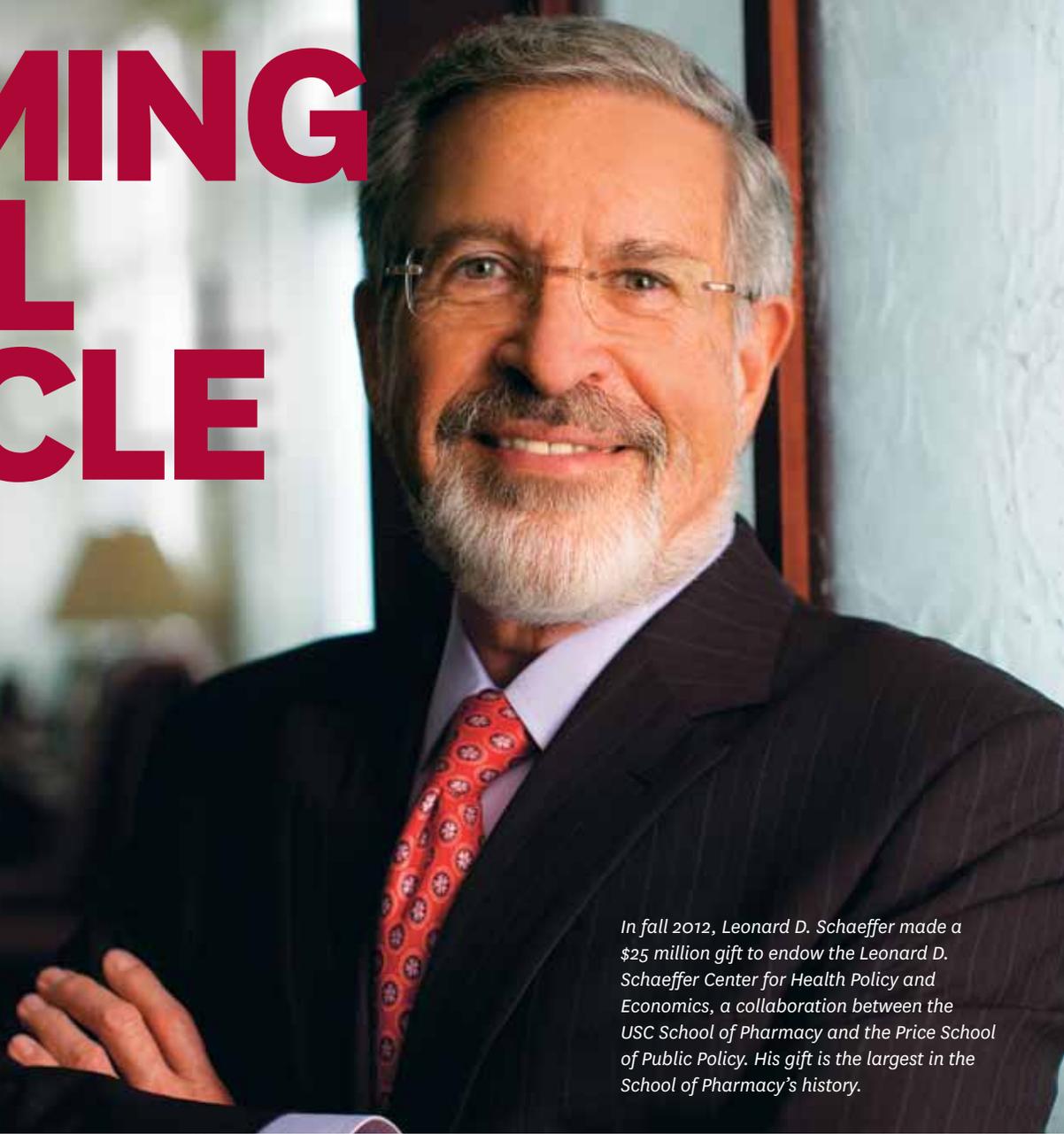


COMING FULL CIRCLE



In fall 2012, Leonard D. Schaeffer made a \$25 million gift to endow the Leonard D. Schaeffer Center for Health Policy and Economics, a collaboration between the USC School of Pharmacy and the Price School of Public Policy. His gift is the largest in the School of Pharmacy's history.

Born in Chicago on July 28.



Receives apprentice pharmacist license.



Earns degree in economics from Princeton. Joins Arthur Andersen.

Promoted to director of the Illinois Bureau of the Budget.

1945

1963

1967

1968

1969

1973

1975

Serves as an apprentice to his pharmacist father.



Interns with Sen. Paul Douglas. Marries Pamela L. Sidford.

Named deputy director of the Illinois Department of Mental Health/Developmental Disabilities.



After apprenticing with his pharmacist father and contemplating a career in politics, Leonard D. Schaeffer distinguished himself in the public and private sectors. He oversaw creation of the Health Care Financing Administration, bringing Medicare and Medicaid under one roof. He grew one of the nation's largest health insurers from \$11 million to \$49 billion. Today, the USC center that bears his name also shares his passion for challenging assumptions, advancing policy and reshaping the future of health care.

When Leonard D. Schaeffer was still in high school, he received a Registered Apprentice Pharmacist's license from the state of Illinois, allowing him to work behind the counter of his father's medical pharmacy on Chicago's Gold Coast, near the medical center at Northwestern University.

"He ran an old-fashioned prescription pharmacy, making salves and filling capsules," recalls Schaeffer. "The doctors at Northwestern really liked it, because he could make up whatever they needed."

The elder Schaeffer—whose father was a doctor—maintained an easy rapport with the physicians, who frequently consulted with him and depended on his expertise to customize medications for their patients. He also counseled customers, serving as an authority on both the pharmaceuticals prescribed to them and on questions relating to their health status. Many called him "Doc," remembers his son, who was often enlisted to make home deliveries.

"Both my parents were involved in helping people—my dad as a pharmacist and my mom as a social worker,"

says Schaeffer. "They did it on a one-to-one basis. I got it into my head that if you were in a position to influence public policy, you could have a positive impact on lots of people. I wanted to have a broader impact."

He enrolled at Princeton University, initially as a politics major—interning on Capitol Hill with Paul Douglas, the senior senator from Illinois and an influential mentor to Schaeffer—before switching to economics. "I realized that economics was probably a better basis for understanding public policy," he explains. "It was a circuitous route." After graduating in 1969, he returned to Chicago for a job with Arthur Andersen and worked on several political campaigns. "I learned a lot about politics, but decided I didn't want to be a politician. Getting elected is not the only way to influence public policy."

By age 27, he found himself doing just that, as deputy director of the Illinois Department of Mental Health. He soon was promoted to director of the Illinois Bureau of the Budget, where he earned a reputation for cost management.

Joins Citibank as a vice president.

Named executive VP/COO, Student Loan Marketing Association. Earns Distinguished Public Service Award from the U.S. Department of Health, Education and Welfare.

Recruited as president and CEO of Blue Cross of California.



Founds WellPoint Health Networks. Named chair of National Health Foundation.

1976 1978 1980 1983 1986 1989 1992 1993

Named administrator of what will become the Centers for Medicare and Medicaid Services.

Becomes CEO of Group Health.



Blue Cross of California endows chair in Health Care Financing at USC.

Joins board at Allergan Inc. Named founding chair of National Institute for Health Care Management.

After a brief stint as a vice president at Citibank, Schaeffer was approached to work on health reform at the federal level in the late 1970s. This led to his appointment as administrator of the Health Care Financing Administration, later renamed the Centers for Medicare and Medicaid Services. At the top of his to-do list was integrating the two giant health care organizations, which together employed 4,600 people across three scattered locations. He realized that a physical consolidation into a new space would help disrupt old patterns, create a new culture and build in efficiency from the start. To avoid objections, Schaeffer waited until Congress was out of session to move the offices into a new site in Baltimore.

“It never occurred to me that combining the administration of these two federal programs without explicit approval might be flouting legislative intent,” he recalls. He just knew what had to be done, so he did it. When Harvard’s Kennedy School of Government did a case study on his success in both government and in business, it was Schaeffer’s chutzpah in merging Medicare and Medicaid that the students and faculty found most fascinating.

In the mid-1980s, he was recruited as president and CEO of Blue Cross

charity,” he says. “I don’t think any other corporation has done that.”

Although his work has evolved dramatically since those early days in his father’s pharmacy, he says the apprentice pharmacist’s license has proven helpful throughout his career. “As I got more and more significant jobs in health care, having that pharmacy license and experience allowed me to say to health care professionals, ‘I’ve had some experience with patients,’” recalls Schaeffer. It demonstrated some understanding of the challenges faced by providers, and opened the



door to discussing potential changes from the vantage point of mutual respect. With both public and private experience and success to his credit, Schaeffer naturally has strong views on today’s health care environment. “Health care systems are not about health care,” he says. “They are about social values.” Schaeffer compares our American perspective with that of the UK, where it is “vitaly important that everyone be treated ‘equally’ and that health care is free at the point of service. In the U.S., we’ve decided that health care belongs in the marketplace.” He adds that,

of California—predecessor of Well-Point Health Networks—and was again charged with a massive restructuring when the company was on the brink of bankruptcy. He turned it around and grew the company’s value from \$11 million to \$49 billion, changing its orientation from indemnity-based health insurance to managed care services.

Also during this period came Schaeffer’s proudest achievement—creating a process for converting nonprofits into for-profit stockholder-owned entities and then giving stock to newly created foundations. “We ended up giving about \$6.2 billion to

door to discussing potential changes from the vantage point of mutual respect. With both public and private experience and success to his credit, Schaeffer naturally has strong views on today’s health care environment.

“Health care systems are not about health care,” he says. “They are about social values.” Schaeffer compares our American perspective with that of the UK, where it is “vitaly important that everyone be treated ‘equally’ and that health care is free at the point of service. In the U.S., we’ve decided that health care belongs in the marketplace.” He adds that,

Elected to the Institute of Medicine.



Named by Worth as one of the “50 Best CEOs in America.”

Forbes ranks WellPoint the “Best Large Health Insurance Company.”



WellPoint named Fortune’s most admired health care company for fifth straight year.

1997 1998 1999 2000 2001 2002 2003

Named chair of the Health Insurance Association of America.

Named founding chair of the Coalition for Affordable and Quality Healthcare. Selected by BusinessWeek as a “Top 25 Manager.”

Joins the Harvard Medical School Board of Fellows.



“The problem with the cost of health care is every cost is somebody’s income and somebody else’s treatment.”

while Medicare was controversial when it was first established, it is now ingrained in our system, and that the American value structure also supports caring for the poor and disabled. “Everybody else in between ... it’s up to them. It goes to the heart of American democracy because we’re all about individual rights.”

He adds that “the problem with the cost of health care is every cost is somebody’s income and somebody else’s treatment.”

So how would he improve the system? He suggests that we:

- >> Shift the focus of prevention and wellness away from the health care delivery system. “Forty percent of ill health is a function of lifestyle. We need to start earlier, in schools, pharmacies and homes.”
- >> Pay for results, not for units of service. “We need to provide patients with evidence-based care and reimburse for good outcomes.”
- >> Change how we pay for care—paying for population health, not for individual services.
- >> Empower patients to control how they die. “The last year of life is the most

expensive in health care spending, typically resulting in poorer outcomes and poor quality of life.”

By endowing the Leonard D. Schaeffer Center for Health Policy and Economics at USC—a collaboration between the School of Pharmacy and the Price School of Public Policy—he sees an opportunity to influence health and economic policy through meaningful, independent research. “You’d be stunned at how little evidence there is in health care policy decisions,” he notes.

Schaeffer adds that, “If you look at the health care system, it’s the only part of our economy where the most highly trained and most expensive technical person [the physician] is at the base of the pyramid.”

He sees this as an opportunity for pharmacists, nurses and physician assistants to both triage and treat, with physicians focusing on those who need a physician’s expertise. In many ways, this approach to health care comes full circle, harkening back to the days when Schaeffer’s pharmacist father was trusted by both patients and physicians for his medication expertise and his counsel on health issues.

“Every other part of our economy is organized in this way,” he says. “It’s today’s health care that’s backwards.”

Regarding the Affordable Care Act, Schaeffer cautions that the decade-long implementation period for the complicated legislation will likely be mired in small section repeals and waivers, as well as difficulty with the large components that are left to the states. “The federal government, I believe mistakenly, delegated to the states the definition of what is an essential health benefit,” he explains. “So you’re going to have 50 different versions of that.”

While he acknowledges that the bill is associated with many pilot projects to identify ways to improve the quality of and access to care while reducing spending, he says these results may not come fast enough.

“It’s a great time for impacting public policy, a great time for the Schaeffer Center and a great time for the pharmacy world. It’s going to be a chaotic decade, but quite a ride.”

Read about Schaeffer’s \$25 million gift to the USC Schaeffer Center on page 8.

Earns the CEO Information Technology Achievement Award from Modern Healthcare. Joins board at Amgen.

Appointed the Judge Robert Maclay Widney Chair and Professor at USC.



Endows a chair at the Institute of Medicine.

Receives the USC School of Pharmacy Honorary Alumnus Award. Endows the Schaeffer Center with a \$25 million gift.

2004 — 2007 — 2008 — 2009 — 2010 — 2011 — 2012

Endows the director’s chair at the Brookings Institution.

Establishes the USC Schaeffer Center for Health Policy and Economics, a collaboration of the School of Pharmacy and the Price School of Public Policy.



Elected to the RAND board. Named a Gilbert Fellow at Princeton.