

**Acceptance Speech for:
H.E. HANWAY
Lean Six Sigma “CEO of the Year”
Third Annual Lean Six Sigma Summit, Chicago, IL, April 26, 2007**

Thank you, Prasad, and good morning, everyone...

I'm deeply honored to have been chosen this year's Lean Six Sigma CEO of the Year. It's incredibly gratifying to be acknowledged by a group whose knowledge and expertise in the field of continuous improvement sets the standards to which every business ought to aspire.

I'd like to thank the members of the selection committee for recognizing how CIGNA has transformed its operations through Lean Six Sigma principles. I'd also like to acknowledge and thank all of the people within CIGNA who have embraced and implemented Lean Six Sigma in those operations. I wouldn't be standing here with you this morning were it not for their enthusiasm, creativity and support.

The Summit organizers asked me to provide some insight into CIGNA's philosophy around Lean Six Sigma. And to hear more about how we have put that philosophy into practice, Leslie Behnke, our Six Sigma Business Excellence leader, will be describing our quality improvement journey in considerable detail later today....

As Prasad referenced, Leslie was the first person we hired when we initially contemplated adopting Six Sigma as our quality improvement framework... and no one in our organization has a better knowledge of how we've used it and what it has helped us achieve. I hope you'll attend Leslie's session later today. I'm sure you'll find it instructive.

So, again, my sincere thanks to the committee for this honor. And, now, I'll briefly explain how we got here, and why I believe the deployment of Lean Six Sigma will help not just our company – or even our industry – but, more importantly, the health care of our population.

At CIGNA we fundamentally believe that our core mandate – our very *reason for being* – is to improve the health, well-being and security of the people we serve. We're absolutely *passionate* about this mandate, and we work hard every day to fulfill it.

Now, good health depends, first and foremost, on access to quality care. But quality of care in this country is uneven, to put it politely. It can vary widely from region to region, health plan to health plan, and even from doctor to doctor. And quality, as you know very well, is *everything*.

Recent studies show that only half of adult patients in the US are receiving the care recommended for them, whether for screening or diagnostic purposes, treatment or follow-up. And that's true across the entire continuum of health, from prevention to treatment of acute and chronic conditions, to after-care. These studies also attribute as many 66.5 million avoidable sick days – and nearly \$2 billion in excess medical costs – to the routine failure to access needed care.

At the same time, America spends more for health care than any other developed nation on earth – currently 16 percent of our gross domestic product. Roughly 80 percent of those costs are paid by the private business sector, through employer-sponsored benefits. At the current rate of medical cost inflation, aggregate health insurance costs are projected to overtake aggregate profits by next year.

Clearly, America's businesses can't continue to absorb costs of this magnitude. Yet, all of us want to offer some level of health care benefits to attract and retain the talent we need to run successful businesses and maintain a productive workforce.

At the same time, surveys show that employees are willing to pay more to keep their health care benefits – *if they receive better value for their money*.

So what America needs at this critical juncture – and what CIGNA strives to deliver – are cost-effective benefits programs that demonstrably contribute to a healthier, more secure, more productive work force. In CIGNA's view, consumerism – or as I define it, the ability to fully engage consumers in improving their own health – offers the best hope for both raising quality and sustainably reducing overall costs.

I'm sure that, by now, most of you have read and heard quite a bit about consumerism as it relates to health care. But, if I may, I'd like to take a few minutes to give you an insider's view, as context for why CIGNA implemented Lean Six Sigma.

A common component of consumer-centric health care is a defined-contribution account-based plan. By moving from defined benefits to defined contributions, companies can restore a large measure of predictability to their operating budgets.

But that's only one part of the overall savings equation. The other piece is putting employees in charge of their own health care spending. By linking actions directly to financial consequences, consumerism encourages individuals to modify unhealthy behavior, as well as to make informed choices when seeking care.

The fact is, when individuals have the motivation, the information, the access and the tools to improve their own health – when they understand the costs and control their own health care spending – they will make choices that help them lead healthier lives. As a result, their quality of health will improve, even as total costs go down.

So, you ask... Where does Six Sigma fit in? The answer, in a word, is *everywhere*.

Lean and Six Sigma are naturally synergistic with a consumer-centric approach. Lean establishes the value of an activity from a customer viewpoint – which, in a consumer-centric system, is the viewpoint that matters most. So Lean ensures that we focus on activities that add value for the customer and eliminate those that add no value. Six Sigma focuses on doing the right things right the very first time, so that value flows smoothly to the customer, with no interruption.

In a field where people's lives are literally in our hands, we should be striving for zero defects as a moral principle. But doing things right the first time and adhering to proven clinical standards – health care's equivalent of "best practices" – also has a business benefit. It eliminates the need to take corrective action, with all the associated redundancies, wasted time and do-overs. You get better outcomes in less time, which reduces costs. So, again, quality goes up... costs go down.

CIGNA recognized and moved to capitalize on the trend toward consumer-driven health care as early in 2002. But transforming our organization from a leader in managed care to a leading proponent and provider of consumer-directed health care meant we had to resolve some critical service and technology issues within our organization, in order to deliver the product innovation, service levels and *quality* a consumer-driven market demands.

We needed a consistent and transportable methodology that could extend across the geographic and technical lines of our company, as well as across the range of clients we serve. For the reasons I described a moment ago, Lean Six Sigma was a natural choice.

As you have heard, in the fall of 2002, we decided to initiate a grass-roots-driven quality program based on Six Sigma principles. To make sure we got off on the right foot, we hired an experienced Six Sigma leader, Leslie Behnke, from Motorola – who, as I mentioned earlier, will be speaking later on. We also contracted the training company of Smarter Solutions to build expertise within the company and begin integrating and aligning Six Sigma with our strategy and customer needs.

Knowing that success breeds success, we wanted our initial projects to provide proof positive of Six Sigma's effectiveness. We decided to focus on initiatives affecting key industry metrics, such as membership, medical and operational costs, and customer service.

Six Sigma has now spread throughout every business and virtually every function within the corporation, bringing improvements in such things as claims processing, call handling and clinical outcomes. We're now introducing the concepts and tools of Design for Six Sigma into our new product development process. And our Business Excellence team collaborated with our new Enterprise Risk Management unit to leverage the synergies between risk management and Six Sigma.

To date, as Prasad mentioned, we've completed more than 160 projects and have more than 150 more in progress. In terms of financial impact, we're already realizing more than \$180 million in annual benefits from completed Six Sigma projects, with potential benefits of an additional \$100 million a year in the pipeline.

Equally impressive, our people are now focused on fixing processes, rather than affixing blame. We've created an environment in which people can work effectively and successfully to meet customer needs. And we're well on our way to becoming the industry's premier provider of consumer-driven health benefits.

But, as I said earlier, the true promise of consumer-centric health care lies in its ability to improve quality and, therefore, health. And Six Sigma's focus on continuous improvement has also done well by CIGNA on that score.

For one thing, we've self-tested and validated our approach. A comprehensive analysis of 40,000 first-time enrollees in the CIGNA Choice Fund – our consumer-directed health plan – found that medical and pharmacy costs for Choice Fund members were significantly lower than for those enrolled in traditional health plans. At the same time, their quality of care improved. They used preventive care services more frequently... opted for providers who maintain a high standard of quality... and increased their use of medications required to treat chronic conditions.

In addition, our data shows Choice Fund members are more actively engaged in addressing their own health needs and concerns in a meaningful way.

In other words, we have empirical data to prove that consumerism *works*.

Moreover, we continue to earn recognition from major quality measurement and advocacy organizations – in and out of the industry – for clinical quality, the effectiveness of the care we deliver, the strength of our product and service offerings and the overall quality of the service experience for customers, consumers and providers.

The point should be obvious: These accolades are attributable in large part to our focused and aggressive implementation of Lean and Six Sigma principles and methodologies.

Just as we've used Lean Six Sigma principles to foster individual health and well being, these days we're also applying them in building what we describe as “communities of health.”

We believe we have a responsibility to collaborate with our customers in looking at factors that contribute to, or detract from, a healthy community. There are many to consider – the medical, cultural, environmental, social and educational factors, along with those that are job-related. Lean Six Sigma gives us the tools to incorporate our understanding of how those influences impact health and the cost of healthcare... and incorporate that additional knowledge into our products and services, to deliver even more effective solutions for the future.

Ultimately, with better health comes greater productivity and a better quality of life – and costs go down... for your people, your companies and, in turn, for the health care delivery system in your community. By supporting a more productive work force, we contribute to a more competitive business community... which, in turn, can contribute more to the communities in which they do business, as well as to a healthier, more robust economy. And by strengthening the economy, we build a stronger nation.

So, bottom line, Lean Six Sigma improves quality by identifying processes that add value for customers and removing defects from those processes. And as I've said before, if ever there were an industry where we want zero defects, it's health care.

Similarly, the consumer-centric approach – implemented correctly – can remove costs from the system and improve health quality. As I've noted, there's a natural synergy between the two.

Through Lean Six Sigma, CIGNA has come a long way in just a few short years. We're well on our way to improving the health, well-being and security of the people we serve – and toward building healthier communities, one person at a time.

Once again, thank you for honoring CIGNA with this award...