Whole Foods Market's Consumer-Driven Health Plan

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John Mackey: First, I'd like to thank Tracie Sharp [President, State Policy Network] for inviting me to speak today, and thank Ed [Edward Crane, founder and president, Cato Institute] for the introduction.

I'm going to talk mostly about our healthcare plan today, but I'm going to spend about five minutes talking a little bit about Whole Foods. We opened our first store, the first Whole Foods Market, in 1980. We're at 163 stores now, in the last 12 months we made $3.7 billion, and we'll finish the calendar year right around $4 billion. Currently, we are number 508 on the Fortune 1000 list, and we've been moving up about 30 spaces a year. We think that in early 2005 we'll crack the Fortune 500, which will be a milestone for us. We're proud of being named one of the 100 best companies to work for during seven consecutive years. We're on the NASDAQ-100 Index as well as the S&P MidCap 400. Here you can see our growth has been phenomenal. When we went public back in 1992 we only had 10 stores and $92.5 million in sales. You can see now we're at 163 [stores] and $3.7 billion. So we've grown our sales at a 36% compound annual growth rate (CAGR) for 13 years. Earnings per share have risen at 23% CAGR, and our stock price at 28% CAGR.

A little interesting chart here, you can see over the last five years our stock has gone up 550%, while the S&P 500 has had negative returns. If you'd invested $10,000 in our IPO, that would be worth $200,000 today. If you'd backed me back in 1980 you'd be very wealthy indeed. We have spread out all over the United States. We've recently entered Canada with a store in Toronto and more recently in Vancouver. We've acquired a small chain in the UK; we are attempting to expand in Europe. We hope to announce a couple of large format stores in London in the next couple of months and, from there, we hope to branch out into the rest of Europe. So, we're very, very ambitious. And people ask me why the heck do you want to go to Europe when you still have so much growth opportunity in the United States? And it always sort of befuddles them when I say, "We think it'll be fun."

Just to name some of our competitive advantages, very quickly. First, we have a very unique business model. It is disturbing, I think, to some of the libertarians when I talk about a stakeholder philosophy, because they begin to confuse it with German stakeholder philosophy. What we mean by stakeholder philosophy is that the business is managed for multiple constituencies. I always say that the best way to maximize long-term shareholder value is not to aim for it directly. It's sort of like if you want to maximize happiness in your own life, you don't aim directly for it. It comes as a byproduct from having a life full of purpose and love and friendship. Well similarly, the best way to maximize long-term shareholder value is not to aim directly for it, but to put the customer first. Build your business around the customer, because the customer makes the decision voluntarily to do business with you or not. And if you make the customer at the center, then the business will prosper.

In a service business like Whole Foods, if you want to put the customer first, you also have to elevate the employee, or the team member, very high as well. So, at Whole Foods, we rank our stakeholders as: customer first, team member second, stockholder third. That philosophy works.

But it sometimes upsets people when I tell them that profit is not our most important value. It's a very important value, but it's not the essence of our business. Nevertheless, we make extremely high profits. We're also committed to continually improving all the time. It's kind of Japanese management style: The store should get better every single day. There should be continuous improvement.

Also, as a food retailer we have a very unique brand. If you think about it, very, very few food retailers have any kind of brand at all. Most people could not tell you what Safeway or Kroger or Albertsons actually means. But Whole Foods Market has a position in the market's mind. It stands for something. It has a mission statement. It has quality standards. It is authentic, and this sets us apart and gives us competitive advantage.

It's also reached kind of a tipping point in terms of the consciousness of America. I'm starting to see Whole Foods Markets show up in sitcoms, cracks getting made in some of these television shows where you see our products beginning to show up in movies. I would say we're like following in Starbucks' shadow, because they tipped into the mainstream consciousness about seven, eight, nine years ago and Whole Foods is tipping right now.

And then there is our perishable execution. We don't just appeal to the organic granola heads -- the counter-culture people. We did when we started out, but as we've gotten larger stores, we've been able to attract a much more mainstream customer--much more conservative, soccer mom. And that is primarily because of our perishables execution. We're opening larger stores with better produce, better seafood, better prepared foods, better meat departments than the conventional supermarkets can develop. We also control our supply chain in perishables from the farm into the consumer's basket.

Also, our corporate culture is very unique. Ed made mention that we have an empowerment philosophy, and we really do. We're divided into self-managing teams. The teams do their own hiring, their own product selection, they vote people in and on their team, they have profit responsibilities. As a result, they have much more of a sense of ownership in the stores because it's not a typical command and control type of environment. Ed made mention about us being non-union. I'm sort of a poster child for the unions, as kind of, you know, the bad guy. We are the second-largest [national] food retailer, behind Wal-Mart, that's non-union, and we're sort of proud of that. Also, 87% of our team members are fulltime, that's very different than traditional supermarkets, which just try to get part-time workers and have about 20% fulltime and 80% part-time.

Okay, that's enough for my commercial for Whole Foods. Let's talk about our health insurance plan. Prior to 2003 Whole Foods had pretty much a typical health insurance plan. We had a cafeteria plan–we gave our team members a choice of three different plans. One was a catastrophic plan, one was a comprehensive plan, and one was an HMO plan. The catastrophic plan was hugely successful. And we kept cutting the premiums every year on that plan. But the other two plans got into financial trouble every year, until, in 2002, they were fundamentally bankrupt. We had to channel $7 million out of profits into those plans to make them solvent for the year.

What we had was what's called "adverse selection" in the insurance lingo. Basically, the young and the healthy were picking the catastrophic plan and the sick and older workers were picking the comprehensive plans. So, one of the things I'll get back to today is that if you want to set up a consumer-driven health plan, I strongly urge you not to put it as one option in a cafeteria plan, but to make it the only option. It's very essential that for a true insurance plan to work you have to create a full universe of young, old, healthy, and sick in order to make it work.

But as is typical of most of these plans, there are absolutely no incentives whatsoever to economize. It's just a fundamental truth of human nature–when it is somebody else's dollar, you tend to spend it. When it's your own dollar, you tend to economize with it. And as long as somebody else is paying for it, you're going to see costs continue to go up, and that's exactly what Whole Foods was seeing. Well, with a $7 million shortfall we were at a crisis where we were going to have to raise premiums in those comprehensive plans 30% to 35%. That was going to create major sticker shock for our team member base. And you know what's going to happen, is that more team members were therefore going to drop the comprehensive plan and channel into the catastrophic plan. So, you continue to have adverse selection occurring, you had to raise those rates, but then the next year it'd be even worse because you'd have fewer healthy people in the plans.

So we had to do something. I had been heavily influenced many years ago when John Goodman came out with his book *Patient Power*, which Cato had promoted. As soon as I read that I said, "This is it, this is the solution, this will solve the entire health care problem in America. How come we can't do this?" Well there are all kinds of laws that won't let you do it. You couldn't set up these medical savings accounts without having tax consequences to your workers, because they'd be either taxed for it and you couldn't roll it over to the next year, so you could never build up an account. I think it's fascinating that if you ask the average American if they're socialist, they'd say, "No, no, no. Socialism, that doesn't work." What the 1990s proved is that Hayek, Friedman, and von Mises were absolutely right, socialism doesn't work. And yet, we still think it will work in health care and education. I mean, why do we think that? It's a real head scratcher for me. I just don't get that. And arguably, those are the two most important areas in our society today and we've got this huge movement. The educational system is largely socialistic, basically a public school monopoly without competition and that's another topic.

Our health care is this hodgepodge of limited free market, all types of government intervention, all types of government regulations, and it is increasingly failing. It needs to go one direction or the other. It needs to go back to free market principles or we're going to continue to gradually move to a single-payer system. Well, we know it will result in a single-payer system. We're going to cue everybody up, because you will ration health care. One way or another, it will be rationed. Either the individual will make those choices for themselves and it will be rationed that way or we'll have government bureaucrats do it for us and we'll cue up. Markets are a better way to organize almost all things. Why is it we think that markets are the best way to provide our groceries, and our housing, and our cars, and every other aspect of our lives except health care? It is beyond me, but it does seem to be the way it has evolved in the last 50 years.

It's my belief that consumer-driven health plans (CDHPs) are the only sustainable solution to the health care crisis in America. I don't think anything else is going to work. So, this all became possible when the IRS (I mean, who'd ever thought that the IRS would come through and do something good for our society)… when the IRS made a ruling in July of 2002 that basically said you could create what they called an HRA (health reimbursement account), and the money that would accumulate there would be tax free and you could roll it over to the next year. As soon as I heard that, particularly since our plan was in crisis, I began to shift Whole Foods Market toward this direction and we really hurried it up because the ruling was in July and we needed to get our new plan in effect by January 1st. So, we basically just really went into fast gear.

We were one of the very first companies probably to start a health reimbursement account under the new IRS ruling. The way it works at Whole Foods is we got rid of our cafeteria plan and we put everybody into one plan. The company pays 100% of the premiums for all full-time team members. They're automatically enrolled and since that's 87% of our team member base, that's just about everybody. We also pay an increasing portion of the family premiums based on how long they have worked for the company, and we set up a high deductible. It's not as high as it needs to be, but it was as high as we thought was politically possible within our team member base as a starting point, because they didn't have any money in their PWAs [personal wellness accounts] or their health reimbursement accounts. So, we set it up with $1,000 deductible in medical costs and a $500 deductible for prescription drugs.

We also set a $3,500 maximum out-of-pocket expense, which includes the $1,500 in deductibles, plus another $2,000 that would go toward co-pays once the deductible was exceeded. We set the exact same plan up for our families as we did for individuals. As soon as you got to $3,500, the company would pick up 100% beyond that. And we funded these personal wellness accounts, which we call PWAs. Again, the IRS made that possible with their ruling, although they are technically called health reimbursement accounts (HRAs). The new health savings accounts, which passed in the new Bush Medicare monstrosity along with prescription drugs for seniors, well, the silver lining in that was the HSAs. But those weren't available when we started our plan.

We give every one of our team members a MasterCard debit card and they can access their funds for the appropriate health and wellness expenses vis à vis that debit card. Their total service hours for the company determine how much money we deposit in their account. Here you can see it according to service hours, and 2,000 service hours represent about one year of employment if you work 40 hours a week. You can see that after two years you're basically going to get $1,500 which will cover your entire deductible, and at 10,000 hours it goes up to $1,800.

We ran this [plan] through and it caused some unrest in our team member base, because we hurried this through to get it in effect for our January enrollment. And since it was so radically different, there was a lot of unrest initially with our team member base. I went on this huge tour around the company where I visited almost all our stores and did Q&A with team members, and it was exhausting, but I learned quite a bit about our business. I also found it was upsetting to the team members. That was when we made the decision to give the same deductible for families and couples as we did for the individual, which made a huge psychological difference for the team member base. We also decided to have a vote, because when I was going around, everybody was asking me for things. I co-founded the company, so I'm like this father figure at Whole Foods. I'm this rich father figure and everybody's pulling at me saying "Daddy, daddy can we have this, can we have that, can we have this, can we have that?" And I'm either like the kind, generous daddy or the mean, scrooge daddy who says "No."

I realized that I'm not smart enough to figure out the right benefits to give to team members. Let's let them vote. So we had, which is probably unprecedented in corporate America, a company-wide vote on our benefits in summer 2003. We let our team members suggest benefits they'd like to see, and, my God, you wouldn't believe what they came up with. One suggestion was pet bereavement assistance. That actually got into the preliminary vote. They suggested hundreds of different benefits, and we had a preliminary vote that brought that number down to about 30. And we fixed the number of dollars--we took the same amount of dollars we paid the previous year, put a growth factor on that, and we said, "This is how much we're going to pay." Then we costed out each benefit and we let the team members select the benefits by basically ranking them. The benefits that got the most votes were the ones that we selected for the next three years until we ran out of money.

Interestingly enough, when the new health insurance plan was put to the vote, it got an 83% favorable vote. The two previous plans, which were the alternative plans, only got 17% [of votes]. So this has been very popular with the team members, particularly when we let them vote. By the way, I highly recommend the vote because now every time somebody asks me, "Daddy..," whether they can have a benefit, I say, "Hey, we're going to have another vote in 2006, we'll vote for it at that time and we'll go with whatever votes the team members come up with." So it kind of takes me off the hook, which I like.

Okay, well our consumer-driven health plan had an incredible first year as our medical costs per team member fell 42.8% from $2,795 to $1,599 [per team member]. Including the PWA dollars that we paid out, we had a 25.53% total decrease. And $14.2 million dollars in the PWAs rolled over to the next year, which is very important because over time those reimbursements accounts, or savings accounts, are going to build up and these younger workers are going to have complete health security for their lifetimes.

They're going to have their premiums for their catastrophic plan covered, and yet they're also going to have enough money not only to pay any deductibles, and any co-pays, but they can use that money for other wellness benefits that we don't necessarily cover such as acupuncture, or laser surgery for their eyes, or whatever, dental. So it was very good that we saw that much money rollover.

However, 2003 was a total aberration because people didn't understand how it worked, so they didn't utilize it to a very high degree which the next slide's going to show. Because, so far, for the year we project a 43.5% increase in our expenses this year to $2,988 primarily due to basically a catch-up occurring in 2004, greater confidence in the plan, they know how it works, resulting in greater utilization. Also, the plan's been so successful that our turnover rate has plummeted at Whole Foods. I mean, we have one of the best medical health things around for any corporation out there. As a result, our turnover rate has plummeted to around 20%, which I'll tell you, for a retailer is extremely low. That results in there being fewer forfeitures back to the company as well. And more people have converted all their dependants over to the plan the second year. Let's say that they had a spouse working somewhere else, they might have had those dependants on another plan, but our plan's better so we found dependants migrating in mass to our plan the second year. Bottom line is we won't know the real bottom line until we get into 2005. That's going to really be the test for this plan, whether it's going to be a cost reducer. However, on a compound annual growth rate, it's been at 3.3% over the last two years when you add up the big decline and the big increase. That compares to 12% compound annual growth rate for the cross-industry increase in the last two years. Also, our average PWA balance is 45% higher than the previous year, resulting in greater health financial security for our team members.

This chart shows you we're in the red $2,988. Retail/wholesale spends about twice as much money--$5,804, and then all employers who participated in the study [spend] $7,207. So even with our PWA, even with our catastrophic plan and even with the increase, we are so much lower than just about anybody else out there. And with all the money rolling over into these PWAs, the plan is just far superior to what alternatives are available out there.

This is a very interesting pie chart, because you can see from here that 45% of 24,390 participants in our plan aren't using their PWA at all. Well, why not? Because they're not sick, they're healthy. Most people are healthy. And if you do the math it's mostly high utilizations that bankrupt these plans. I mean, it is a few people who get AIDS or cancer--they are the high users. Most people are very healthy. And you can see that the next category of $0.01 to $500 is 29%. So, 74% of our team member base spends less than $500 of their PWA. I think that's a phenomenally interesting statistic.

This graph's going to be so interesting over the next few years, because you can see the average balances went up tremendously in the second year on a month-by-month basis and it's going to stair-step up every year, and so five, six, seven years from now some of our team members are going to have $8,000, $9,000, $10,000 tucked away in their accounts. It takes the fear out. You know, people are scared. The average person is scared about health care. They're worried they're going to go bankrupt. They're worried they're not going to be able to pay for it. There's this anxiety level out there, and this type of consumer-driven health plan takes away that fear or greatly lessens it. That's been our experience at Whole Foods.

Still there are major challenges to our plan. The first one is there are not enough other companies doing this. Doctors don't compete on the basis of price. They don't know the cost of their services. How many people here have ever gone to the doctor and asked them, "Hey doc, what's that going to cost?" And they say, "I don't know. Ah, don't worry about it; you've got insurance, right? We'll just bill your insurance company." I've often thought, you know, if I could only do that with my grocery business. No price is on the shelves, they get to the front end and they say, "How much is this going to cost?" "Ah don't worry. We're just going to bill your credit card." That is how medicine works in America and we wonder why our costs keep escalating at such a rapid rate.

Also, people aren't used to shopping around. They're not used to asking about price. They may be aggressive about asking how much a car costs: They go on the Internet, they know the sticker price, they know the invoice price, they know everything. They go in there armed and they prepare to negotiate. Who goes into the doctor's office that way? "I know exactly how much this bypass operation ought to cost, doc. I've got 15 different quotes, by gosh you'd better not be higher, and you'd better be in the median here." Nobody does that.

Fourth problem, medical litigation results in many expensive and unnecessary tests. Why not? I mean the patient's not paying for it; the insurance company's paying for it. Doctor doesn't want to get sued, so they just have them take more tests. That way, if you ever do get sued you've done everything medically possible on behalf of your patient even though a lot of those tests are probably a waste of money.

And finally, we cannot underestimate the fact the many people--I don't want to say most people--but many people do not want to take responsibility for their own lives and their own health and their own well-being. They want to be taken care of. That's always been the appeal of the single-payer system. That's always been the appeal of socialism: "Don't worry. We'll take care of you." And, of course, this type of plan--a consumer-driven health plan, says, "You know, you've got to take care of yourselves. We're going to help you, but it's not our responsibility to take care of you, it's your responsibility to take care of yourself." That is an empowered model and, unfortunately, a lot of people don't agree with it.

What about expectations for year three and beyond? Again, I think the large increase in 2004 is primarily a catch-up from 2003 plummeting decline, it should be a one-year effect, but I could be wrong, it's all a big experiment. We'll find out in 2005 whether we can maintain our low growth rate. I think that there'll be a slowdown in cost as we get more consumer-driven health plans out there, because competition will drive prices down. But there's no competition right now. Doctors aren't really competing. And if Whole Foods is the only one doing it, well that's not enough. There need to be millions of people doing it. Then you're going to start to have a real impact.

At Whole Foods, we're also implementing programs to help manage our costs. We want to provide wellness information so our team members can know diet, exercise, what type of test they should possibly take to manage their own personal wellness, as well as a disease-management program. If someone does get sick, it'd be good if there were information on the Web, for example, that could give advice regarding how that should best be managed. So, we have an educational challenge ahead for ourselves as well.

Our plan is to evolve. It was a starting plan for us and I now think the deductible was set lower than it needs to be. I don't think $1,500 is quite enough, but the PWA balance was basically nothing when we started out and began adding money to it. We didn't want to give sticker shock to the team member base. But as those PWAs begin to accumulate more money, and we do see that, we're going to slowly ratchet up the deductible at the same time. We'll also gradually increase the maximum out-of-pocket expense. And there's a good reason for that: It's only fair that the highest users of health care should pay more. I sometimes find that interesting when I'm talking to team members, the ones that are really sick, they really resent that they have to pay anything. And I just dialogue with them. I say, "Look, you know, here's the way it works out. You just spent $3,500 on your health care this last year," say they're very sick, they're AIDS patients. "You spent $3,500 and we spent $50,000. Now isn't that fair? Didn't we do our part? Don't you feel like $3,500 is reasonable for you to pay as well for your own health?" You'd be surprised how many people resent having to pay anything.

I also think that over time we want to evolve our system to a health spending account system, for two reasons. One reason is that the bureaucracy with the health reimbursement account is enormous. We are now having 95% of the debits occurring on our debit cards being audited. So, that's not really the spirit of auditing. That basically means every expense needs to be tracked and there's a tremendous amount of paperwork for our team members. That's burdensome. Secondly and most importantly, the HRA has a major flaw to it. That is, the money is not portable. As soon as they leave Whole Foods Market they forfeit it. That creates a disincentive to really economize. You want to have that money portable so that when they leave their jobs they can take it with them. Right now, they leave and it forfeits back to the company, which is actually a benefit to Whole Foods of several million dollars a year.

So, when we have team members vote in 2006 we're going to have to cost out the two plans accurately so that team members can see that there's a tradeoff to be made for the ability to have the portable balance. I don't want to predict how that vote will go. It'll be interesting. I'm a great believer in that vote. It's very empowering for people. But I hope that we will evolve to a health spending account alternative. And we need to continue to improve our team member education regarding medical costs and wellness programs.

What about the future of consumer-driven health plans? This is by Forrester Research. I don't know if these guys are right or not. They made a lot of predictions about the Internet that proved to be wrong. But this is what they're predicting. By 2010 24% of the health insurance market will be consumer-driven health plans. $50 million was spent in premiums in 2003. That should be $16 billion by 2005, going up to $413 billion by 2010. So, you see that at least Forrester believes there's going to be a mass migration in corporate America over to these types of plans. I will say that based on what I know, most companies are making a huge mistake and they're offering their consumer-driven health plan as one choice amongst two or three traditional health plans. I cannot advise you too strongly not to do this. You're going to get adverse selection and your other plans are going to get deeper and deeper into financial trouble.

So let me conclude. We do hope that the success of what we've done at Whole Foods is going to lead other companies to convert over to consumer-driven health plans. We also believe, however, that the tax deductibility of health insurance should be eliminated for corporations or it should be given to individuals as well. We believe that employers should get out of the health care business; we don't have any special core competency in managing health care. We don't manage people's food budgets, we don't manage their automobile purchases, and we don't manage their schooling, why the heck should corporations manage health care? I don't think they should, whereas I believe in consumer-driven health plans, I think it should be done at the individual level. We need to get rid of this tax bias that's been built into the system and get corporations out of this and get individuals taking responsibility themselves.

Finally, I not only believe consumer-driven health plans are the best solution to our health care crisis, it's probably the only sustainable solution that's not going to lead to a single-payer system, it's going to be socialism and it's going to create huge dissatisfaction over the long term, it isn't going to work very well.

Questions and Answers:

Question 1) The reason most employers like health reimbursement accounts is because they--the employers--control the money when the employee leaves. You're proposing that the major advantage of such accounts arises when employees can take the money with them when they leave. That's a unique position for an employer, and I wanted to be sure that's what you meant.

John Mackey: Well, that's a very good point and I guess there are two reasons I believe the health spending account is better. I think it is better for the individual. And remember, at Whole Foods our team members are a higher stakeholder than the stockholders. We really walk our talk here. This is a better thing for them because it's portable. So, that's why I think we ought to do it, because it's better for the team member.

But if you're really going to make the consumer-driven health plan work, the team members have to believe it's their own money. As long as they're still spending somebody else's money, as long as they don't take psychological ownership, then you aren't going to have the maximum incentives to economize. You're still going to have too much waste. It's very important that it becomes their money and nobody can take it away from them. The problem with HRAs is that it's their money until they leave the company and then it gets taken away from them. Well, [with] the health spending accounts, it's portable. It doesn't get taken away from them. It's really their money. So, let's say you know you're going to leave Whole Foods and you've got $2,000 in your health reimbursement account. Because you know you're going to lose it, you go on a spending spree, start wasting the money. Why not? You can't take it with you. So, it's important that they take it with them, or you're lessening the incentives of the consumer-driven plan.

Question 2) You said you would like to see this at an individual level rather than just at a company level: Aren't companies sometimes valuable in helping to aggregate risk? And how would you avoid adverse selection within programs for individuals?

John Mackey: That's a very good question. Well, I mean, we don't provide automobile insurance for people at Whole Foods, and it's the same principle. Insurance companies need to make a profit, but assuming people are beginning these plans when they're very young and generally very healthy… Again, most people spend most of their health care dollars toward the end of their life, when their health is failing. There are exceptions, but in general that's where most of the dollars go. The premiums on the catastrophic plan are not very high. We spend a lot more money putting the money in a PWA than we do in paying the premiums for people. Catastrophic plan premiums are fairly low. And so, the idea is that if you can combine the two plans together, catastrophic plan and the health spending account dollars, then you can have a complete comprehensive insurance that can cover people throughout their lifespan.

I'm not saying that the adverse selection couldn't happen on an individual basis. There might need to be some type of laws or regulations regarding that. Although, I know it may be a dirty word, but it could be government may have a limited function there or may not. Markets usually can work things out like that. One of the beautiful things about markets is sometimes you don't see a solution to a problem, but when you have markets, entrepreneurs and creative people figure out solutions that bureaucrats can't figure out. And so the innovations occur and experimentation goes on and problems get solved that you couldn't anticipate getting solved. So, I guess I just have to say I have more faith in markets than I do in bureaucrats. And I think insurance should be left to the market and individuals are capable of, in a free market situation, making wise choices for themselves in health care, just like they make wise choices in the rest of their lives. I was interviewed by the *Wall Street Journal*. That being said, let me make it clear that I'm not a crusader for this, I'm a crusader for Whole Foods Market, that's my crusade, that's my job, that's what I get paid for and I'm happy to share some of the things that we've done that I think make this society a better place. But hey, it's your jobs to do that, not mine.

Question 3) Can you compare your employees' coverage choices and their actual utilization? That would tell you how accurately people predicted their coverage needs. Perhaps one reason utilization hasn't been at the level you anticipated is because people picked the wrong coverage levels.

John Mackey: No, they're just not sick. I know, because I went around and I asked people when I did these Q&As. I'd say, "How many people here didn't spend anything on health care last year?" And almost everybody raises his or her hands. I mean, most people, maybe they get a cold or they fall down sometime or another. But most people don't have a serious health problem in any one year. Remember, Whole Foods does employ a younger person than an average corporation. Our average [employee's] age at Whole Foods is 33. And hey, they're eating Whole Foods Market's food. Probably if all these corporations shopped at Whole Foods they could halve their health care costs. It might, however, double their grocery bills.

Question 4) You have been a wonderful leader in showing other companies what's possible using consumer-directed health care. But other companies don't have the same vision and the same understanding of fundamental economics. Is there something else that we, as a policy community, can do to help CEOs see the wisdom of what you're doing? What would it take to get their attention?

John Mackey: Look, CEOs are running their business. Health care is not a core competency. It's not part of their mission. It's just something that's kind of a bothersome thing. It's a cost and it's a problem. They mostly delegate it to their human resource VP and probably CEOs ought to get more involved in it. But I think the way you sell it to them is that this will lower your costs over the long term and provide better health care for your employees as well. Because, you know what? If it doesn't do that it isn't going to work, it isn't going to catch on. But CEOs respond to the bottom line, and if this improves the bottom line, they're going to adopt it. If it doesn't improve the bottom line, they're not.

The reason they want to put it over on the government is because a lot of them have these health insurance programs that are going up 10%, 12%, 14% every single year. And the costs keep going up and they don't know what to do about it. So, if you can provide them an alternative that says, "You know what, instead of going up 12%, 14% a year, you're going to go up at about the rate of inflation or less and you're also going to give a better health security for your employees." They're going to listen to that. So, there just needs to be other corporations besides Whole Foods doing this. You just need more success stories. And again, if 2005 and 2006 for us have very low health inflation, the story gets that much more attractive to other CEOs. But you know what, what they're doing now doesn't work. It doesn't work. So, most of them are open to some alternative. But hey, most of them just say, "Yes. Single-payer system: Just shove it off on the government, let me get back to making cars." At General Motors, what did they say? $1,400 of the price of every car at General Motors is health insurance? My God, that's really out of control. No wonder General Motors wants a single-payer system, because it'd be the government's problem, not theirs. So, you have to figure out a way to save them money, and when you do CEOs are going to adopt them in droves.

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