



Health care's new maverick

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Steward Health Care System's Ralph de la Torre is building a model for the future.

By Geoff Colvin, senior editor-at-large

FORTUNE -- What's the future of American health care? Dr. Ralph de la Torre, CEO of Steward Health Care System, may represent the answer. Steward, owned by the private equity firm Cerberus Capital Management, is a growing Massachusetts-based group of community hospitals, and industry analysts say de la Torre is one of the most dynamic and influential executives in the business. He's consolidating hospitals, finding efficiencies, investing big in infotech, and creating a new model that he says won't change much regardless of how **Obamacare's future** plays out. De la Torre, 46, is the son of Cuban immigrants and became the chief of cardiac surgery at Harvard's Beth Israel Deaconess Medical Center at age 38, then gave up practicing medicine to become a CEO. He talked recently with *Fortune's* Geoff Colvin about why health care reform isn't about public health, how health care is like the auto industry, why costs must continue to rise, and much else. Edited excerpts:

Q: Assuming Obamacare is fully implemented, what are the most important ways in which it will affect our lives?

A: The guiding principles were to do two things. One is to expand coverage. The other is to change the fundamental way health care is structured. Right now we're a society that believes you lead life the way you want to, and then at the end when the wheels start falling off the cart, you pound it with resources and get interventions from medical specialists to keep you alive longer and healthier. It's a very back-ended -- and because of that a very expensive -- way of getting health care.

If we're going to increase access and engage people to get their health care in a different way, we have to **get young people involved**. We have to get people who for all practical purposes really don't need health care insurance. We're going to be suffering from the fact that we never paid for wellness or prevention in the past, and the baby boomers are now coming of age. We can't pay for it all without putting a tax on the young -- call it what you want to call it, it's the truth. But by getting the young involved in health care through an individual mandate, it also lets you begin wellness and prevention.

We need to understand as Americans that it's going to cost us more for the next five, six, seven years or more. There's no way around it. We've increased access, and we're shifting our care to include more prevention and more wellness, but we can't turn away the people who weren't part of that to begin with, so we're going to be double-paying for a while. In the long run we need to do that. We need to start that shift now.

Medical costs in the U.S. are growing faster than the economy. That trend can't continue. It's got to stop, so how is it going to stop?

It stops by attacking the culture, getting people to engage more in wellness and prevention, and also by challenging providers and caregivers to treat based not on hope but on reality.

A lot of us physicians went into medicine because we loved the art aspect of it. There wasn't a lot of real hard-core science when many of today's doctors went into medicine. It was your intuition, your abilities, the gestalt of what was going on. But something happened in medicine along the way. It started becoming a real science, and a lot of studies have come out that guide what we do and how we do it. We as a society need to understand that science has to guide our practice of medicine. Not everyone with a headache needs a CAT scan; not everybody with a sprained ankle needs an MRI.

You emphasize the need for greater attention to wellness and prevention. But why haven't we Americans taken better care of ourselves in the first place?

It's not who we are. America is a very young country, and we suffer from all the ills of young people: immortality complexes, neglect of our future. America didn't think it would ever grow old **and get sick**. We believed in that old line: Live fast, die young, and leave a good-looking corpse -- until you get old. Then you don't want to leave a corpse. You want to live forever.



Steward Health Care System's
Ralph de la Torre

You've bought a lot of community hospitals, and it wouldn't be surprising if you bought more. Is this consolidation trend going to become a nationwide phenomenon?

It has to. In deference to those who love the individual hospital, you have to look back at America and the trends in industries that have gone from being art to science, to being commodities. Health care is becoming a commodity. The car industry started off as an art, people hand-shaping the bodies, hand-building the engines. As it became a commodity and was all about making cars accessible to everybody, it became more about standardization. It's not different from the banking industry and other industries as they've matured. Health care is finally maturing as an industry, and part of that maturation process is consolidation. It's getting economies of scale and in many ways making it a commodity.

You've invested heavily in information technology at Steward's hospitals. We've heard so much over the years about the tremendous opportunities to save money and improve outcomes by improving infotech in health care. Why has progress been slow?

From an IT perspective, health care is at least 15 to 20 years behind the rest of the world. It's amazing to me that Wal-Mart (**WMT**) can tell you where one T-shirt is in one of its factories or warehouses at any point in time, but we don't even know if a patient had an MRI or a CAT scan, a test that costs \$1,000-plus, in the past few months. That's how far behind our IT systems are.

But integration is hard because there are a lot of homegrown systems in companies. Even within a hospital, radiology might have their system, cardiology might have their system, and they don't speak to each other. Now **vendors are starting to do this**, but it's expensive, and the margins in hospitals are very small.

Have you found that your IT investments have paid off well?

Absolutely. They've already started to pay off, and we think the real payoff is coming in the next three to five years as more care-management protocols and policies come into place. Our IT investments have already paid off in being able to track how different hospitals, different doctors, do things differently; which ones work, which don't; which ones are cost-effective, which are not. All of that lends a data element to our system that was never there before.

You've hosted the President at your house for a Democratic fundraiser. Have you advised him on health care policy?

I always give my opinions, but they're not always listened to by either side of the aisle. One of the harder realities is that health care reform is not about public health. That's the mistake people make. In public health policy we try to figure out, say, the incidence of colon cancer in 50-year-olds. We do a study, and we say, "Anybody age 50 or over should get a colonoscopy, and if you have a first-degree relative with colon cancer, it should be at 40." That's public health policy.

Health care reform is public finance. And when you get into public finance, it's not about doing a study to guide policy; it's about creating a business plan. In a business plan you need an end picture of where we want to be in five or 10 years. For both sides of the aisle, the part that's missing is an end picture. It's not about next year; it's what's going to happen in five and 10 years, and then let's back into it. Politically I don't know if that's doable, because I'm a businessman, not a politician. Thank God.

Very few people in politics have an incentive to think five or 10 years into the future.

They're thinking to the next election, for better or worse.

What's the most important way in which Americans should think differently about their own health and health care?

The easy answer is that people should think **more about prevention**. They should say, "Okay, I'm going to live **till I'm 85**. What do I need to do so I can enjoy my life and stay healthy? Let me start planning now for what I need to do." That's the easy answer.

The real answer is that we need to start taking care of each other, not just ourselves. We have to understand that you don't just have a responsibility for yourself and making health care available for you. You also need to make sure it's available for everybody else. Whether or not someone in their forties and fifties can afford it, when they're 65 and have Medicare, you're paying for it and **businesses are paying for it**. We need to understand that there is that social responsibility that was created many years ago through Medicare. So we need to understand that we are responsible for each other, and we need to start acting that way.