Worth the money?
I read with interest Dr. David Walcher’s commentary in the September issue of *Minnesota Medicine* (“A shift in focus,” p. 41). I have spent a lifetime in businesses large, small and my own. The good doctor’s comments are right, but the driving issues can be expanded upon. There are two major components behind high medical costs: the board compensation committee and the concept of “pay for talent.”

We all expect that the most talented people will lead our companies, a simple axiom. In truth, CEO selection is flawed by the thought that the more we pay our CEO, the more the direct reports to the CEO will be paid. So we are driven to select the candidate with the highest salary demands, as we think doing so will increase our own salary. But here’s how it works: Compensation committees are subsets of boards of directors. Directors’ pay is most often determined by the CEO. The CEO identifies a board he or she can work with, and the board members’ pay is set following the recommendations of the CEO and the compensation committee.

The results of this system are clear: The top executives are paid at a rate that is, in some instances, more than 800 times that of other managers. Using Dr. Walcher’s calculation methodology, top-paid CEOs are earning more than $40,000 per hour. (The highest-paid medical industry executive in 2012 had a total annual compensation package in excess of $148 million not including termination and travel benefits. When challenged over his high pay, he insisted he was “darn well worth it.”) Are they worth it? Denial and hubris may dis-

The never-ending spiral of increasing executive pay, aside from being self-serving, is unhindered because of the mandate that medical benefits be a condition of employment. There are those who say that a free market will solve the problem of increasing health care costs. They say, end “medical” as a *pro forma* benefit and watch prices tumble. They say, make patients have “skin in the game” so that they live a healthy lifestyle. But it is simply absurd to suggest that individuals are responsible for the medical consequences of assault, car accidents, workplace contaminate exposure, etc.

Finally, a word about potential solutions. Practically, no solution to the problem of high health care costs is achievable without rethinking the role of insurance in medicine. The imperative to redefine our national priorities in this area is stymied by the immense amount of political money spent on maintaining the status quo. Sure, the insurance industry employs many thousands of people. Redeploying the population whose job it is to make medical care expensive would not be easy, nor would it be politically palatable. But frankly, I think that if politicians had the ethics of most doctors, reform would be accomplished in minutes.

The mandate of universal health care is unavoidable. The role of a private insurance industry, whether for-profit or not-for-profit, is unmaintainable. The concept of profiting from illness or sickness is way too Faustian. The medical judgments of high-minded physicians, not insurance clerks or single-vision HMO executives, ultimately need to prevail if we are ever to have both more effective outcomes and lower costs.

Craig Johnson
Burnsville, Minnesota