

30TH MALCOLM MACEachERN MEMORIAL LECTURE GIVEN BY JAPANESE HEALTHCARE SCHOLAR

The 2007 MacEachern Symposium was held May 9 at the Tribune Auditorium at the James L. Allen Center on Northwestern's Evanston campus. The symposium featured three speakers, two international presenters and the head of a national healthcare association with an international component. Organized by Professor Joel Shalowitz, MD, MBA, this year's conference theme was "Inter-

national Perspectives on Healthcare: Lessons for the United States" and it attracted more than 125 registrants, which included a mixture of healthcare students, faculty, alumni and Chicago-area healthcare executives. This year's MacEachern Symposium was generously supported by Takeda Pharmaceuticals of North America, Ovation Pharmaceuticals, Inc. and by Northwestern University's International Program Development office.

This year's Malcolm MacEachern memorial Lecture was given by Naoki Ikegami, MD, MA, PhD, Professor and Chairman of the Department of Health Policy and Management at

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KELLOGG TEAM'S PERFORMANCE IMPRESSES AT HEALTH INDUSTRY COMPETITION

By Adrienne Murrill

A team of three Kellogg School Health Industry Management majors recently earned second place at the first Health Administration Case Competition, held Feb. 7-8 at the University of Alabama in Birmingham.

Ricardo Garcia, Christa Van der Eb and Susan Abraham (all '07) competed against 13 other teams, comprised of students from other masters programs in health services administration.

"We were especially proud to earn second place because the other schools live and breathe hospital administration in all of their classes," Garcia said. "Kellogg has

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Malcolm MacEachern Lecturer Naoki Ikegami (left) joins Professor Joel Shalowitz, Dr. Richard Clarke and Professor Bruno Palier at this year's MacEachern Symposium.

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KELLOGG TEAM A LIFE-SAVER WITH GLOBAL HEALTH INITIATIVE

School's thought leadership key to public/private healthcare effort

Through the Kellogg School's Global Health Initiative (GHI), faculty and students aim to save lives.

In August 2006, Northwestern University's McCormick School of Engineering received a four-year, \$4.9 million grant from the Bill & Melinda Gates Foundation to research and develop affordable diagnostic devices to combat the HIV virus in developing countries. The initiative began in 2004 with Professors David Kelso from McCormick and Daniel Diermeier from the Kellogg School of Management.

Kara Palamountain '04 and Aparna Saha '04 worked on the Kellogg portion of the grant application while earning their MBA. Now Kara has returned to the school as executive director of GHI, which she said focuses on solving critical problems in some of the world's poorest places.

"Not only are we developing processes and best practices for discovering what healthcare providers and people in developing countries need," she said, "but we are exposing future business leaders to issues facing the developing world."

Said Professor Daniel Diermeier, "There are unique problems in designing products for these markets because there is no existing market structure or understanding of the market."

To meet the challenge, GHI partners with industry and academic experts and nonprofit donors to research market dynamics, government issues and distribution channels to help develop diagnostic innovations for use in countries with limited healthcare infrastructure. In addition, the goal is to help the citizens who cannot afford diagnostic devices as currently configured. "Existing HIV diagnostics often require a central lab with electricity, refrigeration, trained phlebotomists and lab technicians," noted Palamountain. GHI seeks to adjust these technologies for success in developing countries.

GHI Student Chair Meredith Wilson '07 said that in addition to the faculty, Palamountain and seven full-time engineers at McCormick, more than 40 Kellogg volunteers are involved in research initiatives. Six Kellogg student teams have recently returned from conducting GHI-based research in South Africa, South East Asia, India and South America. "Also, we have students writing GHI papers in multiple classes," Wilson said.

This summer, GHI plans a collaboration with Kellogg Corps, the group that places small teams of MBA students on nonprofit consulting projects in developing countries worldwide.

For additional information and contacts, visit thinkglobalhealth.org.

KELLOGG STUDENT RECOGNIZED FOR PLAN TO FEED KENYA'S HUNGRY

By Aubrey Henretty

Kenya's chronic hunger problem has proved insurmountable for generations of its people and for international aid workers alike.

Andrew Youn, an '06 Health Industry Management major, thinks he can solve it one acre at a time.

Awards committees at the Yale Entrepreneurial Society, the Business Association of Stanford Engineering Students, SC Johnson and Echoing Green agree.

The **One Acre Fund** began as a business plan project for a

Kellogg School New Ventures class. The idea advanced by Youn and his team was that Kenya's poorest residents — many of them farmers with families to support on an acre or less of land — could lift themselves permanently out of poverty if only they had the right tools. A small loan of professional-grade seed and fertilizer and basic land-management training, they argued, could increase a farmer's annual crop yield by 400 percent, meaning lifetimes of meals and better living conditions for children.

The pilot phase of the program, which began in January, has been a huge success.

Recently, the One Acre Fund — now perhaps too mighty to be called a "project" — has racked up accolades and precious dollars faster than you can say "micro-loan." It was awarded \$10,000 in the Yale Entrepreneurial Society's annual business plan competition in April and \$18,000 from the Business Association of Stanford Engineering Students. The fund has also been honored with the 2006 SC Johnson Award for Socially Responsible Business.

Thanks in part to a two-year fellowship from social investment company Echoing Green, Youn will work full time to expand the One Acre Fund upon graduation from Kellogg in June.

The Kellogg student is thrilled at the opportunity to help end the suffering of so many hungry families. "I couldn't dream of working on anything else" he says.

Andrew, some of you may recall from the letter and pictures we reproduced in the Fall 2005 Newsletter, chronicled for us his summer internship experience in an AIDS treatment program in South Africa.



Photo © Rich Forman

Andrew Youn '06 gave a special presentation at the annual Kellogg Cup, where he also accepted the SC Johnson Award for Socially Responsible Business for the One Acre Fund.

KELLOGG TEAM'S PERFORMANCE IMPRESSES AT HEALTH INDUSTRY COMPETITION

CONTINUED

many strengths, including its Health Industry Management Program, but our recent reputation has been in other areas.”

This case competition challenged the teams to help a hospital in the South plan for a new children's hospital in the area. Garcia and Van der Eb said they were required to present a holistic strategy that included choosing where to build and creating financial projections, an implementation timeline and a marketing strategy that would help the hospital succeed and serve the area appropriately. The teams had



Susan, Ricky, and Christa with the other participants in the UAB Health Administration Case Competition.



Susan Abraham, Ricky Garcia and Christa Van der Eb are all smiles after 2nd place in a case competition at the University of Alabama.

to consider the hospital's mission and competition, as well as the area's economic and political history. They had three weeks to create their strategy, which was presented at the Birmingham conference.

“Certainly doing the financial projections was a challenge because we didn't have a lot of exposure to hospital design, architecture, the cost of technology, and the time frame for construction,” Garcia said. “We really had to seek out experts in the

field and get an understanding from them.”

Van der Eb pointed out that children's hospitals have a unique set of challenges that are different from adult hospitals. “This case allowed us to explore current trends in pediatric care, ranging from disease incidence to reimbursement rates to new technologies.”

After the competition, the teams learned that the case was based on a real hospital in San Antonio, Texas. Van der Eb said that although they did not know it at the time, the CEO of the hospital was listening to the presentations and asking them questions. “It was a mock case, but it was almost like we were serving as consultants,” she said.

Both Garcia and Van der Eb said the competition provided them

with a good learning experience and a great opportunity to synthesize various insights from their Kellogg coursework.

“What really helped us was that, at Kellogg, we get a good grounding in business strategy, and that's what the judges were looking for,” she said. “We were able to go beyond the financial projections and think critically about how to best position this hospital from a strategic standpoint.”

Professor Joel Shalowitz, director of the Kellogg School's Health Industry Management Program, was impressed with the team's performance: “They not only approached the hospital case by doing a fine job analyzing the secondary data, but they had the initiative to interview a number of locally based experts in the field. The team's final product was first-rate and our faculty is proud of their accomplishment.”

KELLOGG PARTNERSHIP BLENDS BUSINESS, SCIENCE

The gap between business and science is getting smaller. To address that reality the Kellogg School of Management and Johns Hopkins Medicine are joining forces to offer a series of new educational programs on the business of life science, developed by Kellogg's Biotech Center.

"These innovative programs are a direct result of the collaboration of faculty from both schools," said Dipak C. Jain, dean of the Kellogg School. "There is a need for courses like this for scientists and managers in the biotechnology and pharmaceutical fields, and we are excited to partner with Johns Hopkins Medicine to provide the necessary education for these professionals."

Edward D. Miller, CEO of Johns Hopkins Medicine and dean of Johns Hopkins Medical School notes that "Bringing science and

business together from these two top institutions will provide participants with a thorough and practical understanding of how to move forward with their ventures."

The executive education courses, developed by Kellogg's Biotech Center, began in March with Business for Scientists, a three-part certificate program designed to introduce scientists, research faculty, post-doctoral fellows and doctoral students from Johns Hopkins to business concepts and industry specific tools and frameworks. Topics such as accounting, strategy, finance, marketing, and management and its relevance to the biomedical sector will be covered. Kellogg faculty also will walk participants through the process of building and managing a biotechnology firm.

The second program offered is Science for Managers, also a certificate program, (9/19-22) teaches

participants concepts in physiology, disease, drug design and regulatory affairs. The course is designed for investors, venture capitalists, business development executives, consultants, analysts or government officials involved in making legislative decisions concerning biotechnology.

The third program will be a course designed for chief executive officers of biotechnology and pharmaceutical companies. The one-day program is designed to provide participants with fresh ways of thinking and will creatively address issues in the biomedical industry.

Finally, a non-degree exchange program between the two schools is planned for the fall, which will allow for student exchanges between Kellogg and Johns Hopkins University, noted Professor Sangeeta Vohra of Kellogg's Biotech Center.

GUIDO KRUSE AWARDED PRIZE



Guido Kruse D. Pharm., KSM '07, was selected by the Association of University Programs in Health Administration as a 2006 recipient of the Bugbee-Falk Book Award. Kruse was recognized for his contributions to the International Healthcare Conference held at Kellogg in 2006. The Bugbee-Falk Award was established in 1973 by the Association of University Programs in Health Administration to honor the extraordinary contributions of Mr. George Bugbee and Dr. Isidore S. Falk to the field of health services administration education. George Bugbee was a professor of health administration at the University of Chicago and Isidore S. Falk was a professor of medical care administration at Yale University.

GARY MECKLENBURG HONORED BY KELLOGG; FORMER PRESIDENT AND CHIEF EXECUTIVE OFFICER OF NORTHWESTERN MEMORIAL HEALTHCARE JOINS HIM PROGRAM

Gary Mecklenburg, former President and CEO of Northwestern Memorial HealthCare, was named the recipient of the 2006 Kellogg School Award for Distinguished Leadership. The annual award was founded in 2002 in honor of Dean Emeritus Donald P. Jacobs and seeks to recognize distinguished leadership that is consistent with the ideals of the Kellogg School of Management while promoting the Kellogg School's commitment to developing leaders of the highest caliber and character.

Mecklenburg was Executive-in-Residence for the Health Industry Management Program and will



Gary Mecklenburg, former CEO of Northwestern Memorial Healthcare Corporation in Chicago, named Executive-in-Residence in Health Industry Management Program, presents his "Seven Passions of a Retiring CEO" at the award ceremony.

continue to mentor healthcare majors in the school. He is also overseeing HIMT 512: project management class in the 2007 Spring quarter, and has 12 students working a wide variety of topics in the broad healthcare field.

Under Mr. Mecklenburg's guidance, Northwestern Memorial has become one of the nation's leading teaching hospitals with a reputation for both clinical and management excellence. Mr. Mecklenburg received the award at a special cer-



Gary Mecklenburg accepted his McKinsey-sponsored Leadership award from Dean Dipak Jain and several Kellogg students.

emony that took place at James L. Allen Center.

Mr. Mecklenburg, who has announced his retirement effective September 1, 2006, joined the Northwestern memorial organization in 1985 as President and CEO of Northwestern Memorial Hospital. He is credited with a variety of accomplishments during his tenure, including the expansion of facilities and services throughout Chicago. He oversaw the opening of the new Feinberg and Galter pavilions in 1999, which helped transform the original campus located in the Streeterville section of the city, as well as construction on a new Prentice Women's Hospital scheduled to open in fall 2007. Under his watch, Northwestern Memorial Healthcare significantly enhanced free care programs and supported numerous community health and educational outreach programs with organizations like the Lawson House YMCA and the Chicago Public Schools. He also led the recruitment of more than 550 new physicians growing the total workforce to more than 6,500 physicians and employees. He has also held leadership positions at St. Joseph's Hospital and Franciscan Health Care, Inc., in Milwaukee.

Mr. Mecklenburg has also made contributions to the healthcare industry through his professional activities. He is a past chairman of the board of trustees of the American Hospital Association and of the Illinois Hospital Association.

He was recently chair of the board of the Health Forum and of the Healthcare Research and Development Institute and he was founding chairman of the National Alliance for Health Information Technology. Mr. Mecklenburg serves on the boards of directors of the Institute for Healthcare Improvement; the National Center for Healthcare Leadership; Becton, Dickinson and Company; Regency Hospital Company and Cogent Healthcare. He also serves as an active member of the Dean's Advisory Board at the Kellogg School.

Mr. Mecklenburg received his Bachelor of Arts degree from Northwestern University and a Master's of Business Administration from the University of Chicago.

Mecklenburg's address to the audience was entitled "Seven Passions of a Retiring CEO." His seven capstone bits of wisdom are: 1) Love your job; 2) Recognize the power of Mission; 3) Dream big dreams; 4) Recognize that people are your greatest strategic asset: (a) recognize moments of truth and (b) Be a teacher; you are responsible for creating the next generation; 5) Use common sense; 6) keep it simple; and 7) know what's important.

The Kellogg School Award for Distinguished Leadership is co-sponsored by the student-led Business Leadership Club and McKinsey & Company.

Previous Recipients of the Award

2002

James V. Kimsey

Founding CEO
America Online

2003

John W. Bachmann

Managing Partner
Edward Jones

2004

Nancy M. Barry

President
Women's World Banking

2004

Warren Buffet

CEO
Berkshire Hathaway

2005

Larry Bossidy

Author & Former CEO of
Honeywell International

NEW PROBLEMS, NEW SOLUTIONS

INNOVATION AND OBSTACLES FUEL DISCUSSION AT 7TH ANNUAL HEALTHCARE AND BIOTECH CONFERENCE

By Aubrey Henretty

“The healthcare industry is the largest industry in the United States,” says Emre Sucu '07, co-chair of the 2007 Kellogg Biotech and Healthcare Conference. “It’s bigger than oil.”

This year’s conference, titled “Today’s ideas for Tomorrow’s Patients,” brought distinguished scholars and industry leaders to the Donald P. Jacobs Center on Jan. 20 and was attended by hundreds in the Kellogg School community.

The conference’s breadth mirrored that of the industry. In addition to eight hour-long panel discussions on topics ranging from “Health Impacts of the New Congress and Political Actions on the Horizon” to “The Innovations Driving the Biotech Industry of Tomorrow,” the day’s events included keynote addresses by William Dempsey, executive vice president of Abbott’s pharmaceutical operations division, and William



William Hawkins, Medtronic's president and COO, delivers a keynote address at the 2007 Kellogg Biotech and Healthcare Conference.



Photo © Nathan Mandell

From left, conference Speaker Committee Co-Chair Josh Mandel '07, Kellogg Health Industry Management Program Director and Professor Joel Shalowitz, Operations and Logistics Co-Chair Caryn Zieses '07, Overall Co-Chair Emre Sucu '07, Marketing Co-Chair Jate Samathivathanachai '07, Health Industry Management Professor Edward Hughes, Center for Biotechnology Co-Chair and Professor Alicia Loffler, Overall Co-Chair Fangning Zhang '07, Sponsorship Co-Chair Susan Abraham '07 and Speaker Committee Co-Chair Kurt Kresge '07 congratulate in the Donald P. Jacobs Center during the 2007 Biotech and Healthcare Conference.

Hawkins, president and chief operating officer of Medtronic Inc.

The leaders sitting on the morning panel, “Entrepreneurial Experience in Biotechnology,” discussed entrepreneurial lessons learned in the industry. Moderated by Scott Stern, associate professor of management and strategy and co-director of the Kellogg Center for Biotechnology, the session focused attention on getting a venture started.

“The main ingredient for success at the very early, start-up stage is the ability to overcome obstacles,” said Advanced Life Sciences Chairman and CEO Michael Flavin. Among the topics the panel explored were hiring the right people for start-ups, shuffling personnel as companies grow and the critical question of where to find start-up capital.

Panelist and BA Venture Partners Managing Director Lou Bock said sometimes traditional venues don’t deliver. “I learned over time that buying doughnuts and getting into a physician’s office [to pitch a product] was surprisingly difficult,” he said. “Our best returns have really been from drug development companies.”

Hasty hiring, said Kai Pharmaceuticals CEO Steven James, can create a quagmire for entrepreneurs. “We talk about hiring great athletes as opposed to skilled players,” he said, warning of the perils of a too-specialized staff. “In terms of hiring the right people, hiring the team, it’s still key and it always will be.”

The afternoon panel, “The Innovations Driving the Biotech

Industry of Tomorrow,” moderated by Kellogg Center for Biotechnology Co-Director and Professor Alicia Löffler, addressed challenges that may face the biotech entrepreneur (or manager or investor) a bit further down the line.

“One of the things we need to be thinking about in the United States and Europe is the changing demographics associated with where technology is being developed,” said David Rosen, development and commercial head of strategic alliances for Pfizer. High technology has begun to spring up in lower-cost regions, he said. To stay competitive, industry leaders will have to consider following it there.

Science Futures Managing Director Nola Masterson remained optimistic about the role of the United States in biotech’s future. “Innovation is something we do really well in America,” she said, noting that getting technology to the people who need it most can be a bigger challenge: “Sometimes it’s a distribution problem, not an innovation problem.”

Later, in the afternoon keynote address, Medtronic President and Chief Operating Officer William Hawkins expressed great enthusiasm about the state of innovation in biotechnology, discussing the ways in which necessity — specifically an aging population of people who will live longer — is driving new technology.

“A baby girl born in Japan today has a 50 percent chance of living to 100 [years old],” he said, adding that while everyone welcomes a

long life, advanced age tends to bring weakened immune systems and chronic disease, relatively new problems that demand innovative solutions. “With this increase in chronic disease and the enormous effect it will have on our healthcare system, we need to ask ourselves a very important question.”

Hawkins went on to pose not one, but two questions he said are central to the future of the system: How can we prevent chronic disease from striking and who will deliver care to the afflicted when it does? The answers, he added, may surprise.

“This new level of disease management will mean being able to remotely monitor your father’s heart condition,” he said. “You could monitor your aging mother’s glucose levels through a readout on your cell phone.” From there, said Hawkins, a caregiver could also make adjustments to a person’s electronic implant, eliminat-

ing the necessity of a hospital visit, or transmit commands to a family member’s internal insulin-regulating device.

“While this is a technology-fed revolution, it’s clearly about people,” Hawkins continued, adding that the fear and suspicion with which many people used to regard medical-device implants is dissipating as lives are changing for the better. “There are many people who have implants to manage their chronic disease who are walking around leading very normal lives. Some of them are running around.”

“The conference provided a window to the innovation-driven growth of the biotech sector and the profound impact it is having in the global marketplace,” said Professor Löffler. “It also highlighted the tremendous commercial, technical and ethical challenges of bringing these innovations to people around the globe.”



The University of California at Berkeley team took home the honors in the Genzyme-sponsored Case competition at the 2007 Healthcare and Biotech Conference, here pictured, seated, with colleagues and Kellogg faculty competition judges.

30TH MACEachERN MEMORIAL LECTURE CONTINUED

Keio University's School of Medicine in Tokyo, Japan.

Professor Ikegami is a board member of interRAI (a non-profit international consortium of researchers and clinicians focused on care planning instruments), as well as of Priorities in Health Care, and the Japanese Society of Hospital Administration. He has served as consultant to the WHO and the World Bank, and has also sat on various national and state government committees. He is Editor-in-Chief of the *Journal of Hospital Administration* (the official journal of the Japanese Society of Hospital Administration), and sits on the editorial boards of the *International Journal of Technology Assessment in Health Care* (Cambridge University Press), the *Journal of Mental Health Policy and Economics*, the *International Journal of Health Care Finance and Economics*, and *Value Health*. His research areas are health policy, long-term care and pharmacoeconomics.

Professor Ikegami's lecture was entitled "Population Ageing – The Japanese Response and Lessons for the United States."



Professor Bruno Palier, PhD, of Sciences Po in Paris

He began his remarks, however, with a tribute to Professor Malcolm MacEachern, for whom the symposium is named. Professor Ikegami stated that hospitals did not really exist in Japan until after westernization started in 1868, and even then they relied on families of those who were ill to provide their own futon to the hospital (there were no hospital beds) and to cook the meals for the ill person. Nurses were primarily handmaidens to the physicians.



Richard Clarke, PhD, CEO of HFMA

Following World War II, the occupying forces thought Japanese hospitals were relics of medieval times. They reformed the hospitals, introduced centralized nursing and supportive services, and they introduced Japan's doctor-administrators to Dr. Malcolm MacEachern's book *Hospital Organization and Management*; this book became "the bible" for hospital management up until the 1970's said Professor Ikegami.

Ikegami then launched into his presentation, providing the audience with some pertinent background information:



Professor Naoki Ikegami, MD, PhD, of Keio University in Tokyo

- Japan has the highest ratio of elderly in the world.
- In 1970, 7% of the general population in Japan was 65+; in 2006 the percentage was 20%, and it is estimated that in 2020 the rate will be 27%. This is an increase of 1% every two years.
- The proportion of healthcare costs for those over 65 was already 50% in 2006, and is estimated to grow to 66% by 2020.
- Providing medical care or healthcare in Japan means doctors (exceptions: pediatricians and obstetricians) will be caring for the elderly, as 4 out of 5 patients will be elderly. Dr. Ikegami tells medical students, if you don't like to be around old people, you should consider another career.

With this background in mind, this year's MacEachern lecture made the following suggestions for the US to consider, as its population too is ageing significantly.

I. Contain Healthcare Costs

The government has a key role in that *the fee schedule is applied to all payers and providers*. It also *sets the conditions for which services can be billed, and prohibits providers from billing above the fee*. The Japan Medical Association and the Ministry of Finance negotiate doctor and hospital services fees; fees and drugs prices individually revised and reduced where profits are larger (such as orthopedics) and pharmaceutical prices are reduced so that there is only a 2% margin on drugs.

Further, Professor Ikegami showed that the government fee scale targets decreases in cost of diagnostic images; for example, he gave several applications, including (in Yen) these:

Professor Ikegami said the government has met cost reduction targets with considerable success. Despite having the highest 65+ % of population, the healthcare % of GDP is only 8%, the lowest of G-7 countries.

II. Provide Universal Coverage

The Japanese system is one of compulsory insurance (over 3500 health plans in the country), wither by employer-based plans or by plans managed by municipalities (for the self-employed or pensioners). There is no choice in plan, but



Alum Dr. Allen Goldberg in conversation



Alum Elaine Long compares notes with fellow attendees during one of the breaks.

benefits are virtually the same in all plans.

III. Set Benefits Independent of Age

Preferential benefits are hard to justify if 50% of expenditure is spent by/on elderly.

IV. Prevention

The government has a major goal to prevent progress of the metabolic syndrome by preventing obe-

sity which leads to diabetes, strokes and heart diseases. Insurance plans must screen all enrollees and counsel those who need to exercise more, eat properly and stop smoking. States/municipalities must also meet targets set by government, or budget is reduced.

V. Establish a Public Long Term Care Insurance System

Japan's system is financed half by taxes and half by premiums. Premiums for the over 65 group are deducted from their pensions (1/6 of total LTC Budget), premiums for the 40-64 age group is deducted from wages (and is 1/3 of total). The benefit/entitlements are generous and include both home care and institutional care, and there is a strong component of preventive services in the LTC system.

The second speaker of the day was Professor Bruno Palier, MA, Ph.D. Professor Palier heads the Masters

Year	2000	2002	2006
CT Scan (full body)	8800 Y	8300 Y	6600 Y
MRI (full body)	17800 Y	12200 Y	10800 Y

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30TH MACEachern Memorial Lecture CONTINUED

Program in Public Affairs at Sciences Politique in Paris (Sciences Po). He is also *charge de recherche* of the National Center for Scientific Research (CNRS), the largest and most prominent public research organization in France. His research interest is welfare state reforms, from a French and a comparative perspective. His books include *L'Europe en action: l'europeanisation dans une perspective compare* (Europe in action: Europeanisation in a comparative perspective); and *Globalization and European Welfare States: challenges and changes*. He is currently working on specifying the characteristics of welfare changes in continental Europe, as the leader of a research project on the transformation of Bismarckian welfare systems. He is the director of the Health Policy joint Program between Northwestern University and Sciences Po.

Professor Palier started his presentation with a provocative message: The most universal and egalitarian healthcare systems are also...the cheapest!... and (under certain conditions) the most cost efficient! Further, he said that there are two types of universal healthcare coverage systems: (1) **a national health-care system** (such as Sweden, Norway, Denmark, Great Britain, Italy, Spain, etc); and **health insurance systems** (such as Germany, France, Austria, Belgium, Japan, the Netherlands, etc). He added that there is a third model, neither universal nor perhaps even a system, that of the U.S.

Professor Palier then spoke about how different systems approved four modes of functioning: (a) access; (b) services provided; (c) financing; and (d) organization and regulation.

Professor Palier used a number of very interesting tables comparing various countries, such as the percentage of national GDP spent on healthcare (in 2003/4):

UK	8.3%	Belgium	10.1%
Sweden	9.1%	Greece	10.0%
Norway	9.7%	Italy	8.4%
Denmark	8.9%	Spain	8.1%
Finland	7.5%	Portugal	10.0%
Japan	8.0%	Canada	9.9%
France	10.5%	NL	9.2%
Germany	10.9%	USA	15.3%

Source, OECD 2006.

He also compared how well systems were doing on keeping their populations in good health:

	Life expectancy	Infant mortality (2003/4)
Canada	80.0	5.3
Denmark	77.6	4.4
Finland	78.8	4.4
France	80.3	3.9
Germany	78.6	4.1
Greece	79.0	4.1
Italy	80.0	4.1
Japan	82.1	2.8
Norway	79.9	3.2
NL	79.2	4.1
Portugal	77.2	4.0
Spain	80.5	3.5
Sweden	80.6	3.1
UK	78.4	5.1
USA	77.5	6.9

Source: OECD, 2006



Alum Amber Webb asks a follow-up question

And, finally, he looked at how well satisfied various citizen populations are with their healthcare systems:

Countries	Percentage of citizens satisfied with their system
Austria	83
France	78
Belgium	77
Denmark	76
Finland	74
Netherland	73
Luxembourg	72
Sweden	59
UK	56
Germany	50
Ireland	48
Spain	48
Canada	46
USA	40
Italy	26
Portugal	24
Greece	19

The third symposium presenter was Richard Clarke, MBA, Ph.D. Dr. Clarke is president and chief executive officer of the Healthcare Financial Management Association (HFMA), Westchester, IL, a pro-



Alums Brigette Nettesheim and Adam Kates react to Professor Palier's presentation.

fessional membership association with more than 31,000 members in 70 chapters who share and interest in the financial management of the delivery of healthcare services. He has held this position since June 1986. Dr. Clarke served as the chairman of the board of the AHA Financial Solutions, Inc. (a wholly owned subsidiary of the American Hospital Association) and in 2003, was appointed to the Federal Reserve Bank of Chicago's Seventh District Advisory Council. Mr. Clarke has written numerous articles on healthcare finance and co-authored the books: *Capitalizing Medical Groups: Positioning Physicians for the Future*; *The Crisis in Health Care: Costs, Choices and Strategies*; and *Beyond Managed Care: How Consumers and Technology are Changing the Future of Health Care*. He was recently voted one of the 100 most powerful persons in American healthcare in a *Modern Healthcare* magazine poll.

Clarke's presentation focused on comparisons between the U.S. and

the United Kingdom. HFMA (in the U.S.) has had an annual exchange with the HFMA counterparts in Britain for 20 years. Dr. Clarke discussed the NHS at length and also various approaches governments have taken over the years to improve the system.

Clarke identified the following:

NHS Underlying Financial Principles

- Free at point of delivery
- Manage within overall resource limits determined by government – greater consideration for longer term time horizon
- Matching finite resources with essentially infinite demand for health services
- Structural or technological advances will always secure greater efficiency
- Intense public and media interest in NHS

After a lengthy discussion of various changes tried by recent NHS

reorganizations, Clarke identified the following results:

Key Issues from Finance Perspective

- Constant tinkering by National government – drives administrative costs while trying to reduce bureaucracy
- Even with increased funding, system is resource constrained.
- Future funding growth to be cut in 2007/08 to real growth at 2-4% level – dialing down “expenditure appetite” difficult
- PbR and national tariff system aims at aligning payment with volume and resources – but needs to focus on evidence-based protocols or pathways. One size does not fit all.
- IT implementation bumpy at best

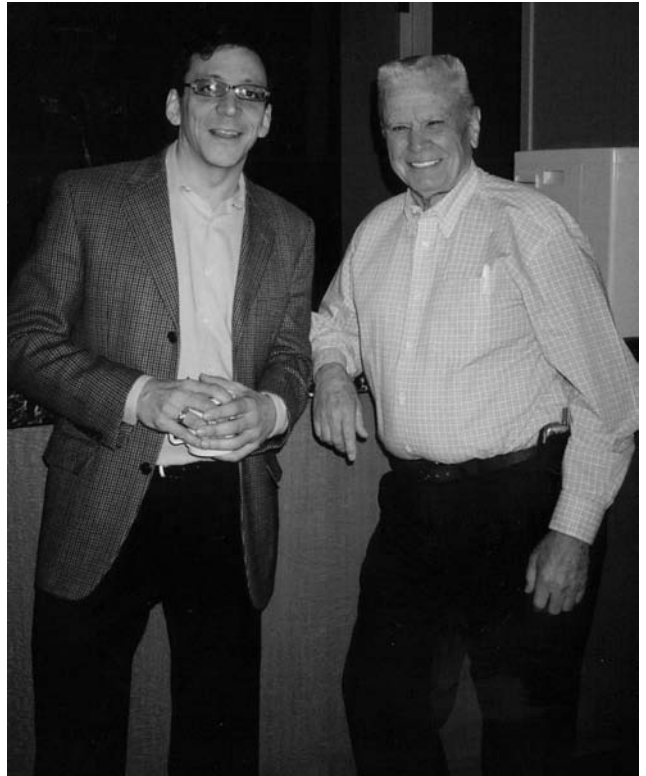
To bring his address to a conclusion, Dr. Clarke said he thought the following items encapsulated his perspective on viewing the NHS every year and in discussing the system's evolution with senior financial officers within the NHS:

- Demand is insatiable regardless of system
- Payment/funding systems rarely align incentives well enough to achieve good, fast, and cheap health care
- Efficiency and effectiveness are problems with most (all) systems – lack of evidence based clinical pathways or care management
- Fundamental blocking and tackling key for both systems.

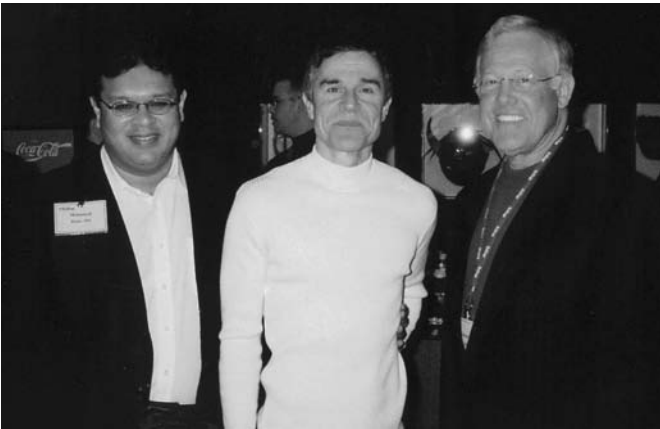
AMERICAN MEDICAL ASSOCIATION BOARD, SENIOR MANAGEMENT ATTEND HIM DEVELOPED LEADERSHIP SEMINAR AT KELLOGG'S JAMES L. ALLEN CENTER



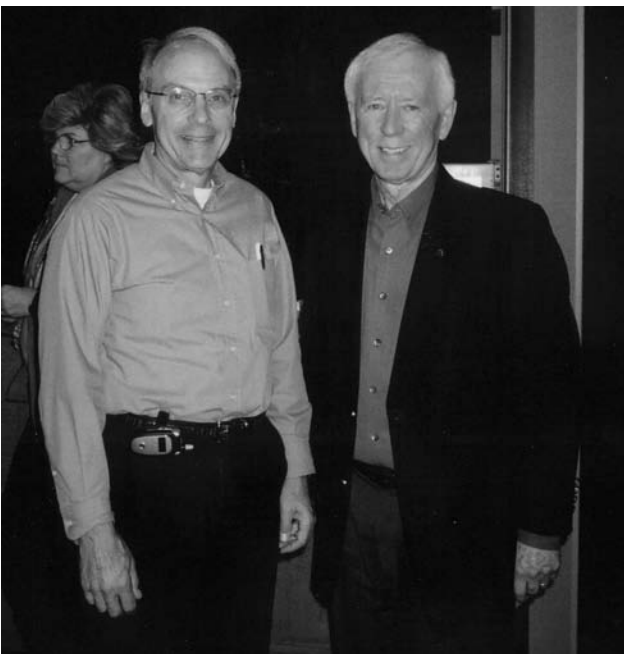
The AMA's CEO, Michael Maves, MD, MBA (center) with 2 board members enjoying the Allen Center's relaxed ambience.



The AMA's Chief Marketing Officer Gary Epstein (left) chats with William G. Pledsted, III, MD, AMA President (right) during the 3.5 day board leadership conference held at the James Allen Center.



Professor Ed Zajac (center) joins members of the American Medical Association's Board and Senior Management during a coffee break.



THE AMA's Board Chairman, Cecil Wilson, MD, chats with a board colleague while at a break from Professor Zajac's Governance class.



Canadian Minister of Health Tony Clement (right) spoke to Professor Joel Shalowitz's (center) International healthcare class at the Schulich Business School at York University in Toronto. Shalowitz is pictured with Professor Brenda Zimmerman (left), Chair of Schulich's Health Industry Management Program.

A FEW PHOTOS FROM THE HEALTHCARE/BIOTECH ALUMNI/STUDENT MIXER: MAY 3, 2007 IN EVANSTON



Sangeeta Vorha (center), Associate Director of the Biotech Center, with alums Hoonan Bahmandeji, CEO of MedSphere (left) and Brian Andersen of PDL Biopharma.



Celebrating their 25th! Joel Shalowitz, MD (left), Gina Tapper (center) and Kerry Monson (right) – all members of the class of '82 – joined together at the Alumni-Student Mixer to recall their student days at Kellogg.



Biotech Program Director Alicia Löffler (left) with recent graduate Shirley Aguila (right) are catching up on news.



Enjoying the gathering are students Minit Gupta '08, Fangning Zhang '07 and Leah Ralph '08.



Student Amy Ng '08 with alums Chris Hartman, Katie Arnold and her hubby Evan Norton, are all enjoying the Student-Alumni Mixer.

PROFESSOR TIM CALKINS ADDS BIOMEDICAL MARKETING COURSE TO MBA CURRICULUM

Kellogg's 2006 Lavengood Award winner for Teacher of the Year, Professor **Timothy Calkins**, has recently become affiliated with the Health Industry Management and Biotechnology Programs. Professor Calkins is a Clinical Professor of Marketing, and now of Health Industry Management and of Biotechnology.

Calkins says his overall goal is to help people and organizations use marketing strategy and branding to build strong and profitable businesses, including those in the healthcare and life sciences areas.

At Kellogg, Calkins teaches marketing strategy, the most popular marketing elective in the MBA program. Tim is co-academic director of Kellogg's branding program and has developed a biomedical marketing course, in the MBA curriculum, which was offered for the second time recently. He also teaches in many of Kellogg's executive education programs including the Executive Development Program and the Kellogg Management Institute. He has been active in several of the healthcare-related executive education programs developed by the Health Industry Management Program.

Tim's "Biomedical Marketing" course focuses on the full range of marketing activities within the biotechnology, life sciences and medical device areas, and has quickly gained popularity among



MBA students interested in careers in healthcare and the life sciences.

Professor Calkins has been part of the Kellogg faculty since 1998, and was selected by the student body of Kellogg as the 2006 Lavengood Award Winner, also called the school's Teacher of the Year award.

This Lavengood awardee has worked with major corporations around the world on marketing strategy and branding issues. He has led seminars or completed consulting projects with JPMorganChase, Eli Lilly, Nestle, Barilla, Boeing and others. He is also managing director of Class 5 Consulting, a marketing strategy firm.

Professor Calkins has written several Kellogg teaching cases, mostly focused on marketing strategy and branding. Several recent cases focus on healthcare or biomedical topics, and include "MedImmune: FluMist Introduction" and "Eli

Lilly: Xigris." Calkins also recently edited, with Professor Alice Tybout, a collection of essays written by his Marketing Department colleagues entitled *Kellogg on Branding*. Published by Wiley, this book has been well received by both the academic community and by marketing professionals.

His career began at Booz Allen and Hamilton, where he worked in the strategy practice. He joined Kraft Foods in marketing in 1991. During his almost 11 years at Kraft, Tim managed several of their business units. When he left Kraft in 2002, Tim was senior category business director. While at Kraft, Tim coordinated the launch of over two dozen new products.

He has been widely quoted in publications including *Business Week*, *Newsweek*, *Advertising Age* and others. He is a frequent speaker at industry events. Tim has received awards including a gold EFFIE and the Hill Holiday Against All Odds Award, for creating excellent advertising.

Professor Calkins received his BA from Yale University and his MBA from Harvard Business School.

VISITING PROFESSOR



The Kellogg Center for Biotechnology has had the pleasure of hosting Visiting Professor **Raine Hermans** PhD, for the years 2006 and 2007. Raine comes from ETLA – The Research Institute for the Finnish Economy, Helsinki, Finland. Raine leads several multidisciplinary projects on the managerial economics of biotechnology. At the Kellogg School, Raine has been performing studies on forecasting the future sales of the bio-pharmaceutical start-ups, analyzing biotechnologies as a competitive edge of the Forest industry, and simulating the impact of biotechnology-based energy applications (along with other experts from related fields).

Hermans, a visiting professor of Managerial Economics in Biotechnology has recently published a book entitled *Sustainable Biotechnology Development*. The book analyses the features of the Finnish biotechnology industry from three complementary perspectives as a basis for a strategic sustainable biotechnology development framework: 1) How do the company leaders see the future of the industry? 2) How do the companies value their intellectual property rights? 3) How does the regional resource allocation reflect the prosperity of the industry?

NU'S SEARLE CENTER NAMES SCOTT STERN AMONG FIRST GROUP OF SEARLE SENIOR FELLOWS



Searle Senior Fellows are an integral part of Northwestern's new Searle Center. They will serve as a board to advise the Center's full-time director. Senior Fellows will provide ongoing advice on all aspects of the Center's mission, including its programs and the additional fund-raising foreseen for the Center. Finally, Fellows will themselves become involved in the Center's activities in various ways as requested by the Director, such as presenting papers at Center conferences and helping to arrange programs in which they may not themselves be participants. In short,

Fellows will be importantly involved in many aspects of the management of the Center and implementation of its activities.

The initial group of Fellows will serve for a period of one and one-half years, starting next semester and continuing through the 2007-8 academic year. Professor Scott Stern of Kellogg's Biotechnology, Health Industry Management and Management and Strategy Departments was one of the six professors named a Searle Senior Fellow.

FORMER PRESIDENT CLINTON FOCUSES ON HEALTHCARE IN ALLEN CENTER ADDRESS

The Health crisis can be solved, said Bill Clinton, in a James L. Allen Center speech, but healthcare innovation, critical to closing the gap between the U.S. and that provided by other nations, is needed to resolve serious systemic deficiencies.

said Mr. Clinton, referring generally to the health insurance industry. “We spend 34 percent on administrative costs [related to healthcare]” compared to 19 percent in other countries, he added.

Competitors, such as Japan, said Mr. Clinton, have devised effective systems that enable them to spend less on healthcare and allocate more resources to pursuing successful commercial endeavors. “They beat our brains out in the automotive industry,” said the former president, who has made it a priority to address such health issues as childhood

obesity, a problem he said which is now “sweeping the world,” showing up in countries such as Ireland and India, among other places.



Former President Bill Clinton.

The former President addressed issues including rising prescription drug prices, saying that U.S. citizens pay more than anyone else in the world for pharmaceuticals, including three times more for the same drugs taken by Canadians. He highlighted another circumstance contributing to high health costs: extraordinary care for the very old and ill.

Mr. Clinton cited figures such as the 16 percent of U.S. GDP that Americans spend on healthcare overall, a number that he said still leaves 15 percent of people totally uninsured, even though the system is more expensive than all other advanced countries, which are spending about 10 percent to insure nearly 100 percent of their citizens. The former President appeared at the Perspectives in Healthcare Conference, co-sponsored by the Huron Consulting Group and the Kellogg School of Management, and was held at Kellogg's Conference Center, the James L. Allen Center.

“You pay \$300 billion a year to pay people to go to work each day to engage in a giant tug-of-war over what is covered and what isn't,”



Mukesh Gangwal, Healthcare Provider Practice Leader for the Huron Consulting Group, and Dipak C. Jain, Dean of the Kellogg School, accompany former President Clinton to his speech in the James L. Allen Center.

“We spend more money on the last two months of life than anyone else,” said Mr. Clinton. He indicated that encouraging people to draft living wills would permit Americans to remain “consistent in our moral and ethical values” while helping lower healthcare costs. Encouraging more people to pursue healthy habits, such as good diet and exercise, would increase the chances of them living longer and “dying with their boots on,” meaning they would remain more productive for their entire lives.

With respect to other leading factors in healthcare costs, Clinton noted that “lifestyle choices,” such as, for some, gun violence and, for others, diet, play significant roles in the current crisis.

Mr. Clinton said Americans should avoid the “rhetoric and demonizing” that often surrounds the healthcare issue and instead elect representatives who will “get about solving the problems.”

While he admitted that the solutions to the healthcare situation will prove formidable, Mr. Clinton offered several possible strategies to begin transforming a system he indicated was in dire need of change. Some of the tactics, he said, should garner easy support regardless of political affiliation.

“Electronic records will help enormously,” argued the former President. “It’s nuts for us not to do this.” He said that savings of about \$100 billion could derive



Ed Hughes, Jr. (right) is a member of the staff of former President William J. Clinton (center) here pictured with his father (left), Kellogg's Professor Edward F.X. Hughes, MD, following the President's address at the Allen Center. Ed Hughes, Jr., is Deputy Director of Clinton's Global Health Initiatives.

from moving to an electronic data system.

With respect to childhood obesity, Mr. Clinton has recently been active in helping reduce or remove carbonated beverages from school grounds, noting that the high fructose corn syrup in such drinks is one important component in the growing health problems facing younger Americans. Other factors, he said, include a more sedentary life — a fact in part influenced by shrinking academic budgets which in turn lead to fewer athletic programs. In some neighborhoods where gang violence is prevalent, children can find themselves with even fewer exercise options, he said.

Healthcare is “an issue of social justice and it’s just wrong for us to be out of step,” added Mr. Clinton, noting his belief that a policy of cutting taxes for the richest top

fraction of Americans is hurting the majority of citizens, which is, in turn, taking a toll on the nation’s health system.

“I’m old-fashioned. I grew up in Arkansas and I believe in arithmetic,” remarked Mr. Clinton, indicating the connection between less government revenue and a deleterious affect on public services. “We have got to pay for certain things.”

“As soon as I left the White House, arithmetic did too,” he quipped.

THE MISSION OF KELLOGG'S HEALTH INDUSTRY MANAGEMENT PROGRAM IS TO IMPROVE THE GLOBAL DELIVERY OF HEALTHCARE BY PROVIDING OUTSTANDING HEALTHCARE MANAGEMENT EDUCATION TO CURRENT AND FUTURE LEADERS, CONDUCTING INNOVATIVE RESEARCH AND PARTICIPATING IN MEANINGFUL COMMUNITY SERVICE.

Our values:

The values we embrace are:

Scholarship; Innovation; Teamwork; Community Service; Customer/Patient Focus; Lifelong learning; Mutual respect for colleagues and students; Ethical behavior

Goals/Objectives

We will accomplish our mission by:

- Providing curricula that are flexible and customized, taking into account the students' educational background, work experience and career plans. Courses will be current, rigorous, coordinated and relevant, providing the requisite skills and tools that enable future leaders to practice their professions in a competent and ethical manner for a broad range of healthcare employers.
- Supporting faculty to ensure the continued development of world-class research and outstanding teaching.
- Offering customized executive management education programs for clinical and/or managerial health care professionals in order to enhance their effectiveness and provide our faculty with the opportunity to learn from them.
- Contributing service to the community (including the university) that will better the lives of all concerned.



GRADUATION DAY!

Professor Raine Hermans in white tie and tails (3rd from left), the formal academic dress in Scandinavian countries, joins (left to right) Assistant HIM Program Director Jim Drury, Marketing Professor Tim Calkins, Biotech Professor Alicia Loeffler, Accounting Professor Tom Prince, HIM Professor Joel Shalowitz and Healthcare Economist Leemore Dafny for pre-graduation ceremony photo.

"BIOTECHNOLOGY AIMS TO FIND NEW BENEFITS FOR SOCIETY WITH THE DEVELOPMENT OF PRODUCTS THAT WILL CURE, TREAT AND PREVENT HUMAN DISEASES, PREVENT HUNGER AND INCREASE SUSTAINABILITY OF THE PLANET'S AGRICULTURAL AND ENVIRONMENTAL RESOURCES. TOWARDS THIS MISSION THE KELLOGG CENTER FOR BIOTECHNOLOGY CORE PURPOSE IS TO DEVELOP KELLOGG AS THE MAJOR GLOBAL FORCE *SHAPING* THE MANAGEMENT OF BIOTECHNOLOGY. THIS INCLUDES EDUCATIONAL, RESEARCH AND TECHNOLOGY ENHANCEMENT ACTIVITIES."