A HEALTHCARE-SPECIFIC FRAMEWORK FOR ESG PRINCIPLES

Environmental, social, and governance (ESG) criteria have been used for years to assess a company’s performance beyond the black-and-white lines of a profit-and-loss statement, challenging executives to measure the value their businesses create in the context of more fundamental ethical values. For healthcare organizations, an ESG framework calls for sustainable energy and waste management systems, prods investment in community health, and demands that leaders embrace diversity and inclusion as essential duties. These and other initiatives recognize the fact that running a good healthcare business requires a sense of communal responsibility.

In this roundtable, a panel of executives with hands-on experience employing ESG principles discusses what it looks like to adopt an ESG framework in healthcare as consumer expectations, the industry, and ESG itself evolve.
HealthLeaders: How should we think about environmental priorities in healthcare?

Rashard Johnson: One of the things we focus on when we talk about how environmental factors and healthcare overlap is making sure we are focused on environmentally friendly products and materials sustainability, conservation of natural resources and things that protect the human dignity. We look at it holistically.

The meat that we utilize, we want that product to be raised without antibiotics. The waste that we generate from construction projects, we want to be able to recycle that—and about 70% of our entire system has recyclable waste from construction projects.

Then it goes down to making sure we have recyclables as it relates to our medical devices. That one, we can track with an ROI, and we save about $3.1 million systemwide from utilizing recyclable medical devices.

HealthLeaders: How should we think about social priorities in healthcare?

Sam Ross: Health systems think we have this list of what we should prioritize, what should matter, then we actually get into true community engagement—and if we’re truly committed to that practice, then we’re asking what matters to you, the community. That’s where we start to have to decide what we’re going to invest in, and how we’re going to address the social determinants and social influencers of health outcomes.

The reason we at Bon Secours got into housing 20-plus years ago was because the community said the No. 1 concern they had around health was rats and trash. Well, what was the source of rats and trash? The source was all the vacant boarded-up housing because Baltimore used to be a city of a million people but is now a city of about 625,000 people. All that blight is there because people use vacant homes as dumps, drug havens, and stuff like that. The housing intervention was that response to what the community said was the highest priority.

Lynn Wiatrowski: The prosperity of our organizations is inextricably linked to the communities that we serve and the challenges that they face. This is true for healthcare and banking. The health of the people in our communities has a direct correlation to our ability to thrive, and there are multiple factors to consider. We are in 300 different cities around the country, each with unique needs. We organize those cities into 92 discrete markets and have market presidents lead activities to think about the top priorities for each community. You’ve got to do the needs assessment and figure out what the local priorities are.

HealthLeaders: How should we think about governance priorities in healthcare?

Donald Lurye: As a leader, what you have to help your organization understand is that this can’t just be something that looks good on a PowerPoint deck for the next board meeting. It’s a long haul.

Wiatrowski: You have to have the board’s commitment, but it does start with the CEO. When Brian Moynihan became Bank of America’s CEO in 2008, the banking industry and economy were extremely fragile, with very real risk of financial demise. Notwithstanding these enormous headwinds, one of his first acts as CEO was to establish and become the global head of our diversity and inclusion council. It would be easy to expect a laser focus on asset sales and other strategies to raise capital to ensure financial survival, but he made it his top priority to create an environment where all employees felt welcome and accepted.

Kendra Smith: No matter if you are in the C-suite, if you’re a director, if you are in patient experience, if you are a provider, our anchor mission/CEO’s vision is in our strategic plan. It is the road map. It’s what we do. We make the business case to the board, and we couple that with the qualitative case.

Lurye: We doctors were all originally trained in a culture of autonomy and individual heroism. If you look at medical groups, even as recently as 10 years ago, what you see isn’t really a group. What you see is “practicing alone together.” So we created a hybrid local leadership structure and got everybody engaged with a mission, vision, and strategy with four clear strategic executive objectives: access, quality, growth, and a fulfilling work environment.

When I interview candidates, my job is to figure out, “Do you fit here? Are you going to be happy...
here? Am I going to be spending an hour a day dealing with you?” And when I have the answers to those questions, I’m confident somebody’s going to thrive in our environment. We’ve got a very low turnover rate. Physicians can always find something to complain about, including me. But if you ask anybody in our organization, “Would you like to work somewhere else?” they would say, “No way.”

**HealthLeaders: Why do we group E, S, and G together?**

**Lurye:** They’re the three sides of a three-sided coin. You can’t have one without the others.

**Ross:** You have to have all three of those elements in order to accomplish what we’re talking about. If you try to separate one from the other, that’s where we get in trouble because that’s when we’re back to silos.

Depending on the audience, how we talk about environment is one way, how we talk about social factors is another. But most of the language we use isn’t what the community uses or isn’t what the physicians use. I think it’s helpful that we start thinking about what we really mean when we talk about these priorities.

**Johnson:** That’s where leaders come into play and relationships and how you convey that vision. It’s critical for us and for those we lead to begin to form that vision as to why all of this is important.

**Smith:** That translation has to be able to go up and down the ladder. It has to travel from system leadership to the community and vice versa.

**HealthLeaders: How do you prioritize worthwhile projects and avoid shiny distractions?**

**Ross:** When you ask people what they want and what they need, you often get a level of feedback that makes you think, “Wow, I’m going to be retired 97 times before that can even happen.” You have to have a realistic conversation with folks. What can we do in the next six to 12 months? What is the need? What does this look like in the next couple of years, and then what’s that long-term vision?

At ProMedica we talk a lot about implementation planning. It’s one thing to create a front-end plan, but when you think about implementation—what partnership needs to be in place, what resources need to be identified—that’s really where we get some hesitancy. Everyone is ready to be at the table when we’re saying, “What do you want to happen?” It’s a little harder to get people at the table when you’re saying, “Now we’re going to talk about how we’re going to make these things happen.”

But for us, the implementation planning process is really where we talk to people about how they operationalize the priorities that have come out of these needs assessments. When we’re inviting people to that table, it’s a very clear ask to either put some time, resources, talent behind this so nobody thinks they’re just there to spew their grievances.

**Ross:** Whether you’re a health system getting into housing or food insecurities, or you’re a bank that’s getting into the social determinants as well, it influences you to behave differently. The reality is that the bank can’t do it by themselves. We can’t do it by ourselves. If there’s an academic partner, they can’t do it by themselves. But we all have a stake in the outcome of that community being healthier.

There’s no business that their market plan is to go into a place that’s failing. And we know those who are in a place that’s failing don’t end up staying there.

**HealthLeaders: When you think about partnership and collaboration, how thoroughly can you vet another entity’s ESG priorities?**

**Wiatrowski:** Bank of America seeks to work with companies that rank well on ESG metrics, and we attempt to avoid companies that do not. Before we partner with someone, we study whether they have an ESG philosophy. One of our equity analysts studied companies across the country, and those that had a strong ESG agenda, literally all of them, avoided financial trauma and difficulties. Research found a direct correlation between lower earnings volatility and companies in the top 20% in terms of ESG ratings. So distilling your list of those you’re willing to partner with to only those that implement ESG as part of their business framework is pretty important.

**Ross:** Just like the due diligence you do on all other sides of your organization, a mission due diligence is a critical piece as well. When we start looking at community investments, we have to again go a little bit deeper. If we’re investing in that company, are they really investing in the community at the level that we need to see change?

**Johnson:** When you look at partnerships, one of the most important things that you can center on is, “What defines success?” If I sat across the table from a partner, what’s success to you and what’s success to me? Are our values aligned?

Our CEO has been adamant that we partner with organizations that have the philosophy to help people live well, whose values are aligned with our values. We’re a $12 billion organization, so if we’re going to put our stake in the ground and partner, we have to make sure that our core values are related and we’re interwoven and helping us meet our mission.
HealthLeaders: What have been some of your biggest ESG success stories?

Smith: For us, one of the greatest success stories has been the creation of our social determinants of health infrastructure within ProMedica. To create this framework where we’re looking at clinical integration, data and research, and community, and to build a team of experts that can navigate that system, I think has been huge.

Having that infrastructure in place allows us to think across those three silos and start to really meld them together, and it will trickle up and down that ladder of ESG topic areas in a way that I think could be really significant for the system footprint.

While we’ve made a really great qualitative case about why these types of programs work, the quantitative data is trickling in. In the food space, we’ve seen a 15% reduction in per-member per-month (PMPM) costs.

We have a financial ROI that we show our board, staff, team, and the community we’re investing in. The other piece of this, though, is that we evaluate all of the projects by a health impact matrix. We have five categories of health. Every project is not just evaluated for the financial feasibility, but how it’s moving the health needle and in what time frame.

Ross: The project that’s probably given us the most attention these days is our reentry program. Unfortunately, the largest percentage of inmates in the Maryland correctional system comes from our primary and secondary ZIP codes. So we go into one men’s prison, one women’s prison six months before inmates are released, and we begin to reacclimate them to what they’re going to experience coming out.

We pick them up the day they’re released, and they come to the center, and we start a five-week program where we walk them through the basics. Our main goal there, in addition to reducing recidivism rate, is to give them a skill so they can be employed and have a livable wage.

Johnson: Our system executive leadership team did an independent audit and brought a contractor in to assess our diversity and inclusion on the clinician and administrative levels. The report came back and showed that we were vastly missing the mark in terms of our workforce diversity as a reflection of the communities we are privileged to serve. Vastly.

From that moment on, we’ve seen our board of directors and our CEO say, “From this point forward, this will be measurable, this will be palpable. This will be on executive and leadership performance reviews.”

Our organization made a commitment to have diverse talent around the table and to leverage people’s backgrounds and passions. I’m extremely proud of this commitment. Before a candidate is hired, we ensure we have a diverse slate of talent in the pool. We track the turnover rates of diverse candidates for clinicians, as well as team members. We then take it a step further and we track supplier diversity as well as construction diversity spend to assure alignment with women- and minority-owned businesses. This is all implemented through the lens of building healthier communities and helping people live well. Extremely powerful.

As for my operations respectively, at South Suburban Hospital, we’re in the process of construction. We have a $90 million expansion and renovation of our perioperative services that’ll create new operating rooms, new cath labs, new endoscopy suites, new waiting areas, etc. It’s a substantial investment into the South Chicagoland community. If we’re spending that type of money, the best way to make our statement is to say we’re going to
partner with people who align with our principles, our morals, and our goals. So we’re committed to recycling our construction waste and ensuring diversity is ingrained into the fabric of our project.

**Lurye:** At a clinical level, one of the advantages of participating in value-based insurance programs, and particularly the Medicare Shared Savings Programs, is you get to see how you compare to other people—and we weren’t doing such a hot job with colon cancer screening. And we’ve now made that dramatically better.

One of the things we implemented was a telephonic screening program to where people don’t have to come in and have an appointment with a gastroenterologist first. If they are fundamentally low-risk, like the young elderly who should have a colonoscopy screening, they’re basically healthy and don’t really need an office visit. And we’ve seen that number come up.

More globally, we are not only affiliated with but aligned with Edward Elmhurst Health. We participate in the medical staff development plan. We don’t just randomly say, “Oh, yeah, let’s bring this person on.” We know where our primary service area is, we know our secondary service area, and we know where we’re penetrated and where we’re not. Good medical staff planning serves the community and creates its own return on investment.

**Wiatrowski:** For us, one of the best outcomes from our long-term and sustained ESG commitment has been that we continue to find innovative ways to deploy our own capital, including intellectual capital and technology, to solve global challenges and address societal priorities. Our support of clients and communities at times of natural disaster is a great example. In the past year, many communities across the country have experienced severe weather. The Bank has partnered with organizations like American Red Cross to be sure that relief workers and members of the impacted areas have access to financial resources, through traditional and digital solutions like Zelle payments. Likewise, based on client demand, we are developing a solution to let consumers make digital donations to support communities in need.

I’m proud that the bank takes time, thinks about real-life problems, and invests in those. And now we will commercialize that solution, so it is good business as well.

**HealthLeaders:** What do you think this conversation will look like 10, 20, or even 30 years from now? Where is ESG headed in a healthcare context?

**Ross:** It’ll probably have another name. People won’t call it ESG. We just need to make sure that we continue to develop leaders who share the same vision and values, and other things, particularly in the infrastructure perspective that support that. But the future is bright.

**Smith:** Maybe something will be added to ESG. For me, that missing piece is policy. We’re never going to be able to out-build our communities’ housing needs. We’re never going to be able to feed everyone who needs it under the current system. At a certain point, some of this is only very surface-level intervention. How do you start to make systemic improvements that allow us to change the conversation about why these things have to happen, at what pace they have to happen, and the role that we need to play?

It’s one thing to say, “I’m going to change healthcare delivery models,” but there are some very real opportunities to think about what that means for affordable housing, financial stability, other social determinants, and what our government and policy partners are doing. At what point does everything come together?

**Johnson:** I think our consumers, their expectations will change even more so when you think about the disruptors that are coming into the healthcare space now. So that traditional model of how we carry this out within the brick-and-mortar four walls of our buildings and our mindset as leaders will adapt.

**Lurye:** I’m an optimist. If you take a very long view, people have solved some unbelievably difficult problems collectively. Sometimes the platform has to be on fire to get to do it, but in healthcare, you attract smart committed people. And they’re going to figure this out. You see much more team-based care. You see much more collaboration across the spectrum of the community. Maybe it could be in a grocery store. It could be in the pharmacy. Traditional providers are trying to connect all of that.

**Wiatrowski:** I am similarly optimistic because not only are we having this conversation with for-profit and not-for-profit healthcare providers, it has also become front and center on the broader corporate agenda. The transparency around ESG activities has increased significantly.

We also need to look at who our future leaders will be. They’re millennials, 87% of whom say ESG is important. We won’t even have to have the conversation because the top- and middle-tier leaders in our companies will be setting the agenda—the groundswell comes from there, and ESG, sustainability, and corporate social responsibility become ubiquitous business terms; they are part of every company’s DNA.
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