



# Health Care and the Competitive Advantage of Racial Equity

How Advancing Racial Equity Can Create Business Value

**EXECUTIVE SUMMARY**

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# FOREWORD

Despite decades of progress, people of color still suffer worse outcomes in health, education, career, and access to financial services than their White counterparts. This racial inequity is not inevitable; it is a product of structural racism, the explicit and implicit policies and practices embedded in “business as usual” that were designed to serve a majority White population and economically exclude people of color. Yet, a majority of youth today are of color, and, within 25 years, the majority of Americans will be people of color. For corporations, this means that the needs and experiences of their shareholders, employees, and consumers will shift rapidly. To compete successfully in the markets of tomorrow, business leaders must adapt their products and operations to respond to this dual challenge of historical racial exclusion and future demographics. This is not only a matter of social responsibility; it is also a competitive necessity.

Racial equity and competitive strategy have generally been two separate areas of research. For two decades, PolicyLink has been a national leader on equity, while FSG has counseled multinational corporations on the competitive advantage of positive social impact. Working together, we have combined our expertise to explore the economic consequences of racial inequity for corporations operating in the United States.

In 2017, we jointly published a report entitled **The Competitive Advantage of Racial Equity**, citing a growing number of companies that have found new sources of growth and profit by driving equitable outcomes for employees, customers, and communities of color. This new two-part report deepens that work by focusing on two specific industries with some of the most severe racial inequities: health care and financial services. Our research has identified key strategic actions and internal catalysts that can help companies in these industries prosper by addressing the distinctive needs of customers of color. Each report includes case studies of companies that are offering innovative new products and services—or

even influencing government policy—to expand their markets and better position themselves for the demographic shift already well underway.

Diversity and inclusion efforts remain important. However, diversity and inclusion practices at most companies today are peripheral to corporate strategy, product development, and operations, and this limits their ability to address many critical aspects of racial inequity. This research highlights the importance of strong diversity and inclusion practices as a *catalyst* that can enable companies to acknowledge and identify opportunities to advance racial equity through their core business. As exemplified in our case studies, an intentional approach to identifying and solving the challenges faced by communities of color that goes beyond trainings on cultural competency, multicultural campaigns, or merely being “race blind” is essential to both overcoming structural racism and improving a company’s economic performance. And, those corporate leaders who pursue this approach will often find that the innovations they develop to meet the needs of people of color actually benefit all of their customers and employees.



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# EXECUTIVE SUMMARY

People of color\* in the United States—regardless of their income—experience poorer health and more premature, preventable mortality than their White counterparts. This carries an economic as well as a moral cost, reducing national productivity and increasing the health care costs of employers and government as well as imposing a financial burden on health care providers and insurers.

The root cause of these inequitable health outcomes cannot be explained merely by a lack of access to health care or by individual behavior. These outcomes result from *structural racism*. Deeply entrenched in America's history, structural racism is the system by which public policies, institutional practices, cultural representations, and other norms work in various, often mutually reinforcing ways to perpetuate racial inequity. For example, the practice of redlining—through which people of color were intentionally restricted from purchasing homes in certain neighborhoods—continues to undermine health outcomes by concentrating poverty, environmental pollution, a dearth of fresh food, and other adverse living conditions in neighborhoods primarily populated by people of color. Additionally, structural racism has reinforced the implicit bias that is embedded in clinical practice and keeps people of color from receiving necessary health care.

Although many health care companies today prioritize diversity and inclusion efforts or claim that health equity is part of their overall mission, these efforts alone cannot achieve racial equity and overcome the lasting health consequences of structural racism. Diversity and inclusion efforts in hiring are not sufficient to counter the effects of implicit biases in clinical practice or address the adverse social determinants of health (SDOH) that disproportionately affect populations of color. Health equity efforts by health care companies are still nascent and often focus on disparities caused by poverty, education, disability, and the like without explicitly acknowledging and addressing the degree to which structural racism causes those disparities. Achieving health equity depends on racial equity.

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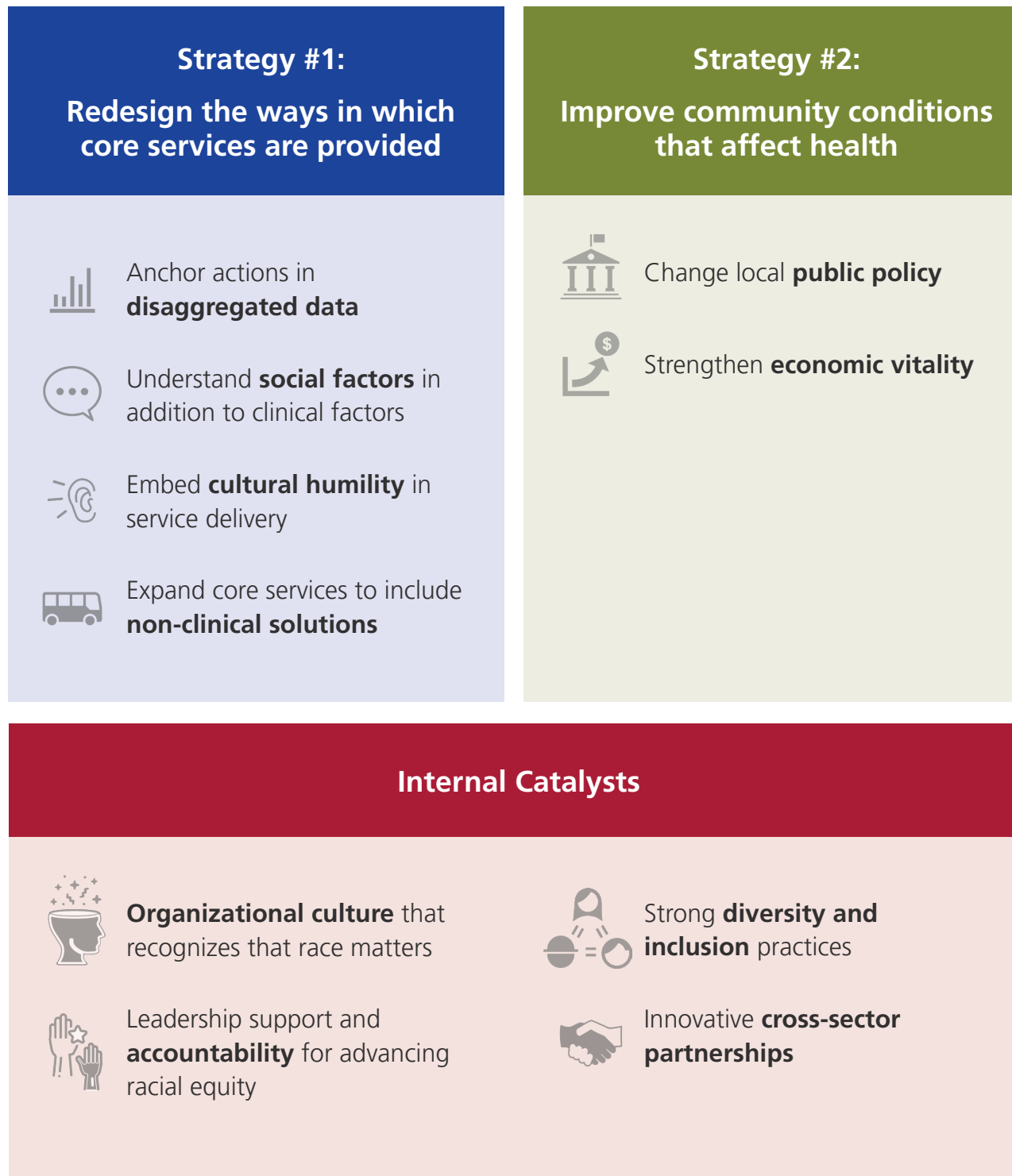
\* In this paper we use the phrase 'people of color' to refer to people of nonwhite race or ethnicity, including Latinx or Hispanic people.

In our 2017 report **The Competitive Advantage of Racial Equity**, we concluded that advancing racial equity is not only a moral imperative but also an economic opportunity to enhance every company's bottom line. This report builds on that conclusion with a focus on the health care sector. Our research suggests that health care companies must take a new approach to the challenges of achieving health equity, not only to serve their humanitarian mission but also to improve their own profitability and competitiveness. This approach includes, but goes well beyond, diversity in hiring. Health care companies must rethink the ways in which their core services are designed and delivered to populations of color to explicitly address implicit bias and proactively consider the effects of the poor environmental conditions in communities of color that exacerbate health disparities. They must also look beyond their own internal practices to improve the adverse social conditions in their communities. This will require fundamental changes in management practice and organizational culture. Health care companies that tackle these challenges successfully will not just deliver better outcomes for people of color—the evidence suggests that they will also improve health outcomes for all clients and strengthen their own economic performance.

*Achieving health equity depends on racial equity.*

Our research identified four health care companies that have taken promising steps in this direction—two integrated health systems (**ProMedica** and **Kaiser Permanente**) and two commercial insurance companies (**Cigna** and **UnitedHealth Group**). Each of them has used a variety of strategies to advance racial equity in ways that improve health outcomes for people of color and also reduce costs or extend their competitive advantage. These strategies fall into two categories and are enabled by a set of internal catalysts—specific practices, policies, and attributes of the organization (see Figure 1).

FIGURE 1. STRATEGIES AND INTERNAL CATALYSTS



Adopting these practices is about more than corporate social responsibility or good will—they are rapidly becoming a competitive necessity. The majority of the United States population will be people of color by 2044, and people of color already form the majority in many regions and age groups. The costs of racial health disparities are a growing drag on the U.S. economy. For health care providers and insurers in particular, health disparities impact the bottom line through higher costs, avoidable readmissions, and slower business growth due to lower member satisfaction rates. These disparities alone are estimated to have cost health insurers \$337 billion between 2009 and 2018.

Advancing racial equity to improve the health and well-being of all at a national level will inevitably require major public policy changes and transformation of the business practices of individual health care companies. While the scale of the challenge is significant, the resources that leaders of major health care companies can wield are also significant. If today's health care companies want to succeed in the America of tomorrow, they must better understand the root cause of health inequities among people of color. With that understanding, they can use their resources to modify their internal practices, promote more equitable public policies, and forge partnerships in their communities to create the conditions for all to thrive and reach their full potential.

## **DOWNLOAD THE FULL REPORT AT:**

<https://www.fsg.org/publications/health-care-and-racial-equity>

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## About FSG

FSG is a mission-driven consulting firm supporting leaders in creating large-scale, lasting social change. Through strategy, evaluation, and research we help many types of actors—individually and collectively—make progress against the world’s toughest problems.

Our teams work across all sectors by partnering with leading foundations, businesses, nonprofits, and governments in every region of the globe. We seek to reimagine social change by identifying ways to maximize the impact of existing resources, amplifying the work of others to help advance knowledge and practice, and inspiring change agents around the world to achieve greater impact.

As part of our nonprofit mission, FSG also directly supports learning communities, such as the Collective Impact Forum, the Shared Value Initiative, and Talent Rewire, to provide the tools and relationships that change agents need to be successful.

Learn more about FSG at [www.fsg.org](http://www.fsg.org).

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## About PolicyLink

PolicyLink is a national research and action institute advancing racial and economic equity by Lifting Up What Works<sup>®</sup>. Engaging the wisdom, voice, and experience of people in local communities, PolicyLink has found, is essential to finding solutions to the nation’s challenges.

Learn more about PolicyLink at [www.policylink.org](http://www.policylink.org).

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