Address by Craig Barrett, CEO of Intel

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Good morning, I need to set the record straight, yes my horse's name is NASDAQ. My wife's horse is named Pentium® Prince and I do have official release forms from both of those corporations, they are not trademarked or violations of any sort.

You might be wondering why I'm up on the stage today and there are really four reasons why I'm here. First is I'm part of that senior generation over sixty five, which uses a disproportional share of the medical resources in the United States. I also have a cold today so I maybe close to needing those resources.

I apologize if my voice gives out. So I'm really a representative of the older community in front of you. Because I'm old I have kids and grandkids, I want them to have good medical care in the U.S. I'm chairman of a major corporation in the U.S. that has about 100,000 employees, and we spend a lot of money on healthcare for our employees. So I'm a big healthcare purchaser here representing that group of people as well. And the last reason I'm here has to do with competitiveness of the United States.

There has been a lot of talk in the last year, President Bush in his State of the Union speech described a new initiative to the American people, a competitiveness initiative , and he talked about what you need to do to be competitive around the world and he really outlined three things. You need a good education system, you need a good R&D system to create ideas for future products, but you also need to have a good environment which promotes investment in innovation and part of that environment is in fact the cost of doing business in a country.

And the cost of doing business relates to healthcare as well. So look at me as a representative of a generation that uses most of the health resources and somebody who is worried about their kids and grandkids, somebody who buys a lot of healthcare for their employees and somebody who is worried about the competitiveness of the United States and perhaps you'll see all of those things come forward in my presentation.

I'd really like to talk about healthcare from an engineering perspective and talk about effective problem-solving. What is the problem? What are the potential solutions? And how do you implement those solutions, and so on. I'll try to give a perspective of what the issues are and some thoughts on solutions as we go forward and outline the potential vision for how we provide high quality care in the United States at an affordable cost.

So if you look first at the impact of healthcare in the United States, and while you are digesting the numbers on that slide, let me just reiterate that healthcare is the largest industry in the U.S. It's has a huge impact on the cost of doing business.

If you look at the **annual healthcare cost increase compared to a couple of other metrics, the War in Iraq, and basically the average cost increase to the economy due to petroleum price increase, you see that healthcare spending in the U.S. is 2X those other two topics**.

In fact, the five year average for gross domestic product has been averaging well under five percent, healthcare cost increases have been averaging well over eight percent, you can see this is leading towards an unstable situation. Actually it looks bad today, this is why we have all the discussions about this topic, and it looks much worse in the future. And when you start to look at the net present cost or net present value of unfunded health liabilities going forward you see how phenomenally big they are.

They make the discussion of the unfunded liabilities of Social Security look trivial as a matter of fact, and whether you assume that there are thirty trillion dollars or forty trillion dollars or fifty trillion dollars from unfunded liabilities you have to say they are multiples of the gross domestic product of the United States—that's huge.

And **nobody likes to talk about it because nobody knows what to do about it**. Would you say "ok, we'll tolerate this, we'll figure out how to pay for it, we'll figure out how to massage the system"? My message to you is the system is basically out of control, it's unstable, it's bankrupt, it gets worse each year and all we do is tinker around the edges and we need some major fixes associated with it.

From my perspective, the major fixes we need basically focus on national competitiveness going forward and the impact of healthcare on that. **If you continue along the current track, setting the problems of the education system aside, every job that can be moved out of the United States, will be moved out of the United States because of healthcare costs.**

And you can figure that out on your own if the average per capita cost for healthcare in the United States is six or seven thousand dollars per person, a family of four, that's **25,000-30,000 dollars to provide healthcare for a family of four supported by one worker**. This is substantially larger than the loaded total burden cost for an employee in most of the emerging economies.

So why in the world would you have a job here and pay more for healthcare costs alone here than it costs you to support that employee in total in a lower cost environment.

Let's look at the various aspects of this. What is going on in the workplace? What went on with GM in the debate the last year, it's pretty clear. GM was spending about 5 billion dollars a year in healthcare costs.

It's a big corporation you could say it could afford it, but in fact healthcare costs were ascribed to be greater than the steel costs in a car. My company is on track to spend a billion dollars a year in healthcare costs by the end of this decade. Our R&D budget is only 5 to 6 billion dollars so we're going to be spending basically 20 % of our R&D

budget and we are a pretty heavy investor in R&D, and now in healthcare costs too. The family of four that I just mentioned: 25-30 thousand dollars a year in healthcare costs for a family of four, if you look at any CEO in the U.S. they have responsibilities to their stockholders. They have to answer the question, "How are we going to be competitive with those sort of healthcare costs?"

It is not a matter of "can you afford to pay it or not," it is a matter of can you afford to be competitive in the world's economy today and pay those costs. **So effectively I conclude that healthcare is pricing itself out of business. And the way it prices itself out of business is just going to drive CEOs to make decisions to put resources elsewhere where the healthcare cost is much more affordable.**

If you look at the individual, the individual is really caught between a rock and a hard place. **The individual in this system has absolutely no purchasing power, no impact to change the system**. They can shop around for healthcare coverage but as an individual what they are doing is shopping in a system which really doesn't respond to them. The system tells them what the cost is and they either choose to pay it or not.

If you take an engineering look at the problem, and say "well, healthcare costs are huge, what can I do about it?" You really quickly come up with two classic 80/20 rules in the system and the first is perhaps the most important if you look at the distribution of healthcare costs. 80% of the costs are consumed by 20% of the people. The 20% of people are in two categories. My category, old. And then chronically ill. So if you want to impact healthcare costs, you almost immediately conclude, that not focusing on those two categories will give you no chance of impacting overall costs.

You can do the mathematical exercise. **Suppose you take the 80% of the people like yourselves who are relatively well and you do a wonderful job of reducing the cost of medical care coverage for those 80% of the people and you decrease the cost by 50%. The net is you've reduced healthcare costs in the United States by a grand total of 10% which is roughly one year of inflation.**

So a 50% reduction buys you a one year abeyance of inflation in the system, and after that you are back on the same track again. So if you focus on the 80% of the people that are well you don't touch the system. **You have to focus on the 20% of the people who eat up all the costs and that dictates exactly where you have to go and what you have to do**.

The other 80/20 rule is obviously that 80% of the transactions in the medical care industry don't take place in big hospitals or clinics; they take place in small offices. So if you focus all of your attention on in fact digitizing or putting IT infrastructure into big hospitals you're still missing 80% of the transactions.

You have to touch the whole system with exquisite focus on the people that use the majority of the cost in the system, chronically ill or aged people. The other observation you could make out of this is if it is old people like me that are costing the system the

most money and the population is aging that there is a tsunami coming which is not a random tsunami on a randomly generated earthquake, it is a predictable tsunami and its costs are just going to increase dramatically as you continue to increase the aged people passing the 65 year old barrier.

So I look at all this and say gee, the system is broken we debate this endlessly, it's wonderful to be in Washington to debate this. Listening to Janet give the agenda today it was interesting that you've got **one capitalist coming up on stage early in the morning followed by about 25 politicians who are going to debate this,** this is probably pretty representative of the way the system gets addressed.

With all this debate going on in parallel to the debate on education in the United States you can think of healthcare in the same category as No Child Left Behind. There are problems everybody loves to bash, everybody has an opinion, and the system never changes, it just marches on its own direction. And that result, we have a healthcare tax on every individual, every family, every company. We are seeing the chronically ill population increase, and the aged portion of the population increase. It ought to tell us that there is a certain degree of urgency, that we ought to be addressing this topic and maybe that is why we are debating it. But **my problem with debating is that debates produce very little action on the bottom line. And it does continue to hurt our competitiveness and if you are interested in U.S. competitiveness as I am, then you have to say that healthcare is the biggest boat anchor, the Achilles heal going forward.** We need to do something.

So it hurts us all today, it is going to hurt us more in the future and therefore it is going to hurt our children and grandchildren more in the future. When we debate this, what do we debate? We debate who should pay. And this is really an interesting debate. The system is unaffordable. It is growing much faster than everything else in the U.S. so the solution is who should pay for this cost? And that is an obvious question because if it costs more each year somebody has to pay for it.

We look at the government, the government should pay, private industry should pay, maybe we should have a single payer system, maybe we ought to require health insurance because that will fix the system. I haven't figured out yet why requiring people to buy health insurance when healthcare costs increase by 8 or 10 percent a year is going to fix the system. We could debate everybody should have to buy insurance, the companies should have to pay the full load-- we could debate all sorts of things.

It is a great balloon squeeze folks. The system is out of control, all we're trying to do is put the cost on somebody else's shoulder because we don't like the size of the cost. We ought to be debating how do we fix it. How do you provide better care with lower cost? Not who pays the higher cost each year.

I'd love if you could ask the folks that follow me in the discussion today, Maybe we ought to debate what do you need to do to fix the system and I can then talk to this group

who are IT oriented, efficiency oriented, productivity cost quality oriented, about really bring the tools to solve this problem.

But the debate is not how do you fix the system. The debate always turns towards who pays. I was at a conference in Purdue about six months ago. It was a two day discussion on what the next generation healthcare system look like. I raised this issue there and someone responded with the comment, “Gee, there is no problem. The U.S. is a rich country; we can afford to pay for this healthcare cost.”

And I said, “It is approaching 20 % of GDP today, when does it get unaffordable?” We pay twice basically what anyone around the world pays in terms of percent of GDP for our healthcare costs. I don’t think we get better service but we pay twice as much and it is growing fast.

Can we really afford it? My conclusion is we can’t, **but the debate needs to turn from who pays and from a balloon squeeze to “How do you systemically fix the system?”** So the right question is: how do you get better care? How do you get better service at lower cost? Higher efficiency, better value.

This is the question…spending more and providing less isn’t the solution. The solution is: let’s figure out how to cap the spending where it is today, which is essentially unaffordable, and provide better service to our citizens.

That ought to be what the question is and the question is not “can the system afford to increase by 8-10% each year?” So why aren’t we there yet? **I guess we are not there yet because it is fun to debate who pays. I guess we are not there because the individual has no power—no purchasing power—like the individual has purchasing power in just about everything else.**

You know the reason the automotive industry is tremendously competitive in the United States because the individual has purchasing power. The reason most goods and services in the U.S. are cost efficient, cost effective is because the individual has purchasing power and in the healthcare system the individual is basically powerless. There are very few people who have purchasing power. Mike Leavitt is going to be here in a few minutes and Mike Leavitt has purchasing power. He pays 50% of the bills. But he is also hamstrung by Congress and rules and regulations and a whole bunch of other things and it is tough for him to exercise that purchasing power. And he is trying and he will talk to you about some of the initiatives that HHS is running and trying to get the standards in place to put IT into the infrastructure. He will also talk about what we are doing through AHIC and there is some good stuff Leavitt has going on there and I applaud what they are doing.

But the government is kind of limited in what it can do in terms of mandating solutions. The folks that really have purchasing power have been AWOL.

Intel, General Electric, Lockheed Martin, Dell Computer, General Motors, just go down the list. The folks that have purchasing power and pay 50% of the bill are in fact big companies and what we haven't done is exercise that purchasing power in a collective way.

We haven't said, "this system needs to be changed dramatically and what we are going to do is use our purchasing power to drive that change." And the only way, in my opinion, that what we can do this is by making the system responsive, making the system more efficient, making the system more effective.

We have to basically say, "Hey we've had enough, we're not going to spend our money with anybody who does not do the following things, does not get fully digitized, does not have an electronic health record, does not have open architecture systems where we can communicate information back and forth, does not provide better service at lower cost, does not use all the best known methods."

Unless we don't do that I frankly don't see any change in the system. I don't see anyway to make the system responsive. The system is really on its own today. And moving forward in a system where the consumer has no impact is wrong.

There is no other industry on the face of the earth, except perhaps the primary education system in the United States, that works in a similar fashion which is not responsive to the consumer.

So I conclude we've got to change. And if you don't accept the increase I can guarantee what's going to happen. Every job that is available to move outside the United States will move outside the United States. Then you have a lower tax base to pay for a more expensive system and it will just accelerate downhill even faster. That is not an acceptable approach. So you can't continue the current debate. There is one thing you can do. You can mention the "r" word which is what every other country is kind of done and you know what the "r" word is.

Ration healthcare. If the system is totally out of control and you have a system where everybody basically has access to any service at any time the only way to control costs is to say "no that's not true, we are not going to play that game anymore by those rules, we are going to change the rules and start to ration healthcare."

With the current approach, rationing of healthcare is I think a given in the United States unless the system changes, unless the system becomes more efficient, unless the system becomes responsive to the consumer. So, some sort of collaborative action has to take place between the payers that exercise their purchasing power and they have to go in and basically change the system for the benefit of the next generations that follow behind us and for the benefit of the competitiveness of our country.

So I have **four simple solutions** if you want to change. The **first is technology,** technology is a tool. Technology has changed every other industry on the face of the earth—but this one. And maybe education but let's focus here mostly.

It's the only way you can scale healthcare for patients, for diagnosis, for treatment. This is necessary to be like every other industry that provides effectively more for less on an annual basis. TSA changed their rules yesterday so we can now carry toothpaste on airplanes. But I've been FedExing my toothpaste and deodorant and shaving cream from hotel to hotel to hotel so I don't have to spend an extra 20 minutes checking luggage and an extra 30 minutes picking up luggage. I'm reminded about FedEx.

You know FedEx ships about the same number of packages on a daily basis than there are patients in the United States on a daily basis, roughly. And I defy you to go to medicalservice.com or wherever it is and find the status of you as a patient on a daily basis like you can go to FedEx.com and find the status of your package on a daily basis. Try it sometime. Wal-Mart is another example. Wal-Mart is a great company. Some people think of it as a retailer, I think of it as an IT company in disguise as a retailer.

And think about Wal-Mart, what does Wal-Mart do? Wal-Mart has a great IT infrastructure system, they track the output of every store every day. They combine that with a warehouse distribution system so they know where to put the products at the right time. They also see what kind of products are moving by geography so they can adjust pricing to move products in and out.

Lee Scott comes to his desk every morning he has a print out and it says " By Store", "By Region", "By Country." This is how my business is doing, this is what's selling, this is what's not selling. Do any of you think the Center for Disease Control has an equivalent report on their desk every morning about what happened yesterday in healthcare in the United States?

Why can Wal-Mart do that but we can't do that for healthcare? You know, how long did it take for us to respond to E. coli in spinach? Why wasn't that instantly known? Why don't we have Wal-Mart based infrastructure for healthcare? And I won't get into the other stuff, the filling out of five pages of questionnaires of every time you go to the doctor, in pencil. Why can't I do the same thing that I can do with airline reservations? Do it online. Why don't we have an airline kiosk in the doctor's office?

I walk right up and put my card in it and it prints out my medical record and then can I can hand it to the doctor. The system doesn't respond in this fashion. So the other issue about technology is this has to be the only industry where the debate is who pays to put the infrastructure in place and the only reason that debate takes place in this industry is because the consumer has no purchasing power.

If the consumer had purchasing power it would not be, "who's going to pay me to put the IT infrastructure in my hospital and provide the consumer with better service?" If the

consumer had purchasing power, the consumer would go someplace else. Why did the banks get together and provide an infrastructure that allows me to go anywhere in the world and put my ATM card in the machine and get currency in local denomination deducted from my bank in real time? I recently went to Easter Island, 2,000 miles off the coast of Santiago, Chile. I put my card into the ATM and got Chilean pesos deducted from my bank in Scottsdale. Try that from a medical records system.

Why does the financial industry do it? It is called competition; it is called customer service, if you don't do it you're out. Why doesn't the medical industry do it? The individual has no purchasing power.

What is the kind of a vision of what happens next in this industry? There are some models I think which have opportunity. **First of all, pay-for-service is basically a nonstarter in my opinion; it ought to be pay for outcome.** And pay for outcome is basically a vertically integrated healthcare system which says for a fixed sum. I will provide you service, my job is to keep you healthy, to minimize the time in hospitals, minimize the time you are ill, and you should like that because you are getting high quality service and I make money if I keep you well.

I call this a **Health-Mart**. Health-Marts do a couple of things, one is they are a fully integrated system, two, they are large enough to have scale and scope and three, they are responsive to the individual. Now the individual ought to be able to go from Health-Mart to Health-Mart—if he doesn't like one he can go to the next one. If you don't like Wal-Mart you go to Costco. Don't like Costco go to Wal-Mart. But that is consumer choice. The current system of pay-for-service is hardly market driven.

So I'm looking at the opportunity in the future to have a change in the basic medical care industry to vertically oriented systems as opposed to this vast horizontal system we have today which is pay-for-service—transform that to a vertical pay-for-performance. And you are starting to see some examples of that. Intel worked with Cisco and Oracle in Silicon Valley and started a pilot in this basis. If you're using IT tools you get the right best known method for treating the disease or an illness and you do that and then we in fact pay for that performance.

We don't just pay just for service. I think you will see more and more of those types of pilots sprout up around the U.S. But ultimately the system has to transform itself from a cottage industry to more of an integrated industry, just like banks, retail, automotive, etc. these industries have over the years.

I think we also have to look seriously at where the cost is. The cost is not in the 80% of healthy people, not even in us small group here who are coughing today because we have colds because that's a minor illness. But it is the people with chronic illnesses or the people in the last thirty, sixty, ninety days of their life. This is where the cost is incurred and this is where technology has a great opportunity to provide better service, better quality of life at lower cost. And in it's essence this means taking the healthcare

system, which when you think about it for elderly and chronically ill people, is a mainframe-based system.

In this instance don't think IT—think mainframe as a hospital. It is a hospital based system it's not a diversified, dispersed, delivery system. And what we really need to do is change the medical system to a mainframe system to a PC based system, a personal care based system. Where in fact, we use technology to remotely monitor, treat, diagnose people at home and treat them before they get to the hospital. And if you are really serious about treating the chronically ill old people and you want them to have a high quality of life, you don't want them to go to the hospital. You want them to be able to stay at home.

They need to be monitored and proactively treated, not reactively treated. So technology has a great opportunity and there are lots of discussions going on like this for proactive treatment for this small class of people who eat up most of the healthcare costs. The key here is going to be, how do you get people to do this? This means providing incentives for the adoption of this technology. I'm always going to go back to the same area—the people with the purchasing power have to provide the incentives because I frankly don't think that the industry is capable of modifying itself. Its current cost structure, its current remuneration structures says more service is more revenue, is better for you than higher quality service of lower revenue and the comment I hear most often when I go around is, you talk about greater efficiency, better care, at lower cost.

What is the first response of anyone in the healthcare industry when you say lower cost? "You are taking revenue away from me." Every other industry in the world thinks "I'm providing better service, I'm more competitive, I'll get more customers." The healthcare industry says "I don't like it because you are taking revenue away from me." I mean this is a fundamental issue that faces this industry which is not being debated, it is not being addressed and it is impacting not only the patients in the U.S. but the U.S.'s competitiveness on the whole.

The **fourth issue is this one I've been talking about which is in fact employer empowerment or the empowerment of people like Intel or other companies to do something. Frankly we pay for healthcare three times.** We pay federal income tax, state income tax, which finances healthcare through those two payer communities, we give our employees health benefits, and we pay for their healthcare costs through those benefits and then the 45 million uninsured people, some fraction of them basically use the system for free and load up the costs on the price that we pay for our own employees.

So we get to pay for it three times today. And paying for it three times I would think would be enough to make us serious about getting in and exercising our purchasing power. Frankly we have the most to gain and the most to lose in this debate. And we have the only leverage I think to bring to the negotiation, which is the purchasing power. So if we can use our purchasing power to drive massive adoption of technology and procedures and best known methods which provide better care at lower cost, we ought to get into that debate. And leverage our purchasing power for that higher quality. And

ultimately what that does is enables our employees get better healthcare service—higher quality. But we're the only ones that can get into that debate and really exercise that at this point in time.

So you've heard a lot from me on this topic. I thought what I would do is bring up Linda Dillman who is an Executive V.P. at Wal-Mart, used to be the CIO and is now involved in risk management, sustainability, and a variety of topics which includes what Wal-Mart does in the healthcare area. So, Linda would you come up and join me please? I thought maybe two big employers could impress you more than one big employer.

Linda, I've been talking about impact and competitiveness and what the costs do to business model and so forth. It's easier for me to export employees than it might be for Wal-Mart, but what do healthcare costs do to your business?

LINDA DILLMAN: At Wal-Mart today, we cover about a million Americans on our healthcare program so contrary to some of the popular statements that Wal-Mart doesn't have healthcare coverage, we do and we spent a lot of time over the last couple of years really looking at how we're making that the best available healthcare for our associates. We want them to be healthy. We want them to have good, affordable access to health care.

We kept working internally thinking we could fix this problem and it suddenly occurred to us that we couldn't fix this internally and that the issue is bigger than us. We needed to go externally. As I look at five year projections on cost, we'll layer on about a billion dollars a year on healthcare costs over the next five years and get nothing in return and I say that just meaning we aren't going to get anything better, our associates won't be any healthier. They won't get more health care, no higher quality health care. What that means is that we're not as competitive in the market. It also means our customers end up paying that cost. I thought your question about who pays is interesting because in our mind there's one person that's going to pay.

The rest is who's going to deliver, a debate on who's going to deliver the bill. It's our customers that are going to pay the healthcare cost but it comes through taxed as the cost of product. So, healthcare costs have a huge impact to us and as important to us as improving the health of our associates and we're not doing anything to make head way there.

Barrett: I did refer to you guys as an IT company and as a former CIO (**DILLMAN**: I kinda like that but I'm not sure if Lee approves, but...) Well, next time I see Lee Scott, your CEO, I'll him know how important you are in the company (**DILLMAN:** Thank you). You guys have an immense IT infrastructure and it's an integral part of you business model. Any thoughts on how that sort of infrastructure could come back and impact the health care market?

LINDA DILLMAN: Absolutely, lots of thoughts. It's probably not all that common for somebody who spent 25 years in their career in technology and 15 years at Wal-Mart and

was a CIO to be moved into a role that includes managing our healthcare, our benefits and our health and wellness for our associates. That wasn't not an accident.

There are so many things that are being done with technology within our industry. **One of them is the adoption of standards**. For example, a barcode. If you take this bottle of water and there's a barcode on it, and I don't care if we scan it here or if we scan it in China, it's still gonna know that it's that bottle of water. If we scan it or if Costco scans it or if somebody else scans it, they'd still know it's that bottle of water. That's what global standards can do for you. And in retail, starting in the 70's, we adopted a series of standards that everybody's recognized, you've become competitive in different places, right? You've differentiated yourselves in how you deliver your service and how you treat your customers. But having those standards make you efficient and it brings value to everybody involved so everybody in the top supply chain benefits from this.

Standards are key. We're big believers in the use of data. We have a pretty massive data warehouse where we track the movement of everything so today I can tell you, Craig, within 15 minutes. I can tell you that a case of cotton balls moved in a store in Plainer, Texas, from the back room to the sale floor and how many we sold.

BARRETT: I'm actually more interested in cough drops today than cotton balls, ok?

DILLMAN: Cough drops, that's true. Well, I can tell you that, too. But, you know, that was important to us, **that visibility. And we share the data.** So knowing the data, knowing what's going on, being able to track it, being able to analyze it and then sharing it with everybody who has a role so we share this transparency with our suppliers. We give every store associates visibility to what impacts their business so they can have an impact and that's giving consumers some empowerment. If you show them what's happening with their health care, with their cost and allow them to participate, they will and they'll make a difference.

BARRETT: I kind of gave a vision for the future and forgive if I stole a little bit of Wal-Mart's name when I call it Health-Mart. Do you have a vision of where this is going to go for Wal-Mart going forward?

DILLMAN: We have part of a vision. I mean we're working on a vision. We believe...if you look at a Wal-Mart store today, there are several factors at play. We know how to use technology, if nothing else, you can say what you want about Wal-Mart, but we're efficient. We have visibility and manage cost and price. In most of our stores we have lots of health care professionals today so we have pharmacists, we have optical centers. We sell a lot of things that are related to healthcare and by healthcare, I mean real healthcare. Whether its exercise or good food and healthy food or, all kinds of tools that are needed to manage your life. **We have about 168 million Americans come into our stores every week so we think we have the ability to touch a lot of Americans with information and tools, certainly starting with our associates. You put all that together with what we started to work on with the clinics, which is not trying to replace current methods of healthcare deliveries. It's trying to fill a hole, fill a gap.**

It's how we believe Wal-Mart can be a healthcare destination for our customers.

BARRETT: I think we all admire what Wal-Mart had done in terms of efficiency, cost reduction and bringing value to customers. I think that our collective message for the audience today is that the healthcare industry could perhaps learn something from that lesson and move forward.

DILLMAN: Absolutely. And you know, we're here. Why are we here? We're getting engaged in a lot of forums because we think we can help. We have been through adoption, implementation of standards. As I read some of the debates that are occurring now, if I looked back thirty years ago when we talked about barcodes, there were the same debates.

And actually one that's near and dear to my heart, I was very actively involved in RFID, over the last five years, the same debates occurred. Who's gonna pay the costs? It's too complex. It's too difficult. How do you know the technology is going to payoff? All of the same things occurred. And there is a way to make the implementation work. There is a way to take it into the right pieces and find the right place to apply it first. And there's a way to make it work for everybody and benefit everybody and what we like to do is play a role in facilitating that. And bring our influence to bear where it make sense.

BARRETT: Super, well, thanks for joining us.

DILLMAN: My pleasure.

BARRETT: Let me try to conclude...I don't think there's a magic pill to healthcare and the issues of who pays and whether you ship the burden of cost from the government to the private industry to the individual or you have a single payer system, I don't think it makes any difference.

If you look around the world at single payer systems, you'll find that they work, they work at a substantial lower fraction of GDP because they ration healthcare. I don't think that's an acceptable approach for the United States. It may be the approach the U.S. goes to if it doesn't do something about the escalating cost here. The real issue is how do you make the system more efficient. Higher quality at lower without providing less care.

We really have to close the gap between healthcare industry and the rest of the world because every other industry had adopted this technology and this industry continues to sit here and debate and look at little solutions around the edges. We may be doing some of the good infrastructure work with a few of the organizations today but fundamentally this industry is moving at a glacial speed, even with global warming.

And fundamentally, **if you don't laser light focus on the 20% of the population that incurs 80% of the cost, then you can't touch the cost and you're just playing around the edges.**

So, what happens next? **We've gotta change the debate**. The debate can't be who pays, it can't be who pays the medical bills, it can't be who pays for the IT infrastructure in place. Just look at every other industry, the companies, the entities that put the IT infrastructure in place and how they deliver better service, got the competitive benefit in the market place and improved their business and increased their profitability.

They didn't decrease it by making that investment. **So when we have hospitals and doctors saying I can't possibly do this, I can't possibly do electronic prescriptions because a PC is so expensive, I mean, you just can't look at those people with a straight face. You have to laugh at them. You have to say join the real world look around you.**

Now if we don't do this, from the competitiveness stand point, the U.S. will be at a severe disadvantage. And I think more and more U.S. jobs are at risk. You cannot just load up the healthcare cost on the American workers and on the American enterprise and assume that the American enterprise won't do anything.

The American enterprise is beholden to its share holders and profitability is the bottom line. It will do things to lower its cost. I don't think the current situation or status quo is acceptable. **You have to see a major change and I think that major change has to come from my community and we have been guilty of not being involved in this dialogue. I hope what you can see going forward in the very near future are initiatives from our industry to try to pre-empt the system and move it into the right direction. By pre-empt the system I mean employers going to their healthcare providers and saying, "This is the way you have to do business or our business goes someplace else." I think that that is the only forcing function which can change this system -- the only forcing function that can provide better care at lower cost, higher quality in the United States.**

Think about that when you hear the 25 politicians and policymakers who follow me this morning and you have the opportunity to ask them a question, ask them that question, thank you very much.