



The Business Behind Healthcare

An Interview with George S. Barrett,
Chairman and Chief Executive Officer, Cardinal Health

Cardinal Health's headquarters in Dublin, Ohio

EDITORS' NOTE George Barrett joined Cardinal Health in 2008 as Vice Chairman and CEO of the company's Healthcare Supply Chain Services segment. From 2005 through 2007, Barrett served as President and CEO of North America for Teva Pharmaceutical Industries. During 2007, he also served as corporate Executive Vice President for Global Pharmaceutical Markets. He held the position of President of Teva USA from 1999 through 2004. Prior to joining Teva, Barrett held various positions with Alpharma Inc., serving as President of US Pharmaceuticals from 1994 to 1997, and President of NMC Laboratories, prior to its acquisition by Alpharma in 1990. Barrett serves on the board of directors of Eaton Corporation and Nationwide Children's Hospital. He received his Bachelor of Arts degree from Brown University and a Master of Business Administration from New York University. He also holds an honorary Doctor of Humane Letters degree from Long Island University's Arnold & Marie Schwartz College of Pharmacy and Health Sciences.



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COMPANY BRIEF Headquartered in Dublin, Ohio, Cardinal Health, Inc. (cardinalhealth.com) is a \$91-billion healthcare services company that improves the cost-effectiveness of healthcare. As the business behind healthcare, Cardinal Health helps pharmacies, hospitals, ambulatory surgery centers, clinical laboratories, and physician offices focus on patient care while reducing costs, enhancing efficiency, and improving quality. Cardinal Health is an essential link in the healthcare supply chain, providing pharmaceuticals and medical products and services to more than 100,000 locations each day and is also the industry-leading direct-to-home medical supplies distributor. The company is a leading manufacturer of medical and surgical products, including gloves, surgical apparel, and fluid management products. In addition, the company operates the nation's largest network of radiopharmacies that dispense products to aid in the early diagnosis and treatment of disease. Ranked number 22 on the Fortune 500, Cardinal Health employs 34,000 people worldwide.

Where do you see healthcare today and are the key issues being addressed?

Let me outline some of the big issues. As a nation, we have 10,000 people daily reaching the

eligibility age for Medicare. Today, 10 million people are over the age of 80, and this population will double over the next 12 years. We have a nation where people are living longer and with more chronic disease. The average person over 80 takes at least five medications per day and at 85, we're looking at 10 medications per day.

This is putting a huge economic burden on the system. We're already spending in excess of 17 percent of GDP on healthcare. At the same time, and partly in response to this, the Affordable Care Act was enacted into law, under which we saw last fall the implementation of the exchanges.

You have these powerful demographic forces, and regulatory and legislative changes happening at the same time. Both the public and the private systems are exploring different models for providing coverage for patients, many of those with higher involvement of patients. There have been new attempts to manage costs. Consumers are playing a more active role in their own care, some of this fueled by changing benefit design in health insurance. We have seen some incredible medical breakthroughs over the past year, in some cases not just treatment for disease but cures. We have seen an industry experiencing consolidation and repositioning among pharmaceutical companies, medical device companies, and the big health systems.

We are seeing the evolution of a system in which care will be delivered in different settings and, in some cases, by different caregivers and often in a different sequence. This is something we need to get right as a system. Historically, one of our problems has been meeting the challenge of delivering the right care at the right time, with the right caregiver in the right place.

At Cardinal Health, it has been important for us to work across the care continuum because patients are being treated beyond hospitals and increasingly in other settings, such as clinics or surgery centers, and even in the home.

In terms of delivery, will there only be a few very large health systems in the future, and what role will hospitals play?

We expect to see the large getting larger. Having said that, there will still be a need for smaller community hospitals, but they will have to continue to modify their models for delivery of care. We would expect to see significant and

continued consolidation. And the hospital of the future will be treating sicker patients. Most other patients will be treated in more ambulatory settings, including the home. This will increase cost effectiveness. A significant part of our strategy at Cardinal Health is making sure we can serve those patients.

Do you see your growth opportunities being greater in the U.S. or internationally?

We're continuing to see growth opportunities in the U.S. and North America, which is historically our largest market. We have, however, expanded internationally. In China, we serve a system going through its own healthcare reform and grappling with big issues: a huge population, a growing middle class, and struggles with demographics and chronic illnesses. We have seen this as an opportunity to bring our skills to this enormous emerging market, and China is now a \$2.5-billion business for us.

When we look at international opportunities, we must demonstrate great discipline. Service businesses don't always translate that easily from market to market. You have to be conscious of local preference, of regulatory systems, of financing systems, and the like.

How do you define what has made this company so successful?

Our organization has done a good job at recognizing the requirements necessary to serve a system that is in transition. This requires great agility and adaptability, as well as a willingness to let go of "historical truths."

Our people have done a great job of adapting to a system that requires following the patient throughout the system, in any healthcare setting.

We have a real tradition of operational excellence and a great focus on the details, particularly in the context of customer needs.

We're focused on creating an action-oriented culture, and our people embody the willingness to do what is necessary to really serve these customers. Even though we're a company of over 34,000 people, we can act nimbly, particularly as it relates to serving our customers.

Finally, our people internalize what we do – they understand the privilege and the responsibility of being in healthcare; they understand that when we do our work well, caregivers can focus their attention on patients, and that we're the ones who are there behind the scenes doing important work. It makes it easier to lead because Cardinal Health people understand why we're here. ●