible for all aspects of strategic and operational leadership of the Bon Secours Health System. In the last several years, Bon Secours Health System has received national recognition for ministry leadership development, healthy communities, ecology, LGBT equality, clinical transformation, employee engagement and its excellent financial performance.

An accomplished health-care management veteran with more than 25 years of experience in health-care organizations, Statuto re-joined Bon Secours Health System in 2005. Statuto worked at Bon Secours Health System during the late 1980s as the vice president of planning and marketing. Prior to 2005, Rich led St. Joseph Health System in Orange, California, as its president and CEO where he and his team quadrupled the annual net revenue to more than \$3 billion for this multi-state health-care provider.

Earlier in his career, he worked as a process engineer at Proctor and Gamble and later as a consultant at Touche Ross. Rich received a BE from Vanderbilt University, and an MBA from Xavier University in Cincinnati.



The Raytheon Lectureship in Business Ethics at Bentley University

Health Care and the Ethics of Building Healthy Communities

Rich Statuto

President and CEO, Bon Secours Health System Inc.

April 8, 2014

I want to thank the Center for Business Ethics here at Bentley University, and especially its executive director Mike Hoffman, for the invitation to deliver the 21st Raytheon Lecture in Business Ethics. I also want to thank the Raytheon Company for its sponsorship of this lecture over the last 12 years.

I'm energized about the opportunity to share with you why I think nonprofit, faith-based health care, at a place like Bon Secours Health System (BSHSI), is one of the most exciting businesses to work in, especially for individuals starting out in their careers. It's exciting because this sector provides extraordinary opportunities to bring together both a strong commitment to ethics and a strong commitment to business performance.

My background is a little different from what you might expect for someone in my role. My undergraduate work at Vanderbilt University was in chemical engineering, and I subsequently was hired by Procter and Gamble and completed my MBA at Xavier University in Cincinnati, where the company is headquartered. At P&G, I had responsibilities in process engineering, product development and new product research, where I worked on Folger's coffee, Japanese

Bounce and the Canadian Joy brands. After P&G, I became a consultant for Touche Ross, the predecessor for Deloitte. During my time at Touche Ross, I was given the opportunity to work in five to six different industries, including health care, which I was immediately attracted to because I felt I could have a significant impact on improving care and the way the business was managed. In 1987, I entered Catholic health care, where I have been a CEO for 20 years in two different health systems. For the last 22 years, I have served on nonprofit, for-profit and publicly traded boards, including the boards of Kmart, Christus Health and Premier, which recently successfully completed an IPO and where I currently serve as chairman.

I'm going to begin at what might seem to be an unlikely place to start a lecture on business ethics. It's an excerpt from a poem by Robert Frost, called "Two Tramps in Mud Time." The

author is chopping wood on a cold day — chopping for sheer pleasure, for the love of the task: the sound, the sweat, the work. Two people approach out of the muddy woods, wanting to take over and to chop for pay. It is a poem about work and play, about means and ends, about doing what you love and meeting human needs. And most important, it's a poem about overcoming the separation between these things.

*But yield who will to their separation,
My object in living is to unite
My avocation and my vocation
As my two eyes may one in sight.
Only where love and need are one,
And the work is play for mortal sakes,
Is the deed ever really done
For heaven and the future's sakes.*

Avocation and vocation. Work and play. Overcoming the separation between doing what you love and responding to human need for the sake of the future. The words of this poem are what I aspire to as a leader. My message to the students today is that it's possible to pursue a career where you love what you do; where you can make a difference in the world; where strong ethical commitments are expected and where it is understood that these commitments are key to great performance. In short, it is possible to pursue a career that aligns what is most important to you, which I think is the best way to be engaged in your work. A career does not have to be just about making money. Sadly, based on years of research by the Gallup organization, we know that 70 percent of American workers are not engaged or are actively disengaged in their work.

In the next 40 minutes I hope to demonstrate how BSHSI's ethical commitments significantly enhance our company's operating performance in the highly competitive business environment, which health care is today.

My lecture will be divided into three parts. In part one, I will provide some background on

Bon Secours Health System: our history and mission, our portfolio, and the environment in which we currently operate. You can't consider the health-care sector today without considering the Affordable Care Act (ACA), so I will spend a few minutes discussing the systemic issues that the ACA seeks to address. In particular, I will focus on the ethical imperatives associated with quality and affordability.

In part two, I will discuss BSHSI's ethical commitments, which will be the heart of my lecture. These commitments, which I view as investments, flow from our vision and our strategy. I will provide an overview of the range of these commitments and then drill down in more detail with some specific examples.

In part three, I will describe how these ethical commitments enhance our operating performance and differentiate us in the marketplace. Here I will borrow an insight from systems thinking: it is the notion of a virtuous cycle, where one positive outcome leads to other positive outcomes, which are mutually reinforcing. This is the lens through which I view our ethics investments: BSHSI's ethical commitments are mutually reinforcing not only with respect to each other, but also with respect to our operational performance in a highly competitive and rapidly changing business environment.

PART I: Background

As I mentioned, I started my career with Procter and Gamble, which consistently ranks among the most admired companies in the world. I actually see many similarities between P&G and Catholic health care. P&G is well known for studying the habits and practices of consumers around the world, responding to the needs of these consumers, distributing products in a manner that is convenient to them and communicating to the world that they've done their job well. To understand Bon Secours, we need to start by

recognizing the central place of women religious in the U.S. for the last 300 years. The first Catholic sisters came to this country because they felt a calling to address human needs. They saw a need for education, so they started schools. And when the 1918 flu epidemic ravaged this country they created infirmaries for those who were sick and dying.

Like P&G and other great corporations, the enterprise of Catholic health care is focused on responding to needs. That's the business model. And there are very few enterprises like Catholic health care that have been around for hundreds of years with the same basic model. In the U.S. there are only a handful of enterprises with revenue greater than \$100 billion and that were established before 1900, among them General Electric, Cargill, AT&T and Catholic health care, which is currently the second largest employer in the U.S. with more than one million employees. (And by the way, you don't have to be Catholic to work in Catholic health care!) The fundamental point I want to leave you with is that Catholic women religious have a straightforward model that has worked for several hundred years: get to know the people and respond to human needs, in order to build healthier communities.

It is within this tradition of Catholic health-related services that Bon Secours Health System finds its origins. Specifically, back in 1824 in Paris, 12 women felt called to care for the sick in their homes. The sisters stayed in the homes of the sick until their health improved. This was a few decades following the French Revolution, and to the extent that there was a system of care for sick people, it was loosely organized and largely in the hands of mercenaries. The sisters were innovators responding creatively to the signs of the times. They were beloved by Paris's archbishop, who said to them in those early years "You are 'bon secours'" i.e., "You are 'good help' to those in need."

In the late 1800s, a prominent Baltimore businessman took his wife to Paris for their honeymoon. His wife became quite sick and was cared for by the sisters of Bon Secours. He was so moved by their compassion that

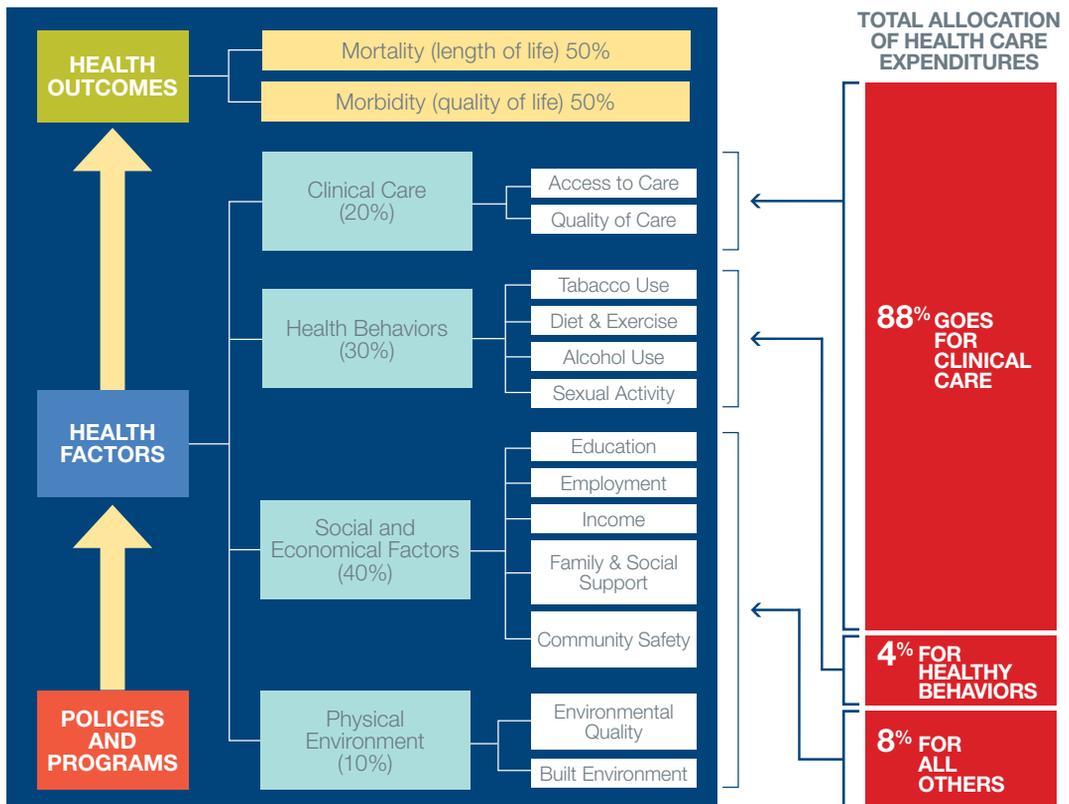
when he returned to Baltimore he told the cardinal that he should find a way to bring these sisters to the United States. After several attempts, the cardinal was eventually successful in convincing them. And in 1881 three sisters were sent by boat from Paris to Ellis Island, where they boarded a train to Baltimore and upon their arrival began to do for the people of Baltimore what they had been doing for nearly 60 years in Paris: caring for people in their homes and responding to needs.

The mission of BSHSI is to bring compassion to health care and to be "good help to those in need," especially those who are poor and dying. And the principal way we seek to do this is by helping to bring individuals and communities to health and wholeness. From a business perspective let me describe the portfolio we have for carrying out this mission.

Bon Secours is a \$3.4 billion not-for-profit Catholic health system, with 23,000 caregivers. We own or manage 19 acute care hospitals, one psychiatric hospital, five nursing care facilities, four assisted living facilities, six senior service facilities, 15 homecare/hospice providers, 850 employed physicians and over 80 accredited patient-centered medical homes. We operate in nine communities in six states, mostly on the East Coast, plus we support global health ministries in Peru, Haiti and South Africa. We treat more than two million patients each year.

The business environment in which we operate is very complex. Raise your hand if you have had "a negative health care experience?" I imagine there are dozens of stories from within this room to illustrate how the health-care system is broken. I believe the most pressing systemic needs now pertain to affordability and quality. It is commonplace that people are delaying care or not taking medications they know they need. And at the same time, 30 percent of the care that is provided in hospitals and doctor's offices is unnecessary. Each year one million people in the U.S. are forced into bankruptcy as a result of medical bills. It is estimated that each year there are 100,000

THE SOURCES OF HEALTH OUTCOMES



preventable deaths in hospitals. Price variability is outrageous. There is also huge variability in how doctors care for patients. Bloomberg rates health-care efficiency across the world, which shows that the U.S. spends significantly more than our peer nations, both in per capita dollars and as a percentage of GDP, and we are the least efficient. According to the Robert Wood Johnson Foundation, only 20 percent of what drives good clinical outcomes is the care that is provided through procedures, medications and the other things that we think of as “health care.” The other 80 percent of what drives health outcomes are: behaviors (e.g., tobacco use, alcohol use, diet and exercise, sexual activity); social and economic factors (e.g., education, employment, family and social support); and the physical environment (e.g., environmental quality and the built

environment). While only 20 percent of what contributes to health-care outcomes is in the form of health-care services, we are spending 88 percent of health-related dollars on those services. In short, one of the primary ways in which the system is broken is that what we’re spending the most money on is not proportionate to what actually improves health. I’ll come back to the Robert Wood Johnson Foundation later to describe how their research is informing our strategy.

We believe the appropriate response to a broken system is one that addresses these multiple dimensions. While the rollout of the Affordable Care Act (ACA) has been rocky, I believe the fundamental aspirations of the ACA are appropriate, because they are targeted at: moving from volume to value; focusing more on population health; and reducing costs.

PART II: Bon Secours Health System's Ethical Commitments

Now I'd like to focus on BSHS's ethical commitments, which I view as a diverse portfolio of investments. These commitments flow from our vision, which is to co-create a more humane world and provide exceptional value to those we serve. Our strategic quality plan, which gives structure and form to our vision, has five components:

- Bring communities to health and wholeness
- Ensure our care is extraordinary
- Transform our health delivery
- Express our Catholic identity
- Liberate the potential of our people

Bring Communities to Health and Wholeness

The first set of ethical commitments pertains to bringing communities to health and wholeness. And here I want to refer to another element of the research conducted by the Robert Wood Johnson (RWJ) Foundation. RWJ has examined the health status of every county in the U.S., and the story it tells about health-care disparities is disquieting. As an example, let's look at Baltimore and the surrounding communities. Within a five-mile stretch in one part of the city, life expectancy ranges from 68 years to 88 years: a 20-year difference in life expectancy within the same zip code! Is the solution more health-care services, since Baltimore already has some of the best hospitals in the world? Or should we be looking at the social determinants of health? For example, in the city of Baltimore there are 16,000 vacant homes, and we can be sure that this aspect of the built environment impacts the overall health of that community.

Healthy Community Initiative: Our response is to seek to bring entire communities to health and wholeness through what we call our Healthy Community Initiative. We believe that the health of our communities is not tied to a single segment of the economy, such as the health-care sector, nor can it be fixed by one

sector acting alone. We seek to be a convener of multiple constituencies — e.g. public health organizations, business, education, philanthropic organizations, government and, yes, health-care providers — who, working together, can improve population health. Our ethical commitment takes the form of designated healthy community leaders in all of our markets, who follow a structured process not unlike that of a community organizer. We are making various investments with this in mind, such as partnering with elementary schools and community groups to reduce childhood obesity. And to provide access to fresh produce in urban neighborhoods often described as “food deserts,” we have been creating urban gardens and sponsoring farmer's markets in communities that would not otherwise have them. There are several other initiatives I'll say more about later.

Ensure Our Care is Extraordinary and Transform Our Health Delivery

The second set of ethical commitments derives from our strategic goal to ensure our care is extraordinary and to transform health delivery. Even before the Affordable Care Act, we invested hundreds of millions of dollars in information technology, quality improvement infrastructure and clinical transformation. What follows are some practical examples of these ethical investments in action.

Learning Communities. We believe that transforming the way healthcare is delivered requires collaboration at every level, not only between physicians and nurses, but with pharmacists, respiratory therapists, nutritionists, dietary and facilities staff, infection control experts and countless others. We are moving away from hierarchical medical decision-making based in specialty silos to collaborative, team-based care. Our learning communities bring a team-based approach focused on the most intractable challenges, such as emergency room care, congestive heart failure, sepsis and care coordination. The performance evaluations of our divisional CEOs are tied to the

BUILDING HEALTHY COMMUNITIES



success of these learning communities to drive change. And best practice alerts are available in real time at the bedside through our electronic medical record.

Premier Partnership: It may seem to be an obvious point, but we believe that clinical decisions should be made based on evidence and not individual habits or the idiosyncratic customs of communities. Through Premier, a network of 2,900 hospitals and more than 100,000 other health-care sites, we are making investments to utilize data mining to drive evidence-based care. And we are hard-wiring the processes to support this, also through our electronic medical records and those of our Premier partners.

My Chart: One feature of our electronic medical record is the capability of giving patients easy access to their test results and medical

records and the ability to make appointments and communicate with their doctor. There are 100,000 patients within Bon Secours who use My Chart for this purpose.

Patient Centered Medical Homes: We believe that the patient should be at the center of the provision of health care. A patient-centered medical home is a way of organizing primary care that emphasizes the coordination of care and interdisciplinary communication. This can lead to higher quality and lower costs and can improve the patient's experience of care. Wellness and care are planned and provided proactively not reactively, as when someone only visits the doctor when they are sick. Bon Secours has invested in creating 80 accredited patient-centered medical homes.

Medicare Shared Savings Program (MSSP).

We believe that higher quality and lower cost should be pursued in tandem. The Medicare Shared Savings Program is a new innovation under the ACA. Bon Secours has one of the largest MSSP's in the country in terms of the number of Medicare beneficiaries; it is also one of very few that operates in multiple states. The MSSP coordinates the care provided to a given population and monitors 33 quality metrics. There are incentives both to improve quality and to reduce cost, and any cost savings are shared between Bon Secours and Medicare, provided that all quality goals are met.

Disclosure of Medical Errors: We believe that when medical errors occur, it is the responsibility of health-care providers to proactively disclose these to patients and their families in a truthful, compassionate, complete and timely manner. We have a policy spelling out our commitment to full disclosure of errors, including the appropriateness of apologizing to those who may have been harmed.

Population Health: We believe it is necessary to re-engineer the manner in which health care is delivered in the U.S., to change the model with an eye on affordability, quality and population health. A huge portion of our \$300 million investment to transform care delivery has been in information technology. Bon Secours is in a group of only 3 percent of health systems in the U.S. to have achieved Stage 7 IT integration by the Health Information Management Association. Quality metrics tied to population health are included in all physician contracts; and dual reporting relationships between clinical leaders and financial leaders support collaboration and bridge the gaps in mindset that often exist. Staffing models are being restructured to support the ability of nurse practitioners, physician assistants and others to practice at the "top of their license" in a team-based model; and e-prescribing, environmental

staffing and standardized order sets help reduce both hospital acquired infections and readmissions. In addition to the MSSP, we also have a population health reimbursement model in West Baltimore, where we are managing the health of a very complex population in a manner that meets quality metrics within a single, global payment methodology.

Express Our Catholic Identity

A third set of ethical commitments derive from our strategic goal of expressing our Catholic identity. Some ways in which we act on this are as follows:

Advocacy for the Uninsured: The Catholic Health Association, which represents 600 Catholic hospitals through the U.S. (and whose Board I previously chaired), was a strong advocate for the ACA because of the ACA's commitment to improve access and reduce the number of Americans without health insurance. Even before the ACA, we worked aggressively to help people enroll in government-sponsored health insurance programs, such as Medicaid and the Children's Health Insurance Program (CHIP).

Care-A-Vans: We believe that disparities in health-care delivery disproportionately impact people who are poor and that one of the biggest barriers is access. We've made investments in six Care-A-Vans, which are mobile doctor's offices, in order to bring medical services to the poorest neighborhoods that do not have ready access to primary care, pediatric care, dental care, mammography screening and other services.

Outreach to Vulnerable Communities: We believe that disparities in health-care delivery also disproportionately impact vulnerable communities. We have partnered with community organizations to clean vacant lots and renovate abandoned housing. When all the banks abandoned West Baltimore, we created "Our Money Place" for residents to take care

of simple financial needs as an alternative to fly-by-night establishments that charge outrageous fees. We've made investments in various forms of outreach to immigrant communities, including translation services, job training and parish nurses.

Women's Resource Centers: We have various programs to support women who are in transition or crisis, whether as a result of job loss, homelessness, violence or the absence of food or clothing. We have a comprehensive program for the victims of sexual assault that includes forensic nurses and patient advocates who are trained to handle sexual abuse and assault, child abuse, family violence, elder abuse and workplace violence. We have a policy on the care of victims of sexual assault that permits the use of contraceptives for women who come to the emergency room after having been sexually assaulted. On the campus of one of our hospitals, we even have a golden retriever named Lily, who is trained to identify who is a victim and comforts that individual.

Financial Assistance Policy: We are committed to ensuring access to needed health-care services for all. In support of this, we have a financial assistance policy that aids uninsured patients who do not qualify for government-sponsored health insurance. This policy provides 100 percent financial assistance to uninsured patients with annual family incomes at or below 200 percent of the federal poverty guidelines. It also sets a maximum annual family payment liability on a sliding scale to ensure that no family suffers a catastrophic financial burden to receive necessary health-care services.

Palliative Care: We believe that care at the end of life is frequently uncoordinated and often does not reflect the individual's wishes and values. We've made investments in palliative care to improve the experience of patients (and their families) who suffer from chronic illness, pain or are near the end of life.

Mercy Housing: We are actively engaged as a sponsor and strategic partner of Mercy Housing, which has provided tens of thousands of affordable housing units for people who are homeless, poor, single parents or HIV positive.

Global Ministries: Through our global ministries, we believe in working on behalf of those who are most vulnerable in a respectful, sustainable and collaborative fashion. We have a particular commitment to communities ravaged by poverty and social exclusion in Peru, Haiti and South Africa.

In Peru we are focused on community-based maternal and child health projects, with a goal of reducing anemia, chronic malnutrition and infant and maternal mortality, primarily in Trujillo and Huancayo. We are also supporting the construction of a new hospital as part of the Madre de Cristo Clinic.

In Haiti we are supporting the reconstruction of the St. Francois de Sales Hospital in Port-au-Prince following the 2010 earthquake and supporting skilled birth attendance and prenatal care, primarily in the Central Plateau and in Port-au-Prince.

In South Africa we are focused on providing clinical services, as well as health education and nutrition, to patients with HIV/AIDS, primarily in Limpopo Province.

Interfaith Center for Corporate Responsibility: In partnership with the Interfaith Center for Corporate Responsibility (ICCR), we seek to build a more just and sustainable world by integrating social values into corporate and investor actions. While ICCR has an extensive platform, we have a particular interest in being a catalyst for social change by investing in companies around the world that build socially and environmentally sustainable communities and seek to eradicate child labor and human trafficking in global supply chains.

Mission Fund: We believe that some of the most exciting community initiatives start at the grass-roots. Approximately 15 years ago, we set aside \$17 million from unrestricted assets to start a Mission Fund to award grants to strengthen local communities. Examples of recent grants include the following: a program that integrates job readiness training, financial literacy and counseling for working families and youth; vouchers to enable healthy food purchases from a local urban agriculture coalition; walking trails to encourage exercise in communities with a high incidence of obesity; urgent care vouchers for diagnostic and treatment services for uninsured children among the local Hispanic community; and funding for a full-time nurse practitioner at a local free clinic.

Low Interest Loans: We are also committed to using some portion of our unrestricted assets to make investments in the form of low-interest loans that produce a positive social impact. Since 2009, BSHSI has loaned \$3 million per year to community investment financial institutions for the purpose of community transformation. In turn, these institutions lend monies for initiatives such as affordable housing, charter schools, community centers, job creation and economic development in vulnerable communities within our service area here in the U.S., and also in Peru, Haiti and South Africa.

Liberating the Potential of Our People

Finally, I'd like to focus on the ethical commitments that derive from our strategic goal of liberating the potential of our people.

Employee Wellness: As a health-care organization, we believe that the health and wellness of our own employees is paramount. We have a whole host of initiatives in this regard, including a \$900 credit toward monthly premiums for completing an annual physical, a personal health assessment and working toward a healthy weight. We also have a website for employees to log their own exercise, with opportunities

for friendly competition, and recently issued a hydration challenge to encourage employees to drink more water.

Ministry Leadership Development: We believe that all employees want to grow and develop in their lives and their careers, and as a mission-based organization we give a lot of attention to the values that guide who we are and what we do. Our performance management system includes three components: a section focused on business objectives, a section focused on values and right relationship behaviors and an individual development plan defined by the employee. We also make substantial investments in the training and formation of our leaders.

Diversity and Inclusion: We believe that diversity in all its forms is a gift. Catholic health care is founded on three important values: providing compassionate care for persons at every stage of life, contributing to community health and wellbeing and having special concern for those who are poor and vulnerable. As part of this commitment, we look for co-workers who, in a general way, share these values, while understanding that each person may have their own perspective on how these values are lived out. We respect the rights of every person to live in accordance with his or her informed judgment and conscience. With this in mind, we strive to create a work environment that is inclusive.

Exiting Process: We believe that respecting the dignity of employees is important in every circumstance, including the regrettable circumstance when the organization has made a determination to exit employees from the organization whether for poor performance, behavior not in keeping with our Code of Conduct or a reduction in force. As a matter of policy and practice, we have a standardized and detailed process for exiting employees that seeks to operationalize our commitment to respect them.

Lower Wage Workers: The last example of our ethical commitment as an employer pertains to a range of activities targeted to support our lower wage workers. Perhaps the most significant of these is our ethical commitment to paying a just wage. Catholic social teaching defines a just wage as a wage that is sufficient to enable individuals to support themselves and their families. Because cost of living can vary widely, the just wage is based on geographical factors specific to each local market. Within the just wage framework, our base rate of pay for lower wage workers across BSHSI's various markets is typically 30 percent higher than the federal minimum wage. We adjust this on an annual basis. When we instituted this policy in 2006, approximately 700 Bon Secours employees received an increase to bring them up to the just wage. The total investment was \$2 million, which included other salary adjustments to normalize internal equity. In the most recent annual just wage adjustment, over 300 employees received a bump in pay consistent with the just wage policy, independent of other increases for merit or promotion.

There are several other activities across BSHSI that support lower wage workers, including: health benefits for part-time employees; forgivable loans to assist in purchasing a home; scholarships for on-site child care; tuition assistance; skills training and career counseling; crisis funding in times of financial emergency; and a special website where lower wage workers can access carpool and fuel saving information. These efforts on behalf of lower wage employees are important investments for us as a company. There is an individual element as well. For example, in addition to their own individual or family medical premium costs, executive leaders pay an additional \$60 per pay period as a contribution on behalf of low wage workers in order to minimize the disproportionately larger negative impact that medical premium increases have on these employees.

Accountability

I mentioned at the outset that these various ethical commitments represent a diverse portfolio of investments, which flow from our vision to co-create a more humane world and provide exceptional value to those we serve. Assuring accountability for these ethical commitments is just as important as the commitments themselves, and I'm proud of the systems and processes we have put in place for this purpose.

Dashboard: The most important accountability tool we have is a dashboard, which tracks on a monthly basis organizational performance on these and other domains. The format of the dashboard replicates the five components of our strategic plan.

Enterprise Risk Management: We integrate management accountability and governance oversight through our enterprise risk management (ERM) infrastructure. ERM is a continuous improvement process not only for mitigating risk, but also for identifying strategic opportunity. Our Board Governance Committee provides ongoing oversight for ERM and gives direction to the day-to-day management of ERM, which resides in our Strategic Risk Oversight Committee. For me, the significance of our ERM process is twofold: it anticipates risk and opportunity, instead of just reacting to it; and it is embedded in so much of what we do at both the management and governance levels.

Governance Best Practices. We believe that strong management and strong governance go hand in hand. It is a matter of public record that BSHSI had a major accounting fraud that was uncovered more than a decade ago. We used this very painful experience as an opportunity to significantly strengthen not only our internal controls, but also our governance practices. We have fortified our legal, internal audit and corporate responsibility functions to assure that we prevent inappropriate conduct and business practices through robust education and training;

identify them through surveillance and monitoring; and, perhaps most important of all, follow up and address issues in a timely and appropriate manner. We have a disciplined conflict-of-interest process, robust education for all board members, and annual governance improvement plans at every level.

Measuring Improvement: Year after year we have improved our performance in a whole host of areas. We are most proud of our improvement in employee engagement. In nine years we have moved from being in the ninth percentile to the 97th percentile. Bon Secours is one of 36 companies worldwide to receive the Gallup Great Workplace Award. We have now won this award three years in a row.

Part III: Enhancing Operating Performance

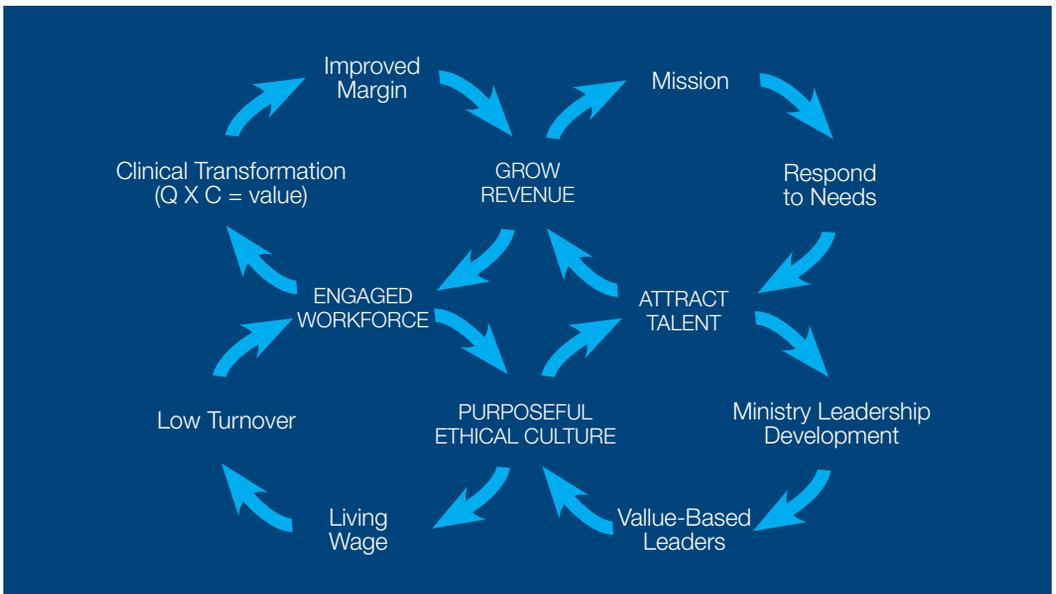
I believe the ethical commitments I have described today have tremendous value and

importance in their own right. These organizational practices, and others like them, are ends in themselves. I also believe these commitments enhance our operating performance in important and meaningful ways. From my perspective it is not an “either-or” but a “both-and.” Our ethical commitments exist both as ends in themselves and as a means to enhance our performance. This is why the Robert Frost poem about overcoming and bridging separation is important to me.

In macroeconomics, growth can be understood as a virtuous cycle in an example like the following: a new technology is introduced, which reduces cost and improves efficiency; lower prices lead to increases in output and higher profitability; higher profitability leads to additional innovation; innovation produces new technology. And the cycle not only continues, but all of these factors are mutually reinforcing.

I think there is a similar virtuous cycle for BSHSI as it relates to business ethics. Here’s what I have I mind. Our organization’s mission and ethical commitments attract strong, values-based leaders; great leaders bring their gifts and talents to the

VIRTUOUS CYCLE



organization; we invest in their ministry leadership development; leaders develop a purposeful ethical culture that further engages employees to respond to customer needs and create new and better approaches to clinical transformation; this gives us an advantage in the marketplace; this advantage in the marketplace leads to greater profitability; and greater profitability allows us to make additional investments in the ethical commitments that are important to who we are. And the cycle continues.

In this way, BSHSI's ethical commitments are mutually reinforcing not only with respect to each other, but also with respect to our operational performance in a highly competitive and rapidly changing business environment.

Conclusion

Let me conclude with some reflections on our current social reality, referring back to the health-care disparities I discussed at the beginning. The disparities that we see in Baltimore exist in nearly every community in our nation, including communities here in Massachusetts. When we consider all the counties in the commonwealth of Massachusetts through the lens of the RWJ data, not surprisingly in overall health outcomes Middlesex County (where Bentley University is located) is number one in the state, and only a few miles away Suffolk County is second from the bottom. The stark disparity in health outcomes between Middlesex and Suffolk mirror the disparities that we see in a whole range of other indicators: high school graduation rates, unemployment, children in poverty, violent crime, sexually transmitted infections and others. We can't expect hospitals and doctors alone to improve the health of our communities. We also need businesses, philanthropic foundations, governmental and community organizations and, yes, even educational institutions like this great university to help with this important work.

BSHSI is one example of a corporation striving to build and strengthen a virtuous cycle. There are other organizations that believe, as we do, that it is possible both to “do well” and to “do good” as an organization. Against the backdrop of countless social messages relentlessly encouraging us to focus exclusively on doing well to advance our own interests, I want to offer two invitations to all of you, regardless of your situation.

My first invitation is at the organizational level. Each one of you can exercise influence in your organization, whether you have a formal leadership role or not. You can encourage your own organization to look beyond “doing well” to discover new and creative ways of “doing good.” You can be the catalyst for virtuous cycles within your own organization, regardless of your role.

Second, and perhaps more important, at the individual level I want to invite students to focus not just on “doing well” in your careers, but also on “doing good.” What I have in mind is to channel your gifts, talents and commitments to make a difference in the world and to approach your work with a sense of vocation and service. We are given one life to live, and we need to spend it wisely: we need to invest our lives in service to human needs.

Just as I began with a poem, I'd like to conclude with a poem that captures what I most want to leave with you. It's an excerpt from “The Summer Day,” by Mary Oliver.

*Tell me, what else should I have done?
Doesn't everything die at last, and too soon?
Tell me, what is it that you plan to do
With your one wild and precious life?*

Following Mary Oliver, allow me to conclude this lecture with a question. With your own “wild and precious life,” what will be your role in building healthy communities and a more humane world?

Thank you.

*... Tell me, what else should I have done?
Doesn't everything die at last, and too soon?
Tell me, what is it that you plan to do
With your one wild and precious life?*

*—Mary Oliver,
from The Summer Day*



Q&A

Below are highlights of Rich Statuto's question-and-answer session with Bentley University students, faculty, staff and guests.

QUESTION: *Many charitable organizations, like the Peace Corps, have been under fire lately. How do you feel you work differently in other countries than they do?*

RICH STATUTO: I think the Peace Corps does great work. For Bon Secours, it's all about finding organizations that are already working collaboratively in the community. When we went to Peru, it wasn't Bon Secours Health System saying, "We have all the answers because we did our research on the World Health Organization's Integrated Management of Neonatal and Childhood illness (IMNCI) program." Instead we went into the communities that the sisters were already part of. We talked to the residents, social service agencies, the clinics, the ministry of health. We also spent time with the existing service providers in those communities to get a better understanding of

the needs and the potential. And then like the "Healthy Communities" process that I described earlier, we brought all the stakeholders together to say, "Here's what we're hearing. Here are programs that have worked in other countries. Here's what potentially we can do. And here are the resources that Bon Secours can bring to the table." Then we listened some more and determined that there was work we could do together that had the potential to make a difference.

QUESTION: *The slide that you showed differentiating between Middlesex County and Suffolk County was very striking. If I understood correctly, it suggests that the solution rests more with individual responsibility for our personal health than expecting some macro governmental solution such as Obamacare. Is that a fair conclusion or not?*

RICH STATUTO: There are some really good things about Obamacare and some areas of concern. Obamacare is focused on the affordability and the quality of clinical care, which is really important. More needs to focus on creating healthy policies and programs that will get to some of the social and economic factors. We need to be creating more jobs in the poorer local communities.

As chair of the board of Premier, one of the things we do is to visit other countries. My last visit was to Scotland. During our time there we visited their communities and tried to understand their health-care system. What struck me is that when they look at the health needs of the community, they budget for social services, health and education for the regional territories. They say, “If we’re going to improve the potential health outcomes of the residents in that community, let’s budget together in a way that makes sense in responding to the needs.”

Individual responsibility is important for health outcomes. We all need to eat right, not smoke, and exercise. Individual responsibility and good clinical care is not enough. We also need a strong economy, good education and nutritious food as well.

QUESTION: *I’m struck by the foundation and history of your organization and at the same time I’m looking at numbers that are compelling. Your operating income has more than doubled during your tenure as CEO. Is your message to the CEOs of your for-profit competitors, such as insurance companies, that they really ought to take a hard look at their underlying principles and motivations and perhaps that the shareholders and dividends are not as important as everyone seems to think?*

RICH STATUTO: My message to the CEOs of those insurance companies is, let’s not quibble about rates. Let’s really get to the underlying factors for good health. This makes sense for the insurers; it makes sense for the patients; and it makes sense for Bon Secours if we’re paid to coordinate care to keep people healthy.

I think that one of the misfires of the Affordable Care Act is if you look at the stock prices and financial performance of for-profit publicly held health-care providers, they’re flat to declining. Their metrics are not very exciting. In contrast, in the last six months, the stock prices of major health insurance companies have almost doubled. Health insurance companies are highlighting the ACA risks, charging more to employers for their insurance, and then they are asking for deeper discounts from the providers. We don’t want to make more profits for personal gain. We want to invest more in the communities. I hope that at some point, corporations and investors will make investment decisions not only to get a positive return, but also to realize the qualitative benefits of social responsibility — the social good that one’s investment is providing. We all make charitable donations, which are important, but maybe we can also make a point of investing in companies that we know will make a difference in this world, and in so doing, we’ll get a return and make a difference in society.

QUESTION: *For years, I have been concerned about the fragmentation and the duplication of care. It is wasteful and does not help our patients and our people across this country. And I’m concerned about how we’re going to be able to coordinate care when insurance policies do not even cover the costs of extra phone calls and follow-up. How are you able to do that? I think things like the “medical home” are absolutely the way to go. However when does insurance start reimbursing for this?*

RICH STATUTO: As a company strategy, I mentioned we’re targeting the top decile or the top quartile of performance. One of my fears is that in the next few years we’re going to see a lot of critical hospitals fail. One of our strategies is to make sure that we at Bon Secours are staying in the top quartile of performance because those at the bottom are most likely going to fail unless there is greater fairness and equity with insurance companies. The way we’re juggling the

balls at Bon Secours Health System is through good process re-engineering, through partnerships with our other providers, and through partnerships with Premier. In this way, we're trying to get at that 30 percent of unnecessary care I mentioned, and we're using the savings from care redesign to invest in nurse navigators, primary care medical homes, and the technology we need.

I think there's tremendous innovation in the pipeline. I love the concept of virtual visits; it's much less expensive to have a virtual visit with your physician than to build another office, urgent care clinic, or building that you have to go to — often at inconvenient hours — to get care. I'd like to go right on my screen and talk to my family physician and say, "Here's what's going on," and for him or her to respond to me. This would be a much more efficient and effective way to do it.

I would also love to have an OpenTable or a Yelp for health care on my phone. For example, I never call restaurants to ask for a reservation any more. I use OpenTable (opentable.com). Similarly, if I need a medical consultation, it would be great to go to the medical equivalent of OpenTable and be able to see the price list, the quality indicators and whether the information from all my previous visits can be transferred to that provider.

I think there are additional cost savings to be realized, but I fear insurers are really hitting us hard by using the Affordable Care Act as an excuse. I think we are going to see a lot of places fail in the short term before we can utilize innovations and fully redesign care that is more efficient and affordable.

QUESTION: *The opportunity to hear so much about Bon Secours was a perfect example of avocation and vocation. Can you suggest to the students in the audience one or two questions that they could bring into a job interview that might help them make a connection with a company that they could engage with in a way that many of your employees are engaged with Bon Secours?*

RICH STATUTO: First and foremost, I look back at my career and I was given the opportunities early on. I basically lucked into it. I don't think I asked the right questions, but a company like Procter and Gamble clearly invests in their employees. You can see their statistics in their annual reports and ask questions about their development program for early careerists. If you're in chemical engineering, versus business, versus marketing, they will have different tracks.

A lot of times you're going to be lured by the salary or job title. I would advise you not to do that early in your career. The key is to get a strong foundation and broad experience in as many areas as possible. Some companies will give you the opportunity to spend a little bit of time in various departments, such as marketing, consumer research and product development. We let our interns at Bon Secours spend a couple of months just being with all of our executives, learning what's important, learning what's hot in the company, and then deciding who their mentor is going to be. We also spend a lot of time doing this through our talent management program.

So, to the students entering the job market I would suggest they ask a lot of questions about how the potential employer develops people who are just beginning their careers and to give examples of how individuals are successful.

The second part is to ask questions about their ethical commitments — examples of how they're making a difference in their communities, and across the world. What impressed me early on with Procter and Gamble, in addition to their development, was all the work they did for the United Way and the communities in which they were located. My first year there they required me to be a United Way account representative. I would go to small businesses all around Cincinnati and get in front of all the employees and ask them to make donations to the United Way.

In ways such as this, you'll see evidence of their commitment as corporate citizens and their commitment to develop you as a young executive.

Thank you.

END NOTES

¹ Don Berwick and Andrew Hackbarth, “Eliminating Waste in U.S. Health Care,” JAMA 307, no. 14 (April 11, 2012)

² Christina LaMontagne, Vice President, NerdWallet Health.com, March 2014 at CNBC

³ “To Err is Human”, Institute of Medicine, 1999

⁴ Most Efficient Healthcare, 2013: Countries at Bloomberg.com

⁵ County Health Rankings and Roadmaps, 2013: A Robert Wood Johnson Foundation program, Countyhealthrankings.com

⁶ For those who do qualify for government-sponsored health insurance, we assist them in the application process.

⁷ Shortly after Rich Statuto’s lecture, BSHSI was recognized by the Gallup organization with the Essence of Engagement Award, given to a company that “demonstrates the epitome of an engaged culture, where engagement permeates the entire organization.”





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