

# Patient-Centered Sustainable Health Care

BY: JON HENDERSON, JACOB LOEHR, TAYLOR MAUN, SILMON GHEBREYESUS, JULIA RIX<sup>1</sup>

## I. INTRODUCTION

Over the past two years, global events reshaped the health care industry by shifting the priorities of the industry’s key stakeholders. In the post-Covid-19 economy, quick responses to short-term problems such as continuing supply chain disruptions and workforce shortages define success for health care businesses. However, as the industry’s leaders return to remaking health care’s patient-centric future, they are incorporating the evolving demands of key stakeholders in the health care ecosystem to address larger issues of inefficiency, inequity, and inaccessibility in the health care industry. Collectively, these complications raise questions about health care’s sustainability and the ultimate impact of sustainability on delivering patient-centered health care services.

| Key Stakeholder Categories | Examples  |
|----------------------------|---|
| Consumers                  | Patients, patient advocates, governmental payors, and commercial payors   |
| Local Communities          | Residents within health care provider service areas, activists, coalition and interest groups, and municipal leaders                |
| Providers                  | Physicians, nurses, mid-level providers, technicians, facility employees, and support staff   |
| Institutions               | Individual health care facilities, health systems, community-based care organizations, and government health services organizations |
| Investors                  | Public and private stockholders, boards, private equity funds and managers, banks, non-profits, and governmental investment funds   |
| Regulators                 | State and federal lawmakers, regulatory agencies, and licensing governmental bodies   |

<sup>1</sup> The Polsinelli authors, Jon Henderson, Taylor Maun, Silmon Ghebreyesus and Julia Rix, are resident across the firm’s Dallas, Los Angeles, Kansas City and Washington, D.C., offices and members of Polsinelli’s Corporate and Transactional Practice Group and Health Care M+A Practice. Jacob Loehr, who carried the heaviest laboring ore of our authors, is a former Polsinelli associate in the Corporate and Transactional Practice Group who relocated to Austin during our research and writing process but continues as a key thought partner on this white paper’s thesis. The authors thank James W. Walton, President and CEO of Genesis Physicians Group, a Dallas-based 1,200 member-independent practice association, for his insights and contributions in the writing process derived from over 30-years as a practicing internal medicine specialist prior to becoming a physician executive and leader in hospital and physician organizations. And, lastly but not least, the authors thank Abbie Kate Henderson, a sophomore majoring in Sustainability Studies in the College of Liberal Arts at The University of Texas at Austin, for her insights and contributions as a student learning and passionate about sustainability and the application of design thinking. But for the contributions of this team, our white paper would have been lacking in its potential to have the greatest intended impact.

As a generalization, historical inattention to sustainability has squandered opportunities to build efficient, effective, and equitable health care businesses capable of pushing the health care system towards a patient-centric future. Consequently, the health care industry has been criticized as unable to consistently resolve the underlying core problems resulting in costly, underwhelming care that delivers disparate outcomes for some stakeholders. However, the emerging common chorus of key stakeholders calling for sustainability presents an opportunity for industry leaders to positively influence the evolving course of the American health care ecosystem.

By embracing various perspectives on sustainability and committing to building health care businesses that intentionally address them, the health care industry can realign to address the interests of all key stakeholders to deliver a sustainable, and therefore, patient-centric health care system. This aspirational future sits against the backdrop of what the past has taught, which is that when there is not sufficient focus on developing sustainable patient-centric health care businesses that consider the interests of all key stakeholders, opportunities are missed to evolve or transform the health care system in its most efficient and effective direction. There are numerous examples of current state optimized health care; however, there should be appreciation that the health care system is popularly viewed as not evolving to adequately consider sustainability. The consequences of this view are significant, leaving our country with a perceived underperforming and expensive health care system that produces undesirable disparities in access, care delivery, and outcomes. Without conscious commitment to embracing a “sustainability-based” healthcare transformation agenda by key stakeholders, we are at substantial risk of wasting additional time and resources on a suboptimized system of health care.

Capitalizing on this opportunity successfully requires health care businesses to identify the various economic, ecological, and social issues that fall under the umbrella of sustainability. Next, health care businesses must understand how leaders in the health care industry are best responding to the complexity of sustainability challenges. Finally, health care businesses must integrate these insights into their own businesses and embrace the vital role of sustainability in the evolving health care ecosystem. Taken together, a playbook begins to take shape for health care businesses to thrive in the patient-centric future state of health care.

At a high-level, sustainable business models are defined by serving the immediate needs of customers and owners while avoiding or negating impacts on the environment, the community, or society.<sup>2</sup> In other words, sustainability is increasingly understood to require a balance of positive social, economic and environmental outcomes – also known as the “Triple Bottom Line.”<sup>3</sup> In addition to balancing the elements of the triple bottom line, sustainability invokes the fundamental balancing act between the immediate needs of present society and the future state left for generations to come. For the business of health care, the summation of these sustainability considerations requires delivery of affordable, low-or-no environmental impact, and socially positive care services.<sup>4</sup>

However, the broad and all-encompassing concept of sustainability does not readily offer health care leaders the playbook for building sustainable health care businesses. The collective calls for sustainability from key stakeholders with diverse perspectives and often contradicting definitions of sustainability inherently complicate the task of building sustainable health care enterprises. Bridging the gap between the varied definitions and dimensions of sustainability and the operationalization of sustainable health care presents an opportunity for those remaking health care through mergers and acquisitions and innovation activities to accelerate the industry towards the future state of health care.<sup>5</sup>

This white paper uses the following five principal themes, ideas, and concepts to distill the various incongruent notions of sustainability in the status quo into a consistent and operationalized vision of the future state of sustainable health care services that satisfies and aligns the demands of key stakeholders:

- Triple Aim of Health Care
- Environmental, Social and Governance
- Systemic Resiliency
- Conscious Capitalism
- Social Determinants of Health

Unpacking these themes, ideas, and concepts defining sustainable health care builds upon the seminal Health Care “Prime” observation that the health care ecosystem is moving towards an ultimately patient-centric future state - a future state that cannot be fully realized without sustainable health care enterprises.<sup>6</sup> Progressing the Health Care “Prime” thesis,

---

2 See Alexandra Spiliakos, What Does “Sustainability” Mean in Business? Harvard Business School Online (Oct. 10, 2018), <https://online.hbs.edu/blog/post/what-is-sustainability-in-business/>.

3 See Kelsey Miller, The Triple Bottom Line: What It Is & Why It’s Important, Harvard Business School Online (Dec. 8, 2020), <https://online.hbs.edu/blog/post/what-is-the-triple-bottom-line/>.

4 Introduction to Sustainable Healthcare, The Centre for Sustainable Healthcare, <https://sustainablehealthcare.org.uk/courses/introduction-sustainable-healthcare/>.

5 See Josh Karliner et al., Health Care’s Climate Footprint: How the Health Sector Contributes to the Global Climate Crisis and Opportunities for Action, Health Care Without Harm & ARUP (Sept. 2019), [https://noharm-global.org/sites/default/files/documents-files/5961/HealthCaresClimateFootprint\\_092319.pdf](https://noharm-global.org/sites/default/files/documents-files/5961/HealthCaresClimateFootprint_092319.pdf).

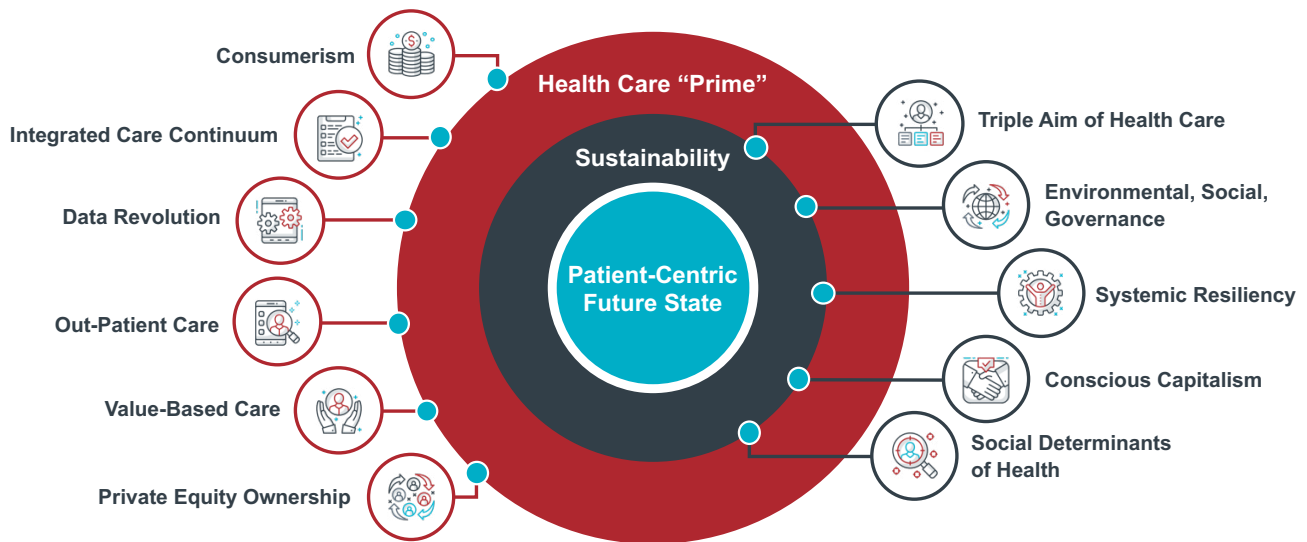
6 Jon Henderson, Andrew Kinworthy, & Kevin McDonnell, Health Care ‘Prime’ – The Shaping of Health Care in America Through M+A and Innovation, Polsinelli (Oct. 2018), <https://www.healthcarema.polsinelli.com/health-care-prime-white-paper-series/>.

## PATIENT-CENTERED SUSTAINABLE HEALTH CARE

this white paper identifies health care businesses, enabled by mergers and acquisitions and innovation activities, that embody the principal themes, ideas, and concepts defining sustainable health care, and thus, deliver on the promise of sustainable and ultimately patient-centered health care. Furthermore, because sustainability shares a unique relationship to achieving the future state of health care (i.e., health care cannot function effectively in

an evolving health care ecosystem without sustainable practices), this white paper explores how the themes, ideas, and concepts for defining sustainable health care are symbiotic with the six original Health Care “Prime” themes and outcomes - together ultimately describing the patient-centric reality of the future state of health care.

| The Patient-Centric Future State of Health Care   |   |
|---|---|
| Health Care “Prime”   | Sustainable Health Care   |
| Consumerism<br>Integrated Care Continuum<br>Data Revolution<br>Out-Patient Care<br>Value-Based Care<br>Private Equity Ownership | Triple Aim of Health Care<br>Environmental, Social and Governance<br>Systemic Resiliency<br>Conscious Capitalism<br>Social Determinants of Health |



Each of the interrelated themes, ideas, and concepts of sustainable health care is derived from the various perspectives on the role of health care services in America:

- Health care and its relationship to the individual;
- Health care and its relationship to the environment; and
- Health care and its relationship to inequality.

In turn, each perspective is informed by observations about the perceived inefficiencies in status quo health care (poor quality and access, high costs, environmentally unsustainable practices, and ignorance of broader socio-economic influences on poor health) and each, independently, offers value to the key stakeholders seeking a sustainable future for health care. Considered in isolation, however, each of these dimensions cannot create a congruent means to achieving sustainable solutions for health care businesses. By unifying these perspectives under the umbrella of the principal themes, ideas, and concepts of defining sustainable health care, this white paper creates a lens for analyzing how current mergers and acquisitions and innovation activities enable health care leaders to build sustainable health care businesses that address stakeholder concerns to ensure the arrival of the patient-centric future state of health care.

## II. TRIPLE AIM OF HEALTH CARE

Growth in health care demand - both in terms of patient volume and complexity of patient needs - is straining the American health care system. In the short term, deferrals of care, increased substance abuse, supply chain delays, and poor-health choice behaviors, exacerbated by Covid-19, inflate utilization and costs for patients.<sup>7</sup> However, it is a misconception that the health care industry is incapable of redesigning itself to address these concerns. Rather than continue shifting responsibility to patients and their local communities, a holistic, evidence based and integrated approach that embraces the expansive role of health care in patients' lives can foster sustainable solutions to increasingly complex health care problems. Thus, developing strategies to address increased demand without shifting responsibility and costs to patients, or society generally, is fundamentally an issue of the sustainability of the American health care ecosystem.

In response, health care enterprises are increasingly delivering care aligned with the triple aim of health care. The triple aim of health care, originally conceived in 2008, by the Institute for Healthcare Reform, requires health care businesses to deliver care improving population health without worsening health disparities across personal demographic characteristics and improves patient experience while simultaneously lowering per capita costs.<sup>8</sup> Increasing "population health" is further defined by a focus on overall health metrics beyond those for individual patients in discreet circumstances.<sup>9</sup> Additionally, improving the "patient experience" encompasses factors such as safety, effectiveness, timeliness, and efficiency—not just satisfaction.<sup>10</sup> Consequently, the triple aim of health care concurrently fulfills all three tenets to avoid an imbalance in outcomes that results in, for example, increases to patient experience at a higher cost to patients—driving patients away from care and negating gains to patient-centric care delivery.

Triple aim of health care initiatives are adaptable to all types of health care organizations and address the concerns of a wide variety of key stakeholders burdened by costly, unengaging, and underperforming health interventions.<sup>11</sup> Notably, the Patient Protection and Affordable Care Act of 2010 (ACA) was an early reflection of emerging consensus around incorporating triple aim tenets into the future state of the American health care ecosystem. The ACA, however, was more of a stopgap, as opposed to a sustainable mechanism for building triple aim

health care as it focused on government induced innovation within the health insurance and care delivery systems—including promotion of Medicare accountable care organizations—regardless of whether the industry or providers embraced its objectives.

Rather than a top-down approach, the keys to lasting integration of triple aim of health care objectives in the health care ecosystem ultimately rests with the professional class of providers as the key stakeholders who must embrace triple aim health care in their various roles as owners, practitioners, and strategists in health care enterprises. Through the direct impact providers have on patients, and their collective impact on decision-making in the health care system, providers, empowered by tools such as mergers and acquisitions and innovation activities, can build health care businesses focused on the triple aim of health care and ultimately delivering sustainable care. Furthermore, the optimization of health care through the triple aim offers these provider stakeholders mechanisms to address provider specific problems such as burnout and dissatisfaction (often referred to as the fourth, or quadruple, aim of healthcare) that otherwise imperil triple aim of health care outcomes.<sup>12</sup> By embracing a shift towards triple (or even quadruple) aim health care delivered through provider leadership and enabled by innovative health care enterprises, health care businesses can redirect the health care system towards a more sustainable and patient-centric future state.

Industry leaders, guided by the interests of providers embracing triple aim of health care objectives, are using mergers and acquisitions to build health care organizations capable of delivering triple aim health care that improves population health and patient experiences without passing the cost impacts onto patients, their local communities, and society at large. Consequently, mergers and acquisitions are functioning as an efficient catalyst by advancing the health care ecosystem towards greater sustainability in health care delivery transformation. Health care aligned with triple aim tenets also affords health care organizations competitive marketplace benefits in an evolving health care ecosystem defined by consumerism and private equity ownership.<sup>13</sup> Similarly, the providers benefit from optimized systems that incentivize quality of care improvements rather than first weighing cost considerations. In turn, patients are also less likely to need to

---

7 Medical Cost Trend: Behind the Numbers 2022, PwC (2021), <https://www.pwc.com/us/en/industries/health-industries/library/assets/pwc-hri-behind-the-numbers-2022.pdf>.

8 D. Berwick et al., The triple aim: care, health, and cost, *Health Affairs* (May 1, 2008).

9 Niñon Lewis, A Primer on Defining the Triple Aim, Institute for Healthcare Improvement (Oct. 14, 2014), <https://www.ihl.org/communities/blogs/a-primer-on-defining-the-triple-aim/>.

10 Id.

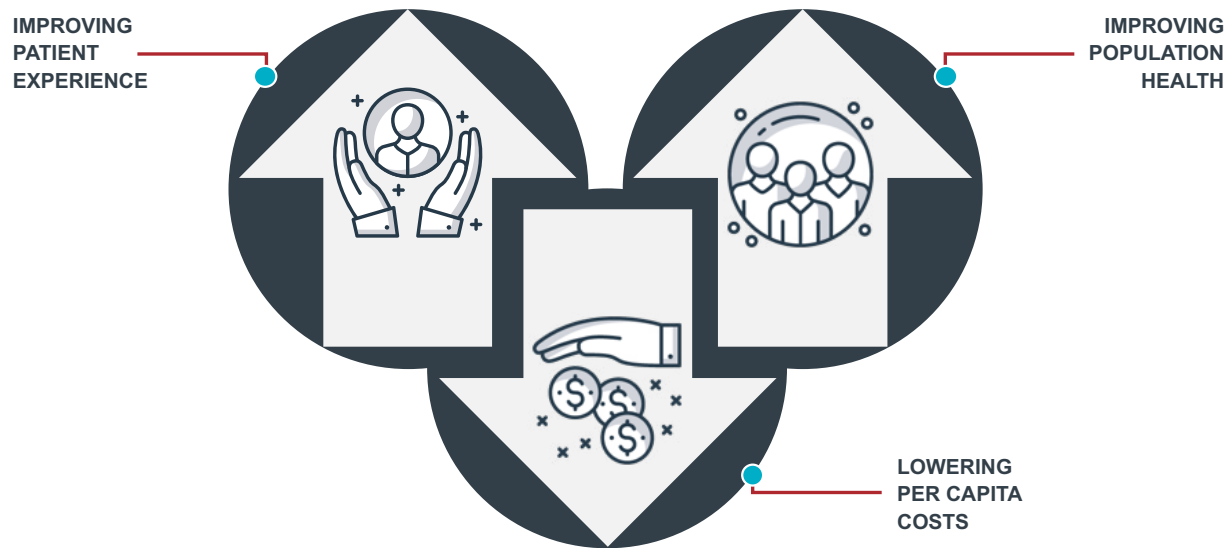
11 John Whittington et al., Pursuing the Triple Aim: The First 7 Years, *Milbank Quarterly* (June 4, 2015), <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4462878/>.

12 Thomas Bodenheimer & Christine Sinsky, From triple to quadruple aim: care of the patient requires care of the provider, *Annals of Family Med.* (Nov. 2014), <https://pubmed.ncbi.nlm.nih.gov/25384822/>.

13 Jon Henderson, Andrew Kinworthy, & Kevin McDonnell, supra note 6.

## PATIENT-CENTERED SUSTAINABLE HEALTH CARE

### TRIPLE AIM OF HEALTH CARE



reconsider necessity of care because of the threat of financial strain. With patient choice and the attraction of private equity ownership already transforming health care into a patient-centered enterprise, the prospect of sustainable care options through triple aim health care affords businesses a stronger appeal to patients and their local communities actively choosing providers that balance outcomes, experience, and cost, and investors with capital investment strategies focused on the patient-centric goals inherent to the triple aim.

The Intermountain Healthcare/SCL Health and Jefferson Health/Einstein Healthcare Network mergers are examples of how mergers and acquisitions can enable hospital systems to build larger footprints with scale and capacity intended to improve overall population health and patient experience, with the goal of not increasing costs, and thus delivering on the tenets of the triple aim of health care.

The merger between Intermountain Healthcare and SCL Health resulted in a health system encompassing over 58,000 caregivers and 33 hospitals across six states in the mid-west and western United States.<sup>14</sup> The merger enables the triple aim of health care outcomes by combining SCL's faith-based and mission-focused approach,<sup>15</sup> designed to improve population health at lower cost to the patient, with the resources and reach of secular-based

Intermountain.<sup>16</sup> For example, the merger provides SCL with Intermountain's strategic telehealth infrastructure designed to provide low cost care in rural settings.<sup>17</sup> The resulting health system will provide SCL's patient population with an additional low cost mechanism for accessing care services, improving patient convenience, and necessarily their patient experience, while expanding SCL's mission-based and low-fee services to the rural population in Intermountain's footprint.<sup>18</sup> The mutually reinforcing outcomes, only possible through SCL and Intermountain's choice of strategic merger, positions to deliver on triple aim health care objectives.

Similarly, the merger of Jefferson Health and Einstein Healthcare Network highlights how mergers and acquisitions can build health care businesses providing triple aim health care—delivering sustainable health care services, and consequently, ensuring the arrival of the patient-centric future state of health care. The Jefferson Health and Einstein Healthcare Network deal created a large foot-print system of 18 hospitals and 50 urgent care locations in the greater Philadelphia region.<sup>19</sup> Merging into a larger regional system opened Jefferson Health's research and resources to Einstein's flagship hospital servicing low-income populations who primarily rely on Medicare, Medicaid, and other government programs for care.<sup>20</sup> Absent the merger,

<sup>14</sup> Intermountain Healthcare and SCL Health Announce Intent to Merge, SCL Health (Sept. 16, 2021), <https://www.sclhealth.org/news/2021/09/intermountain-healthcare-and-scl-health-announce-intent-to-merge/>.

<sup>15</sup> Id.

<sup>16</sup> Dave Muoio, Intermountain Healthcare, SCL Health unveil plans to form 33-hospital, \$14B system, Fierce Healthcare (Sept. 16, 2021), <https://www.fiercehealthcare.com/hospitals/intermountain-healthcare-scl-health-unveil-plans-to-form-33-hospital-nonprofit-system/>.

<sup>17</sup> Id.

<sup>18</sup> Id.

<sup>19</sup> Alia Paavola, Jefferson Health, Einstein Healthcare finalize merger, create 18-hospital system, Becker's Healthcare Review (Oct. 5, 2021), <https://www.beckershospitalreview.com/hospital-transactions-and-valuation/jefferson-health-einstein-healthcare-finalize-merger-create-18-hospital-system.html/>.

<sup>20</sup> Alan Yu, Will a merger save struggling Einstein Hospital or increase costs for patients?, WHYY.org (Sept. 11, 2020), <https://whyy.org/articles/will-a-merger-save-struggling-einstein-hospital-or-increase-costs-for-patients/>.



Einstein faced the imminent need to close or shrink the service footprint of its hospitals.<sup>21</sup> Now, because of the merger, Jefferson is empowered to deploy its resources in pursuit of improving population health and patient experience in critical areas of Philadelphia that were at risk of losing service altogether. As a result, Jefferson and Einstein are negating increased costs faced by patients and the community from facility closures—effectuating triple aim health care and building a sustainable health care business capable of better serving the whole region.

Traditionally, the health care industry prioritized certain stakeholders and their interests despite the tradeoffs for others. The thematic emergence of the triple aim tenets in health care businesses represents an understanding that the future of health care businesses must deliver health care that satisfies the interests of all key stakeholders. Consequently, industry leaders are building health care organizations that deliver improved care for populations and patients without the unsustainable cost burdens on those individuals and their local communities. Mergers and acquisitions enable the creation of these health care organizations, delivering sustainable health care solutions defined, in part, by the tenets of the triple aim of health care, and ensuring the arrival of the patient-centric future state of health care.

The Intermountain Healthcare/SCL Health and Jefferson Health/Einstein Healthcare Network mergers offer a playbook for

operationalizing the objective of sustainable, patient-centered care, through the key results of the triple aim. For well-resourced health care entities, merger and acquisition planning focused on enabling triple aim health care delivery through targets that have infrastructure and footprints to deliver population health gains for vulnerable demographics for lower per capita costs—leveraging financial and operational resources in a uniquely sustainable manner. Diligence efforts and financial and operational planning considerations during the merger and acquisitions process, focused on tangible triple aim metrics, such as incidence of chronic diseases in a target’s patient base, patient experience surveys, and per capita costs per patient, enable industry leaders to build health care entities delivering on the triple aim of health care and accelerating the sustainable and patient-centric future state of health care. Conversely, a focus on triple (and now quadruple) aim health care is an opportunity for mission-driven or community-based health care enterprises to attract resources necessary to increase their impact on vulnerable populations. Thus, philosophical, and operational commitment to the triple aim, and operationalizing that commitment through investment in traditionally under resourced areas of the health care ecosystem through mergers and acquisitions, enables health care leaders to build sustainable health care businesses that ensure the arrival of the patient-centric future state of health care.

### III. ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Key stakeholders are looking beyond the financial bottom-line to evaluate the broader impacts of industries on the world.<sup>22</sup> These stakeholders increasingly rely on environmental, social, and governance (ESG) criteria to measure non-financial impacts of businesses and consequently evaluate businesses’ ability to deliver “a broad range of socially desirable ends.”<sup>23</sup> Historically, stakeholders deployed ESG assessments to limit risk—screening or limiting investment in, or association with, companies that posed certain concerns.<sup>24</sup> Now, in addition to serving as a gateway issue to investment, ESG initiatives distinguish companies that are actively making “positive contributions” on ESG focuses rather than simply minimizing or negating their impacts.<sup>25</sup>

Akin to the experiences of other global industries, ESG is

influencing strategic decision-making in the health care industry with stakeholders calling for health care companies to demonstrate “a sense of communal responsibility.”<sup>26</sup> Furthermore, a lagging focus on ESG is confounding investors comparing ESG metrics across industries in order to make investment decisions.<sup>27</sup> Thus, in the short term, health care businesses that adapt their enterprise and growth strategies to incorporate ESG dimensions and metrics offer an opportunity to stand out to key stakeholders looking for investment opportunities and conducting due diligence with a sustainability perspective.

However, aside from attracting investment, health care enterprises face emerging risks from environmental catastrophes and socioeconomic inequalities that, at a minimum, negate their efforts at improving patient health, and at worst, directly threaten

---

21 Id.

22 Witold Henisz, Tim Koller & Robin Nuttall, Five Ways That ESG Creates Value, McKinsey & Company (Nov. 2019), <https://www.mckinsey.com/~media/McKinsey/Business%20Functions/Strategy%20and%20Corporate%20Finance/Our%20Insights/Five%20ways%20that%20ESG%20creates%20value/Five-ways-that-ESG-creates-value.ashx>

23 Mark Berman et al., Introduction to ESG, Harvard Law School Forum on Corporate Governance (Aug. 1, 2020), <https://corpgov.law.harvard.edu/2020/08/01/introduction-to-esg/>.

24 Id.

25 Id.

26 A Healthcare-Specific Framework for ESG Principles, HealthLeaders (Dec. 2019), [https://business.bofa.com/content/dam/boamimages/documents/articles/ID19\\_12221/esg\\_roundtable.pdf](https://business.bofa.com/content/dam/boamimages/documents/articles/ID19_12221/esg_roundtable.pdf).

27 Emile Hallez, Sector special: Healthcare poses challenges for ESG investors, ESG Clarity (May 5, 2022), <https://esgclarity.com/healthcare-esg-challenge/>.




## PATIENT-CENTERED SUSTAINABLE HEALTH CARE

their ability to continue delivering care.<sup>28</sup> Beyond the volume of preventable death directly attributable to poor air, water, and soil quality, environmental crises impact critical global systems that enable access to basic care such as infrastructure and global markets.<sup>29</sup> In addition to the sobering human cost, the financial impact of unsustainable and disparate care amounts to trillions in wasted capital.<sup>30</sup>

As the reality of sustainability becomes ever more clear, regulators in countries across the globe will increasingly weigh popular demands to incorporate sustainability metrics into accreditation, licensure, and contracting.<sup>31</sup> Despite falling behind the curve, health care companies in the American health care ecosystem face the very real possibility of regulator-encouraged (if not mandated) ESG compliance, including the possible future role of ESG in the Department of Health and Human Services' continued push for evaluating CMS payments through value-based care delivery models.<sup>32</sup> Just as planetary systems and societies are adapting and changing to environmental and social stressors, health care enterprises have the opportunity to

embrace the emerging role ESG initiatives and adapt before they are forced to, or worse, they find themselves without a place in the rapidly changing health care landscape. Thus, the future of health care is, and will continue to be, defined by sustainable health care delivered by health care businesses incorporating substantive commitment to ESG metrics that not only negate the negative impacts that their businesses have on the world, but actively pursue positive contributions that mitigate and adapt to emerging risks.<sup>33</sup> Health care industry leaders building sustainable businesses that adopt and act on ESG initiatives are enabled by mergers and acquisitions and innovation activities and ultimately enable the patient-centric future state of the health care ecosystem.

Unpacking ESG is the first step to optimal incorporation into future health care business models. Each element of ESG encompasses a broad swath of potential dimensions and metrics for understanding the potential impacts of a business. Generally, leaders assess the following factors when considering each element:<sup>34</sup>

|   |  |
|---|--|
|  <p><b>Environmental</b></p> | <p>Criteria that consider a business' use of resources, the waste it produces, and the impact those dimensions have on the environment and its inhabitants</p> |
|  <p><b>Social</b></p>       | <p>Criteria that consider the relationships a business has with the people, institutions, and communities where it conducts business</p>                       |
|  <p><b>Governance</b></p>  | <p>Criteria that consider the system of protocols adopted by a business to operate, comply with the law, and meet the needs of stakeholders</p>                |

For health care businesses, critical “E,” “S,” and “G,” criteria vary across each distinct subset of health care services. Nonetheless, a common pool of considerations is identifiable for each element of ESG.

Environmental criteria considered by health care enterprises encompasses both the direct and indirect effects of health care

operations, and the health care supply chain, on the planet and its environmental systems.<sup>35</sup> Operationally, for example, health care entities are evaluating the direct polluting effect of medical waste and recycling policies.<sup>36</sup> Health care businesses are also considering their indirect impact on the environment by considering the carbon footprint of health care operations and the energy efficiency of facilities through choice of materials

<sup>28</sup> Environmental, Social and Governance (ESG), Deloitte (2021), <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Life-Sciences-Health-Care/gx-esg.pdf>.

<sup>29</sup> See 8 Environmental Factors that Affect Health, Regis College (Apr. 22, 2021), <https://online.regiscollege.edu/blog/environmental-factors-that-affect-health/>.

<sup>30</sup> Kara Hartnett, ‘Bias Is Profitable’: Health Disparities May Cost \$1T by 2040, Modern Healthcare (June 23, 2022), <https://www.modernhealthcare.com/healthcare-economics/bias-profitable-health-disparities-may-cost-1t-2040/>.

<sup>31</sup> See SEC’s ESG Fund Plan Called ‘Very Weird,’ Too Prescriptive, Law360 (June 6, 2022), <https://www.law360.com/articles/1499922/sec-s-esg-fund-plan-called-very-weird-too-prescriptive/>.

<sup>32</sup> See Value-Based Healthcare as an ESG Opportunity, Malk Partners (Jan. 15, 2019), <https://malk.com/value-based-healthcare-as-an-esg-opportunity/>.

<sup>33</sup> E.g., see Jeroen Kraaijenbrink, What Are Green Swans and Why They Matter, Forbes (Mar. 29, 2022), <https://www.forbes.com/sites/jeroenkraaijenbrink/2022/03/29/what-are-green-swans-and-why-they-matter/?sh=2bd6fe35936d>.

<sup>34</sup> Witold Henisz, Tim Koller, & Robin Nuttall, supra note 22.

<sup>35</sup> E.g., see Thomas Englerth et al., ESG Evaluation Key Sustainability Factors, Standard & Poor’s Financial Services (Oct. 4, 2021), [https://www.spglobal.com/\\_assets/documents/ratings/research/100574399.pdf](https://www.spglobal.com/_assets/documents/ratings/research/100574399.pdf)

<sup>36</sup> Id; see also American Hospital Association, Building Sustainability Teams, <http://www.sustainabilityroadmap.org/strategies/greenteam.shtml>.

and green design.<sup>37</sup> From the supply chain perspective, manufacturers, patients and their local communities alike are weighing both upstream and downstream environmental impacts of their decisions, including decisions to quantify the sustainability of raw materials and the waste produced by packaging and shipping medical supplies.<sup>38</sup>

Social criteria considered by health care businesses are based on the role of community and socioeconomics on health outcomes. Health care businesses are focusing on metrics and initiatives that grapple with the affordability of health care, equity and inclusion, racial or wealth disparities in receiving health care, patient access, distribution of care, quality of services, and charity policies.<sup>39</sup> Ultimately, prioritization and establishment of social criteria in health care turns on the specific role the health care business plays in the health care ecosystem and in their specific community.

Finally, governance criteria considered by the health care industry involves the formalization of systems and protocols for overseeing health care operations that fulfill a positive impact on the world. Both internally and externally, stakeholders are increasingly evaluating health care businesses through their ability to account for ESG goal setting.<sup>40</sup> In turn, ESG-governed health care entities benefit from additional profits and value creation because of their explicit intention to hold themselves accountable to operationalized metrics and study their own successes and failures in meeting those metrics.

Assessing existing inefficiencies in health care delivery is a powerful mechanism for orienting the health care industry around critical ESG goals. Understanding these inefficiencies has led to innovation activities focused on health care operations, enabling health care enterprises to build businesses that deliver sustainability through key ESG outcomes. In turn, the positive impacts from these sustainability efforts are important to ensuring the arrival of the patient-centric future state of health care.

CommonSpirit Health, for example, announced a commitment to achieve net-zero emissions by 2040 through its comprehensive climate action plan that considers the environmental impacts of health care delivery from start-to-finish.<sup>41</sup> Considering the environmental impact of its health care services that occur before patients are seen by clinicians, CommonSpirit focused on the environmental impacts of its suppliers and other vendors and directed purchasing towards sustainable and low-impact manufacturers.<sup>42</sup> At point of care, CommonSpirit undertook initiatives to re-commission its facilities for energy efficiency and invested in public utility projects to build solar energy generation to “green” its facilities energy consumption.<sup>43</sup> Additionally, understanding that environmental impacts linger post-care delivery, CommonSpirit also instituted a partnership with vendors to reprocess and remanufacture their single-use medical devices.<sup>44</sup>

By committing to self-imposed environmental criteria, CommonSpirit’s environmental planning underscores how sustainable health care is being defined by ESG principles. Furthermore, CommonSpirit’s ability to rapidly adapt its business to deliver on its environmental criteria in short-order was only possible through conceptualizing innovation in its health care operations. This can serve as a model for how conscious system-wide goals foster positive change and are a steppingstone on the path toward the patient-centered future state of health care through a “Green Swan”-type movement of expansive breakthrough changes led by innovators in the health care industry.<sup>45</sup> CommonSpirit’s recognition that delivering positive returns for the environment is inherently intertwined and essential to delivering patient-centered health care models demonstrates that sustainability focused innovation activities targeting health care operations are critical to creating the patient-centered future state of health care.

Concurrent with the role of innovation activities, health care entities are utilizing mergers and acquisitions to build health care businesses that deliver on ESG criteria and thus sustainable

---

37 Beth Burmahl, Hospitals reduce their carbon footprints with sustainable solutions, Health Facilities Mgmt. (Aug. 31.2022),

<https://www.hfmmagazine.com/articles/4274-hospitals-reduce-their-carbon-footprints-with-sustainable-solutions/>. See also Global Green and Healthy Hospitals, Buildings, <https://greenhospitals.org/buildings>.

38 Health systems pushing medical suppliers on sustainability, FreightWaves (Sept. 16. 2021), <https://www.freightwaves.com/news/health-systems-pushing-medical-suppliers-on-sustainability/>. See also the Green Guidelines put forth by the World Medical Association Green Working Group, World Medical Association, Green Health: Reducing the Environmental Impact of Healthcare, <https://www.wma.net/what-we-do/public-health/green-health/>.

39 Marc Scher, ESG Reporting in Healthcare: Driving a Connection to Health Outcomes, KPMG (June 2021), <https://info.kpmg.us/news-perspectives/advancing-the-profession/audit-insights/esg-reporting-in-healthcare.html/>.

40 Rashida Salahuddin, The role healthcare company corporate boards need to play in ESG reporting, Medical Group Management Association (June 7, 2022), <https://www.mgma.com/practice-resources/risk-compliance/the-role-healthcare-company-corporate-boards-need/>.

41 CommonSpirit Announces Industry-Leading Commitment to Reach Net-Zero by 2040, CommonSpirit (Nov. 2, 2021), <https://www.commonspirit.org/news-and-perspectives/news/commonspirit-announces-industry-leading-commitment-to-reach-net-/>.

42 See Lloyd Dean, Advancing Health Equity Through Climate-Smart Changes: Health Care’s Call to Action, Catholic Health Association of the United States (2021), <https://www.chausa.org/publications/health-progress/article/fall-2021/advancing-health-equity-through-climate-smart-changes-health-care-s-call-to-action/>.

43 Id.

44 Id.

45 “Green Swans” are solutions that take us exponentially toward break through. Recent Green Swan breakthroughs include the accelerating shift to electric vehicles, and the rapid spread of cell phone technology and the internet, linking us in new ways and massively boosting the prospects for self-education, and the staggering cost reductions for solar and wind power systems. See John Elkington, Green Swans, GreenleafBook Group Press (2020), retrieved from <https://www.perlego.com/book/1455989/green-swans-pdf> (Original work published 2020).



health care. Notably, the 2021 joint venture between East Carolina University's (ECU) Brody School of Medicine and Vidant Health was designed around ECU's dedication to provide a positive social impact.<sup>46</sup> Specifically, the joint venture enables ECU to improve care in rural and underserved communities through increased placement of graduate physicians in areas with primary and specialty care deficits through Vidant's footprint.<sup>47</sup> ECU's decision to integrate with Vidant is a particularly powerful example of mergers and acquisitions returning positive social returns given that over 15% of Vidant's patient base are covered by Medicaid.<sup>48</sup> Absent the utilization of mergers and acquisitions, ECU would be limited to growing its social impact through its existing model rather than scaling in a cost-effective manner to reach underserved populations.

Similarly, the merger between Edward-Elmhurst Health and NorthShore University HealthSystem to create NorthShore – Edward-Elmhurst Health is emblematic of mergers and acquisitions enabling social impact returns. Leveraging the resulting size of the health system post-merger, the parties agreed to create a significant community investment fund as part of the deal.<sup>49</sup> As a result, Edward-Elmhurst Health and NorthShore University HealthSystem each contributed \$100 million to the community investment funds to be distributed to health equity, economic security, and social determinants of health initiatives.<sup>50</sup> While the returns from community investments will improve the cost efficiency of NorthShore – Edward-Elmhurst Health operations through positive returns to community health, the substantial commitment to community reinvestment reveals that sustainable health care is increasingly defined by a focus on delivering ESG criteria, including the social impacts of health care business. The speed and scope of positive social returns through the entities' investments in literacy, transitional housing, food security, mental health, and substance abuse treatment<sup>51</sup> demonstrate the enabling role of mergers and acquisitions in building businesses that deliver sustainable health care—ensuring the arrival of the patient-centered future state of health care.

In foreign jurisdictions, compliance with increasingly formulaic ESG criteria is a function of complying with government

mandates and participating in trade unions.<sup>52</sup> While foreign ESG regulations are gradually influencing the decision making of US industries with cross-border presence<sup>53</sup>, critical ESG adoption in US industries is still largely a voluntary function influenced by shifting priorities of industry leaders and the patients and their local communities served.<sup>54</sup> In the American health care ecosystem, self-imposed criteria across the three elements of ESG are beginning to define sustainable health care businesses and delivering more patient-centric health care.

Across the industry, health care businesses establishing ESG criteria are intentionally embracing the need for health care services that return positive impacts on the environment, communities, and the governance of health care entities. Existing health care enterprises successfully delivering on ESG criteria are creating sustainable operations through mergers and acquisitions and innovation activities that reshape and scale their businesses. Additionally, health care leaders that adopt the tools of mergers and acquisitions and innovation activities to deliver on ESG criteria will subsequently benefit from the shifting priorities of financial sponsors and lenders who are increasingly using ESG in their underwriting criteria for directing capital to sustainability-minded businesses. Furthermore, as regulators continue to question the efficacy of health care consolidation, ESG integration may help reveal that private equity funded health care consolidation is a force for positive social change compared to historically fragmented ownership models similar to how consolidation has been favorably viewed as resulting in the adoption and use of technology in delivering better patient care and experiences. Thus, intentional integration of ESG into health care through mergers and acquisitions and innovation activities offers the opportunity for health care entities to begin gathering substantive evidence of the positive impacts of focus on those criteria during future audits and assessments, regardless of how ESG criteria are defined by various key stakeholders.

For health care businesses looking to adopt ESG criteria, CommonSpirit's system-wide perspective represents a key example of innovation activity focused on health care operations and planning ripe for adoption in future approaches to meeting

---

46 See Anu Singh et al., 2021 M&A in Review: A New Phase in Healthcare Partnerships, KaufmanHall (Jan. 10, 2022), <https://www.kaufmanhall.com/insights/research-report/2021-ma-review-new-phase-healthcare-partnerships/>.

47 East Carolina University, ECU, Vidant Health announce joint operating agreement, (Nov. 12, 2021), <https://news.ecu.edu/2021/11/12/ecu-vidant-health-announce-joint-operating-agreement/>.

48 Seth Gullede, Vidant looks to tie its future more closely with East Carolina University, NC Health News (June 24, 2021), <https://www.northcarolinahealthnews.org/2021/06/24/vidant-looks-to-tie-its-future-more-closely-with-east-carolina-university/>.

49 Anu Singh et al., *supra* note 46.

50 *Id.*

51 Ryan Voyles, Edward-Elmhurst Names Recipients of \$4 Million From Community Investment Fund, Health News Illinois (July 19, 2022), <https://healthnewsillinois.com/2022/07/19/edward-elmhurst-names-recipients-of-4-million-from-community-investment-fund/>.

52 Samuel Brown, Emerging EU ESG Requirements: Transatlantic Implications for Multinational Companies, The National Law Review (July 11, 2022), <https://www.natlawreview.com/article/emerging-eu-esg-requirements-transatlantic-implications-multinational-companies/>.

53 *Id.*

54 Catherine Clarkin, Melissa Sawyer, & Joshua Levin, The Rise of Standardized ESG Disclosure Frameworks in the United States, Harvard Law School Forum on Corporate Governance (June 22, 2020), <https://corpgov.law.harvard.edu/2020/06/22/the-rise-of-standardized-esg-disclosure-frameworks-in-the-united-states/>.

environmental criteria. By identifying environmental inefficiencies across the lifecycle of care delivery, CommonSpirit is building a health care enterprise capable of delivering on the core ESG criteria it committed to achieving. Thus, the CommonSpirit playbook for concurrently adopting substantial environmental criteria in conjunction with strategic innovation activities in health care operations is an example of building sustainable health care businesses to advance the patient-centric future state of health care.

Similarly, the ECU/Vidant Health and NorthShore – Edward-Elmhurst Health transactions illustrate the necessity of mergers and acquisitions for health care leaders seeking to build

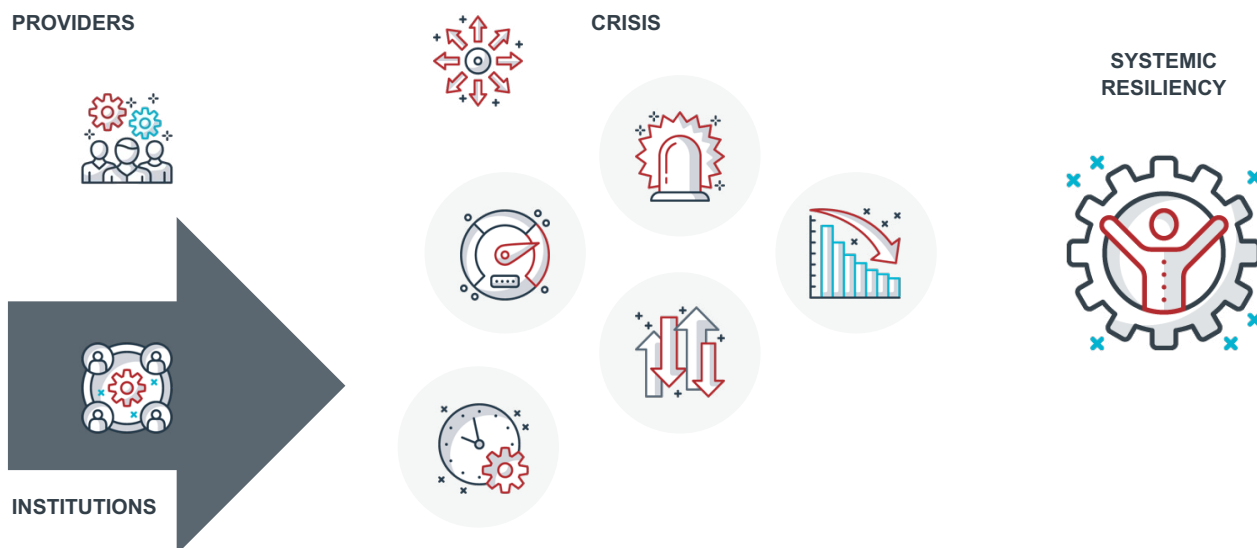
sustainable health care businesses. In both cases, delivering a positive social impact consistent with the priorities and criteria of each organization required additional resources and expertise that would otherwise be impossible to immediately generate. As ESG criteria continue to define the health care ecosystem (whether by regulatory necessity or the voluntary decision to deliver sustainable and patient centered care), mergers and acquisitions deployed in a similar fashion to ECU/Vidant Health and NorthShore – Edward-Elmhurst Health will be an important enabler for health care leaders building sustainable health care businesses that secure the patient-centric future state of health care.

## IV. SYSTEMIC RESILIENCY

The health care as an industry is accustomed to serving the rapidly changing and often time-sensitive, needs of patients. However, ongoing supply chain and staffing pressures present novel concerns for the health care system and its ability to adapt, and further threatens interruption of care for current and future patients. Stakeholders can no longer afford prolonged interruptions in health care delivery and thus, how health care enterprises respond to these pressures is fundamentally an issue of sustainability in the American health care ecosystem. Through mergers and acquisitions and innovation activities, the future of sustainable health care is being defined by health care enterprises building health care businesses with “systemic resiliency” allowing rapid responses to known and unknown threats to continued operations. Consequently, the patient-centric future state of health care is necessarily defined by health care businesses that embody systemic resiliency.

Generally, the concept of systemic resiliency is the “ability of actors in a complex system to effectively respond and recover from shock and surprise” and the “sequence of actions through which agents (people, firms, or industries) adapt to new circumstances and secure the resources required for recovery.”<sup>55</sup> The systemic resilience of health care systems has been conceptualized “as the capacity of health actors, institutions, and populations to prepare for and effectively respond to crises; maintain core functions when a crisis hits; and, informed by lessons learned during the crisis, reorganize if conditions require it.”<sup>56</sup> In other words, for health care enterprises, systemic resiliency requires that providers and institutions are prepared for, and respond to, crises without the loss of key health care functions - ultimately delivering sustainable care to patients and their local communities.

### SYSTEMIC RESILIENCY





55 Joshua Stoll et al., Alternative Seafood Networks During COVID-19: Implications for Resilience and Sustainability, *Frontiers in Sustainable Food Systems* (Mar, 31, 2021), <https://www.frontiersin.org/articles/10.3389/fsufs.2021.614368/>.

56 Michael Ungar, Systemic resilience: principles and processes for a science of change in contexts of adversity, *Ecology and Society* (2018), <https://www.ecologyandsociety.org/vol23/iss4/art34/>.

## PATIENT-CENTERED SUSTAINABLE HEALTH CARE

When operationalized, health care businesses effectuate systemic resiliency by building health care businesses that measure and support preparedness for providers and institutions in the following ways:

| Key Stakeholders   | Measure Preparedness  | Support Preparedness  |
|--|---|---|
|  <p><b>Providers</b></p>    | By the capacity to provide the actual delivery of care against the backdrop of events triggering extreme demand or other adverse conditions. <sup>57</sup>                              | <p>By considering and planning for the physical and emotional cost to health actors that come from periods of extreme demand or adverse conditions.<sup>58</sup></p> <p>By supplying necessary staffing and tools to serve as force multipliers for health care providers.<sup>59</sup></p> |
|  <p><b>Institutions</b></p> | By the capacity of the institution to support health actors providing care services against the backdrop of events triggering extreme demand or other adverse conditions. <sup>60</sup> | By considering and planning for disruptions to supply chains, their facilities, or ancillary services. <sup>61</sup>  |

The formation of Advantus Health Partners by Bon Secours Mercy Health (BSMH) is an example of how innovation activities focused on health care systems enable systemic resiliency for both health care facilities and individual health care actors within health systems—securing the sustainability of services provided to patients in their service area. BSMH’s commitment to upending the traditional approach of health systems to supply chain management has improved strategic vendor relationships and uniquely positioned BSMH’s facilities and clinical staff to weather supply shocks—offering key lessons on how innovation activities are enabling health systems to build sustainable health care businesses that ensure the patient-centric future state of health care.

Early in 2021, following the merger of Bon Secours and Mercy Health forming the Bon Secours Mercy Health system, BSMH overhauled its supply chain by forming Advantus Health Partners—a wholly owned subsidiary with a novel approach to purchasing and vendor relationships.<sup>62</sup> BSMH conceptualized Advantus to operationalize an innovative approach to supply chain management that ultimately removes BSMH from the strictures of the traditional third-party group purchasing

organization relationship. Specifically, Advantus’ approach intentionally forgoes the strategy of building a wide variety of tenuous vendor relationships for a focus on strong relationships with key vendors selected by dedicated back-office teams developing analytics-driven insights from clinical, financial, and operational departments.<sup>63</sup> The resulting standardization of utilized materials and departmental alignment facilitates nimble short-term responses to supply shocks and long-term cost-saving realignment through efficient resource allocation, including for outlier medical supplies and specialized materials that commonly plague the provision of care in health systems.<sup>64</sup> Thus, BSMH’s investment in supply-chain modernization through standing up Advantus demonstrates innovation activity enabling a health care business to create systemic resiliency for the actors within its health system.

The Advantus example shows how innovation activities enable health care businesses to build systemic resiliency for individual providers. Internalizing the function of a GPO through a wholly-owned subsidiary enabled BSMH to formalize the role of clinicians in the supply chain management process, including the creation of clinical transformation committees and physician

57 See Sara Berg, Burnout isn’t due to resiliency deficit. It’s still a system issue, American Medical Association (July 29, 2020), <https://www.ama-assn.org/practice-management/physician-health/burnout-isn-t-due-resiliency-deficit-it-s-still-system-issue/>.

58 See Anja Rieckert et al., How can we build and maintain the resilience of our health care professionals during COVID-19? Recommendations based on a scoping review, *BMJ Open* (Nov. 27, 2020), <https://bmjopen.bmj.com/content/bmjopen/11/1/e043718.full.pdf>.

59 See Jennifer Cohen & Yana van der Meulen Rodgers, Contributing factors to personal protective equipment shortages during the COVID-19 pandemic, *Preventive Med.* (Dec. 2020), <https://www.sciencedirect.com/science/article/pii/S0091743520302875/>.

60 E.g., see Alexander Spieske et al., Improving resilience of the healthcare supply chain in a pandemic: Evidence from Europe during the COVID-19 crisis, *Journal of Purchasing and Supply Management* (Jan. 31 2022), <https://www.sciencedirect.com/science/article/pii/S1478409222000036/>.

61 Id.

62 Deborah Kaplan, Bon Secours Mercy Health’s GPO/Supply Chain Solution Creates Value, Revenue Stream, *HealthLeaders* (June 1, 2022), <https://www.healthleadersmedia.com/supply-chain/bon-secours-mercy-healths-gposupply-chain-solution-creates-value-revenue-stream/>.

63 Id.

64 Id.

resource optimization teams.<sup>65</sup> The impact of increased clinician decision-making authority on the clinical transformation committees and physician resource optimization teams has, in turn, led to centralized and standardized direction about strategic vendor relationships - jettisoning the role of local supply chain departments acting as gatekeepers at each institution in a health system.<sup>66</sup> As a result, key clinical staff are better supplied with the supplies and tools necessary to meet both general and specialty practice needs, building necessary confidence and resiliency for providers that their ability to meet patient demand will not be delayed by facility-level supply chain decision making.<sup>67</sup>

The health care industry has historically planned for disruption in services in the aftermath of system-wide shocks. Covid-19 was a black swan event<sup>68</sup> that exacerbated supply chain and labor security - prompting retrospective reflection across the sector. However, the emerging future state of health care is increasingly defined by a departure from the unsustainable pattern of simply enduring one crisis as a precursor to planning for another. Leaders in health care are delivering sustainable health care

and ensuring the patient-centric future state of health care by building businesses that prioritize systemic resiliency to thrive amidst increasingly common macro-level disruptions that would otherwise shutter operations.

The BSMH/Advantus relationship demonstrates that innovation activities in health care are not simply limited to deploying the most-advanced technology as means of innovation. Rather, BSMH's strategic decision to throw out the playbook on traditional supply chain management and rethink its system-wide operations using business model innovation represents an important example of fostering innovation activities through investment in home-grown subsidiary organizations founded on key disruptive innovation theory principles originally framed by Clayton M. Christensen, Michael E. Raynor, and Rory McDonald.<sup>69</sup> Thus, the novel BSMH/Advantus model offers a playbook for other health care businesses looking to institute systemic resiliency for both facilities and practitioners through innovation activities and deliver a sustainable and patient-centered version of care.

## V. CONSCIOUS CAPITALISM

Financial successes in the health care industry and the expanding role of private equity financial sponsors investing in health care enterprises have brought skepticism to key stakeholders, including consumers and regulators, about the future of health care operations.<sup>70</sup> Accordingly, balancing financial benchmarks and growth to meet patient demand with the costs of future trust relationships with communities and regulators presents a fundamental sustainability challenge for health care enterprises in the evolving health care ecosystem. In response to this challenge, the sustainable future state of health care is being defined by health care enterprises adopting an ethic of conscious capitalism (also referred to as “impact investing” or “stakeholder capitalism”) that views profits and other markers of traditional business success as the means to the end of achieving a higher societal purpose—negating the costs to trust relationships that follow marketplace success. These health care

businesses harness innovation activities focused on corporate ideology as the means to the end of building sustainable practices intended to ensure the arrival of the patient-centric future state of health care.

Coinciding with the rising prominence of ESG in strategic health care business planning, innovation activities focused on shifting corporate ideology towards conscious capitalism are fostering sustainable investment priorities and company leadership. Conscious capitalism originated from the thought leadership of John Mackey, co-founder of Whole Foods, who advocates for free enterprise as a powerful tool to achieving societal progress.<sup>71</sup> Conscious capitalism is defined by investors and company leadership embracing “a way of thinking about capitalism and business that better reflects where we are in the human journey, the state of our world today, and the innate potential of business

---

65 Christopher Cheney, 2 Ways Clinicians Can Play Supply Chain Roles, HealthLeaders (June 28, 2022), <https://www.healthleadersmedia.com/clinical-care/2-ways-clinicians-can-play-supply-chain-roles/>.

66 Id. See also, e.g., World Medical Association, Green Health: Reducing the Environmental Impact of Healthcare, <https://www.wma.net/what-we-do/public-health/green-health/stating-that-staff-engagement-is-critical-to-the-success-of-the-policy>.

67 See Id.

68 “Black Swan Events” are rare, unexpected and unpredictable occurrences that have severe consequences. Peter Kalina, Resilient and inclusive healthcare leadership: Black Swans, COVID-19, and beyond, *Int'l J. of Health Planning and Mgmt.* (May 22, 2020). Compare this to what has been coined a “Green Swan Event”, which are systemic solutions to global challenges that deliver exponential progress in the form of economic, social, and environmental wealth creation. Jeroen Kraaijenbrink, What are Green Swans and why they Matter, *Forbes* (Mar. 29, 2022), <https://www.forbes.com/sites/jeroenkraaijenbrink/2022/03/29/what-are-green-swans-and-why-they-matter/?sh=2bd6fe35936d>.





69 See Clayton Christensen, Michael Raynor, & Rory McDonald, What Is Disruptive Innovation?, *Harvard Business Review* (Dec. 2015), <https://hbr.org/2015/12/what-is-disruptive-innovation/>; see also Clayton Christensen, Jerome Grossman, & Jason Hwang, *The Innovator's Prescription: A Disruptive Solution for Health Care*, (1st ed. 2016).

70 See Sabrina Willmer, Lawmakers Slam Private Equity ‘Octopus’ for Health-Care Strategy, *Bloomberg* (Mar. 25, 2021), <https://www.bloomberg.com/news/articles/2021-03-25/lawmakers-urge-scrutiny-of-private-equity-s-role-in-health-care/>.

71 John Mackey & Raj Sisodia, ‘Conscious Capitalism’ Is Not an Oxymoron, *Harvard Business Review* (Jan. 2013). <https://hbr.org/2013/01/cultivating-a-higher-conscious/>.

## PATIENT-CENTERED SUSTAINABLE HEALTH CARE

to make a positive impact on the world.<sup>72</sup> Conscious capitalism is operationalized through four guiding principles<sup>73</sup>:

|  |  |
|--|--|
|  <p><b>Higher Purpose</b></p>       | <p>Developing a higher purpose for a business to achieve that views profit not as an end but a necessary means for achieving that purpose</p>                                    |
|  <p><b>Stakeholder Value</b></p>    | <p>Developing business value for key stakeholders in a business</p>  |
|  <p><b>Conscious Leadership</b></p> | <p>Developing conscious leadership that will guide a business along the path to the higher purpose, harmonize the interests of the business, and foster a consistent culture</p> |
|  <p><b>Conscious Culture</b></p>    | <p>Developing a conscious culture with an intention to connect the stakeholders to the higher purpose</p>  |

At a granular level, health care industry leaders adopting the guiding principles of conscious capitalism begin with a higher purpose that views the necessity of profit as a means of delivering health care services that serve societal and community values. In turn, this higher purpose aligns stakeholders by delivering value for investors, company leadership, and employees—who all benefit from financial success—and the communities and patients they serve—who benefit from the reinvestment of profits into serving greater societal values. The higher purpose and stakeholder value is operationalized by conscious leadership and culture that embeds the higher purpose and stakeholder values at all levels of health care enterprises.

Catalyst Health Group and Jackson Healthcare exemplify how ideological innovation activities are enabling health care leaders to build health care enterprises that embrace an ethic of conscious capitalism and, as a result, deliver sustainable health care that balances profit and service of a higher purpose in the community. The lessons from each of their corporate designs offer a roadmap for building a sustainable health care business

capable of delivering patient-centric care, defined by the ethos of conscious capitalism.

Catalyst Health Group, an integrated health care organization joining a large Texas physician group, a pharmacy support services company, and health care technology companies,<sup>74</sup> operates on fundamental beliefs that reflect a commitment to investing profits and leveraging business successes into serving a higher purpose within their community. Catalyst’s enumerated higher purposes are<sup>75</sup>:

1. Lowering health care costs to allow communities to reinvest savings on health care costs into other necessities such as housing, food, education, and infrastructure;
2. Investing in innovations that empower and support patients rather than leave them to navigate their own care journey alone;
3. Building relationships and personal connections between providers and patients; and
4. Earning patient trust to produce meaningful change in health outcomes.

<sup>72</sup> Conscious Capitalism Philosophy, Conscious Capitalism Inc., <https://www.consciouscapitalism.org/philosophy/>.

<sup>73</sup> Id.

<sup>74</sup> DFW Healthcare Brief: Catalyst Health Network Rebrand and Texas Health’s Equity Work, D Mag. (Dec. 29, 2021), <https://www.dmagazine.com/healthcare-business/2021/12/dfw-healthcare-brief-catalyst-health-network-rebrand-and-texas-healths-equity-work/>.

<sup>75</sup> Our Beliefs, Catalyst Health Group, <https://catalysthealthgroup.net/our-beliefs/>.



## PATIENT-CENTERED SUSTAINABLE HEALTH CARE

Each of Catalyst’s enumerated higher purposes in turn can be tied to aligning stakeholder interests as follows:

| Stakeholder       | Higher Purpose                       |
|-------------------|--------------------------------------|
| Owners            | Delivering value                     |
| Employees         | Opportunities to deliver better care |
| Patients          | Cost and experience                  |
| Local Communities | Reinvestment of health care savings  |

Achievement of this value creation comes from Catalyst’s leadership and culture that revolves around its core beliefs as a mechanism to support this higher purpose and is operationalized by engaging in planning and decision-making from the perspective of the patient.<sup>76</sup>

Jackson Healthcare, a portfolio of health care staffing and technology companies,<sup>77</sup> situates its mission, or higher purpose, to improve delivery of patient care and positively impact the lives of everyone the business touches, at the core of its business.<sup>78</sup> This higher purpose is translated into “true north” values of “Others First” “Wisdom” and “Growth.” These values guide the company’s hiring practices, strategy, and culture.<sup>79</sup> Jackson Healthcare operationalizes its higher purpose through the integration of its true north values into its leadership and company culture.

To foster conscious leadership, Jackson Healthcare followed its “Wisdom” and “Growth” higher purposes with a corporate campus designed to disrupt departmental and hierarchal silos common in health care. Furthermore, Jackson Healthcare operationalizes its higher purpose of putting “Others First” by offering co-working space for non-profits on its corporate campus—instilling a community mindset by both encouraging employees to volunteer and making it a convenience for employees to work in close proximity to community organizations.<sup>80</sup> Through these operational strategies, Jackson

Healthcare aligns its employees and management around their true north values and leverages success in business into value for the community.

The relationship between societal trust and the future growth of the health care industry is undeniable. Fueled by skeptical perceptions of private investment in health care, the future state of health care is being defined by health care businesses that are striving to disprove the narrative that profitable health care businesses are degrading the quality and accessibility of health care. Catalyst Health Group and Jackson Healthcare offer roadmaps for health care companies building the sustainable future state of health care enabled by innovation activities that place profitability as the mechanism to serve higher societal interests.

Specifically, through ideological innovation activities focused on corporate philosophy, Catalyst Health Group and Jackson Healthcare have reframed their entire business models around conscious capitalism’s guiding principles. By viewing profit as a vehicle to serve a higher purpose, Catalyst Health Group and Jackson Healthcare negate the perceptual impact of aggressive growth strategies on patients, their local communities, and regulators that arise from business success. Catalyst Health Group and Jackson Healthcare thus strengthen the idea that growth and community service are symbiotic in the health care ecosystem—a necessary function for sustainable health care that ensures the patient-centric future state of health care.

## VI. THE SOCIAL DETERMINANTS OF HEALTH

Substantial health inequalities exist across income groups, social classes, and ethnic groups, with the roots of inequality driven by the impact of social factors on health outcomes. The environments where people are born, live, learn, work,

play, worship, and age have a wide range of effect on health, functioning, and quality-of-life outcomes and have come to be defined as the “social determinants of health”.<sup>81</sup> Whether the health care system can deliver high quality patient-centered care

<sup>76</sup> See Id.

<sup>77</sup> Companies, Jackson Healthcare, <https://jacksonhealthcare.com/companies/>.

<sup>78</sup> Our Culture, Jackson Healthcare, <https://jacksonhealthcare.com/culture/>.

<sup>79</sup> Id.

<sup>80</sup> Corporate Campus, Jackson Healthcare, <https://jacksonhealthcare.com/corporate-campus/>.

<sup>81</sup> Office of Disease Prevention and Health Promotion, Social Determinants of Health, U.S. Department of Health and Human Services, <https://health.gov/healthypeople/priority-areas/social-determinants-health/>.

is ultimately impacted by the systems’ ability to account for, and treat, social determinants of health—raising a fundamental issue of sustainability in the health care ecosystem. Thus, sustainable health care is defined by health care enterprises that account for social determinants of health in care management and delivery systems. Health care enterprises, enabled by mergers and acquisitions, are building health care businesses that consider and analyze the social determinants of health just as they would any other traditional factor in patient health—delivering sustainable health care and ensuring the patient-centric future state of health care.

A shift in the understanding of population health has revealed inefficiencies in treating the social determinants of health. While traditional advancements in quality of care sustain the efficacy of care, the emerging consensus is now that an individual’s ability to live a healthy and high-quality life are greatly influenced by factors that occur outside the health care setting.<sup>82</sup> Health care enterprises focused on social determinants, including “socioeconomic status, education, neighborhood and physical environment, employment, and social support networks, as well as access to health care,”<sup>83</sup> are better positioned to plan care that accounts for these social determinants as the root causes of chronic and continued disease—reducing health care costs and improving patient health.<sup>84</sup> The industry’s movement towards the social, economic, and physical conditions that impact patients evidences that the sustainable future state of health care is being defined by health care enterprises’ responses to the social determinants of health.<sup>85</sup>

Covid-19 was a catalyst for understanding the impact of the social determinants of health on health care delivery and outcomes.<sup>86</sup> In particular, the social determinants of health were utilized to predict Covid-19 health outcomes across populations.<sup>87</sup> This led an increasing number of key stakeholders to recognize the importance of improving the social conditions that drive health outcomes.<sup>88</sup> The value in addressing the social determinants of health lies in its impact on socioeconomic factors and emphasis on tackling issues of health disparity and

health inequity. Moreover, addressing the social determinants of health is important in achieving greater efficiency and lower costs.<sup>89</sup> Investments targeting the social determinants of health thus deliver sustainable services that reduce health care use by facilitating community integration and participation.

Health care leaders building sustainable health care businesses capable of delivering care focused on the social determinants of health are enabled by merger and acquisitions undertaken with the specific objective of addressing the social determinants of health. The HMS Holdings/Gainwell and WellSky/Healthify transactions illustrate that targeted mergers and acquisitions enable the treatment of the social determinants of health that build sustainable health care businesses and ensure the patient-centric future state of health care.

The August 2021 acquisition of HMS Holdings Corp. by Gainwell Technologies, a portfolio company of Veritas Capital, is a critical example of mergers and acquisitions enabling responses to the social determinants of health that build sustainable health care businesses through treatment of the social determinants of health. Veritas, through Gainwell, acquired HMS, a health care technology and analytics provider that identifies high- and rising-risk individuals and adjusts disease management in order to anticipate and prevent hospitalization events or other costly (and necessarily wasteful) outcomes.<sup>90</sup> HMS’s data-driven approach to the social determinants of health enables Gainwell and Veritas to leverage new technology to preemptively identify and treat the social determinants of health that are most likely to negate any gains from traditional improvements to care delivery. The acquisition is akin to a force multiplier that sustains the long-term impact of other investments in care delivery and quality while lowering costs. This type of private equity-sponsored acquisition, and the effect that acquisition will have on care delivery, demonstrates that the sustainable future state of health care is necessarily defined by health care companies treating the social determinants of health.

In another recent private equity-sponsored deal, WellSky acquired Healthify as a mechanism for treating social

---

82 Vijay Raaghavan & Kanchan Raghuvanshi, *Time to Act: Investing in Addressing Social Determinants to Improve Health*, World Economic Forum (Oct. 2021), [https://www3.weforum.org/docs/WEF\\_Investing\\_in\\_Addressing\\_Social\\_Determinants\\_to\\_Improve\\_Health\\_2021.pdf](https://www3.weforum.org/docs/WEF_Investing_in_Addressing_Social_Determinants_to_Improve_Health_2021.pdf).

83 Samantha Artiga & Elizabeth Hinton, *Beyond Health Care: The Role of Social Determinants in Promoting Health and Health Equity*, Kaiser Family Foundation (May 10, 2018), <https://www.kff.org/racial-equity-and-health-policy/issue-brief/beyond-health-care-the-role-of-social-determinants-in-promoting-health-and-health-equity/>.

84 Eric Berger et al., *Payers: A Shift from Insurance to Services*, Bain & Company (Mar. 15, 2022), <https://www.bain.com/insights/payers-global-healthcare-private-equity-and-ma-report-2022/>.

85 Caleb Stowell, M.D. & Christina Akerman, M.D., *Better Value in Health Care Requires Focusing on Outcomes*, Harvard Business Review (Sept. 2015), <https://hbr.org/2015/09/better-value-in-health-care-requires-focusing-on-outcomes/>.

86 Elissa Abrams & Stanley Szefer, *COVID-19 and the impact of social determinants of health*, Elsevier Public Health Emergency Collection (July 2020).

87 *Id.*

88 Centers for Medicare & Medicaid Services, *CMS Issues New Roadmap for States to Address the Social Determinants of Health to Improve Outcomes, Lower Costs, Support State Value-Based Care Strategies*, cms.gov (Jan. 7, 2021), <https://www.cms.gov/newsroom/press-releases/cms-issues-new-roadmap-states-address-social-determinants-health-improve-outcomes-lower-costs/>.

89 Jacqueline LaPointe, *How Addressing Social Determinants of Health Cuts Healthcare Costs*, RevCycleIntelligence (June 25, 2018), <https://revcycleintelligence.com/news/how-addressing-social-determinants-of-health-cuts-healthcare-costs/>.

90 Eric Berger et al., *supra* note 84.

## ASCENSION OF TELEMEDICINE

---

determinants of health. Healthify will provide the capability to track social determinants of health trends across communities and measure the impact of social care interventions on health system utilization and costs.<sup>91</sup> Integration of Healthify's technology treats the social determinants of health as a critical element of care delivery and enables WellSky to improve patient outcomes, experience and quality of life while negating the increases to overall cost of care that are caused by social determinants factors.<sup>92</sup> This acquisition reveals that health care businesses focused on addressing the social determinants of health align the interests of key stakeholders that are all recognizing the role of social determinants of health on patient outcomes health care costs.

The business of health care has consistently undervalued the role of patients' social environment in the treatment process. Rather than tacitly acknowledging that each patient lives unique lives, sustainable health care is being defined by health care businesses that take an active approach to understanding the deterministic implications of where patients are born, live, learn, work, play, worship, and age. Building health systems that understand the social determinants of health and adapt health interventions appropriately offers a mechanism for improving the long-term effectiveness of treatment in a cost-effective manner. Further, a focus on the social determinants of health encourages patient-centric care that is accessible to previously under-treated

population groups—a key factor in the sustainability of health care and thus a key to ensuring the patient-centric future state of healthcare.

The HMS Holdings/Gainwell and WellSky/Healthify acquisitions exemplify the enabling role of mergers and acquisitions for health care businesses building sustainable health care businesses through treatment of the social determinants of health. For health care leaders, the acquisitions further illustrate that properly selecting mergers and acquisitions targets through the lens of sustainable health care is a path to value-creation in both the long- and short-term. Taking a critical step beyond passively acknowledging the often-overlooked impact of the social determinants of health on treatment outcomes, HMS Holdings and WellSky selected acquisition targets that actively quantify the impact of social determinants and develop strategies to adapt to each patient's social context. The force-multiplying effect that both acquisitions offer to the companies' current slate of health care services demonstrates that strategic acquisitions focused on the social determinants of health address sustainability of care and further deliver value for all key stakeholders. Thus, those health care businesses best situated to ensure the patient-centric future state of health care are embracing the role of social determinants of health in the delivery of sustainable care. The ultimate result will ensure the patient-centric future state of health care.

## VII. CONCLUSION

As this era of change for the health care ecosystem continues, our understanding of the complex dynamics that enable patient-centered care has evolved. The undeniable role of sustainability in the ecosystem has emerged as a foundational element in building health care's patient-centric future. Unpacking sustainability through the five principal themes, ideas, and concepts of—Triple Aim of Health Care; Environmental, Social and Governance; Systemic Resiliency; Conscious Capitalism; and the Social Determinants of Health—helps us understand that the impacts of health care reach far beyond the confines of the physician's waiting room, the hospital's operating suite, or the health system's boardroom. Enabled by mergers and acquisitions and innovation activities, health care leaders that embrace sustainability are building health care businesses that deliver a transformed vision of care that not only negates the economic, environmental, and societal cost of health care but that also imparts positive returns beyond the bottom-line. The future state of health care is patient-centric—sustainable health care businesses will lead it.

---

<sup>91</sup> See Heather Landi, WellSky to acquire startup Healthify to scale up social determinants of health efforts, Fierce Healthcare (Aug. 2, 2021), <https://www.fiercehealthcare.com/tech/wellsky-acquires-social-determinants-health-company-healthify/>.

<sup>92</sup> Id.



**Jonathan K. Henderson**

Shareholder | Practice Chair  
[jhenderson@polsinelli.com](mailto:jhenderson@polsinelli.com)



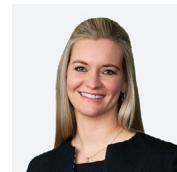
**Taylor Maun**

Associate  
[tmaun@polsinelli.com](mailto:tmaun@polsinelli.com)



**Silmon Ghebreyesus**

Associate  
[sghebreyesus@polsinelli.com](mailto:sghebreyesus@polsinelli.com)



**Julia Rix**

Shareholder  
[jrix@polsinelli.com](mailto:jrix@polsinelli.com)