

## **Transcript: Hospice, Ethics & Capitalism—A Powerful Conversation with UVA Darden School of Business | Part One**

### **Melody King: 00:00**

Everything rises and falls on leadership. The ability to lead well is fueled by living your cause and purpose. This podcast will equip you with the tools to do just that. Live and lead with cause and purpose. And now, author of the book, *The Anatomy of Leadership*, and our host, Chris Comeaux.

### **Chris Comeaux: 00:22**

Hello and welcome. I'm so excited today. We have two guests with us. We have Lauren Kaufmann, who's an assistant professor of business administration at the Darden School of Business, University of Virginia. And we've got Stephen Maiden, who's the managing director of Case Writing Research Group. Welcome, Lauren and Stephen. Well, good to have both of you.

### **Lauren Kaufmann: 00:41**

Wonderful to be here. Thanks for the invitation.

### **Stephen Maiden: 00:45**

Thanks so much. Happy to be here.

### **Chris Comeaux: 00:47**

Yeah, but I've been looking forward to us doing this show for quite a while. So let me introduce Lauren and then I'll introduce Steve. So, Lauren Kaufmann is assistant professor of business administration at the Darden School of Business, University of Virginia. She teaches core business ethics and Darden's full-time and part-time MBA programs. She also teaches the elective Managing Social Impact, which invites students to wrestle with ethical questions at the heart of the relationship between business and society. In her research, she collaborates with Impact Investing Funds, Philanthropic Foundations, and Consulting Firms to advance scholarship and how firms make and measure social impact. Prior to joining Darden's faculty, she earned her PhD at Wharton. Previously, she worked at a conservation-focused asset management firm and a nonprofit think tank, where she conducted research on impact investing. So, Lauren, again, it's so good to have you. I told you I was going to ask you this question, but what's your superpower?

### **Lauren Kaufmann: 01:43**

It's great to be here, Chris. I'm really excited for today's conversation and uh meeting one another where we are now. Um, I'm currently nine months pregnant, and I have to say it feels like a superpower most days. I am in awe of any person who creates life, carries life, and gives birth. Um, so it's been a wonderful journey for me, and I feel like superwoman most days.

**Chris Comeaux: 02:13**

Well, you and I we can't even tell you're pregnant, obviously. Looking on the screen, you absolutely look amazing. I know my wife, when she got pretty close to the part where you are, she wasn't sleeping very well. So um, so you really do look amazing. Thank you. All right, all right, Steve, let me introduce Steve. So, he graduated cum laude from the Lawrenceville School, earned a BA in economics and environmental science from Duke University in Carolina, and an MBA at Darden Graduate School of Business. Stephen works as an investment banker with JP Morgan Chase, securities in New York and London, and as an analyst at several hedge funds before founding his own fund. He began writing business cases part-time before joining the Darden Case-writing Research Group as a senior researcher. Stephen has interviewed leading business executives nationally and internationally and written and co-authored over 100 cases, including a case about Teleios, technical and teaching notes. He has taught case writing workshops and won awards for his case-writing. Um, OYO Hotels was recognized as a prize winner in 2020, the John Molson MBA International Case Competition. And in 2021, Steven was awarded the first Jerry Yemen Fund Prize for excellence and support of case writing at Darden. Stephen and his wife Bonnie and their two children live in Vienna, Virginia. So, Stephen, so good to have you. What's your superpower?

**Stephen Maiden: 03:35**

Well, so great to be here as well. Thank you so much. I've been looking forward to this. Um, I don't have a superpower. I guess as I thought about this, um, I would think that at this stage in my life, it's, you know, having written hundreds of cases and looked at all sorts of business situations and interviewed lots of business leaders is kind of taking a complex story and pulling it into a narrative uh for students to wrestle with. Um, I think I've become good at that and I really enjoy it. I'd say that's my superpower.

**Chris Comeaux: 04:08**

I could see it is I didn't tell you guys I was gonna ask you this, but maybe it is probably worth at least setting the table this way. Um, so Jim Bolton is your father-in-law, and and so Jim is a board member at Carolina Caring, one of our founding members of Teleios. And so I assume, like I never asked you like the whole story. Like, were you and

Jim having a glass of wine or a beer? And like, how did the whole Teleios case come to be?

**Stephen Maiden: 04:32**

Yeah, it's uh I mean it's a good story. The um, yeah, Jim is my father-in-law, and he's been on the board of Carolina Caring. Um and D'Ann Grell, which is their neighbor, was on the board of both Carolina Caring and Teleios. And so Jim started mentioning, I think when he became on the board, you know, we'd come down and visit a few times a year, and he'd say, Steve, you know, I think there may be a business case here on Teleios and on hospice. And he would explain it to me, and it was all confusing, you know, because healthcare businesses are confusing. Teleios' model initially was confusing. Um, but he's he was persistent and uh kept on explaining it. And I thought of Lauren. Lauren is a fabulous, you know, thought leader um in in impact investing in in uh had an interest in in nonprofits. I know our students do. And so I connected her to this and she was interesting interested uh instantly.

**Chris Comeaux: 05:30**

Well, well, I'm so glad you guys did. And then it felt like a really cool culmination. And so this show was going to air in the summertime, but in the late spring, we got to be with each other in Lauren's class and actually go there on site at Darden School of Business, which is an incredible campus. I'm a huge student of history. I've always loved Thomas Jefferson, so just seeing all the beautiful architecture, but just even the way the college is very innovatively designed and it works on like teamwork. And I just can't go, I could go on and on. I'm just was so in awe. And then Lauren getting to sit in class with you and uh just your incredible students. Maybe why don't you say just a few words about that? Because um, having D'Ann Grell, Tara Bland, who's executive director of Carolina Caring's um foundation, just to sit in class with you and have um Steve and Jim Bolton in the back of the class was just such an awesome experience.

**Lauren Kaufmann: 06:24**

It really was. I mean, those are the most magical moments for students. So at Darden, we're a case classroom. So they're very used to reading these business cases, wrestling with complex managerial dilemmas, but much more rare is to actually have the protagonist of the case come into class, sit down, and interface with students, answer questions in real time. And I have to say, Chris, at the for the end of the semester survey, that class was one of their absolute favorites. They really got so much learning out of hearing your perspective, D'Ann's perspective, Tara's perspective from these different aspects of the business to understand really where the rubber meets the road and where some of these tensions and challenges that surfaced in the case are felt in real time. These are students who all graduated this past weekend or about to finish up

their MBAs. And so, I think it was really teachable moments for them. And so, they got a ton out of it.

**Chris Comeaux: 07:26**

Well, I have to say, I was a unicorn from the standpoint of, you know, grew up in corporate America. People now going into nonprofits is a pathway. Um, they actually wanted to drug test me when I left the Fortune 50 company to go to work for a nonprofit hospice. They're like, what? This is like 1995. So I was an early pioneer. But to see these incredibly bright, brilliant students from all over the world actually being passionate about social impact and nonprofit, I mean, I was just like, oh my God, this is so cool. Um, it definitely was not a thing. Uh, I'm getting really old now, but was not a thing back back in whenever I was in college in the early 90s. Well, our listeners probably scratching their head a little bit because we obviously know all about this, but they may be scratching their head. So, let's get into the case a little bit more.

**Chris Comeaux: 08:12**

So, at its core, this case, it was written about Teleios and nonprofit and how um, in fact, post our actual being in your classroom, MadPAC came up with an uh a new renewed report. It's now 80% of hospices in America are um actually might be a little bit north of that, might be 83 or 84% are now for profit. So, yeah, only 16%. So, you would look at that statistic and go, wow, nonprofits are definitely uh somewhat of a dying breed or in danger of being extinct. And so, you guys wrote this brilliant case about just the whole kind of the market, the industry. So, at its core, the case is whether care as it should be, which is TCN's mission, can survive in a market increasingly driven by for-profits and private equity. When you were writing this, did you see this as a winnable tension or just maybe an evitable trade-off, that this is kind of just what happens?

**Lauren Kaufmann: 09:12**

Honestly, I went in expecting to work with Steve to write a story about an uphill battle. Um, but I really came out believing it's winnable. I think winnable and easy are different things, but I do think that the trade-off is not inevitable if organizations like Teleios and other nonprofits bulwarks against the imposition of the for-profit model are ruthlessly honest about what they're competing on. So, what struck me most, what I learned so much through doing this research, is what makes the nonprofit model have real structural advantages that PE backed or for-profit hospices can't easily replicate. So, we talk in the case, for example, about the importance of community trust, about the critical nature of a volunteer culture at nonprofit hospices, the ability to track attract staff who are motivated to provide mission-aligned care. So those I see as structural advantages. And then the question becomes can those advantages be systematically leveraged to compete with now this 80 to 85 percent of for-profits. Um, you know,

Chris and your team, you're betting that it can. And I find it a compelling hypothesis. So, I don't think it's naive idealism. I think there's some real structural advantages here.

**Chris Comeaux: 10:51**

Well said. Steve, what would you add?

**Stephen Maiden: 10:54**

Yes, I totally agree with that. And I would add, you know, one of the things in in when you came to Darden and we interviewed you, you mentioned or you highlighted the fact that for-profits have to also serve their shareholders and they pay taxes. So that's almost a structural advantage for the nonprofit to have that extra capital to allocate towards better care. And then the other thing I'd say is you have to it's a marketing challenge. It's a communications challenge to make sure that the the customer, the patient, the patient's family understands that care is is better at the nonprofit level. Um, so you have to win those two, you know, that communication challenge. But I think it's it's winnable.

**Chris Comeaux: 11:40**

That's well said. You know, in the early days of Teleios, we um, and this is when we were mostly centered in North Carolina, so we got to have a lot more face-to-face meetings, and then COVID happened in 2020, and we end up being a blessing because now we can do this nationwide. But it was more of a face-to-face meeting. We start wrestling with this question of what really makes nonprofits different. Like, you know, they were all these anecdotal things that we do it better, et cetera. But really, what we got down to is that there is no contemplated exit. That your contract, your social contract is with the community is a 501. That's the trade-off of being a tax-exempt organization, is that your shareholder ultimately is the community, and your board of directors is kind of the fiduciary um representative of that. Therefore, there is no contemplated exit. So you have a long-term contract with the community. Therefore, you should be taking all of those resources. And I do, we have a lot of, interestingly, we have a lot of for-profit listeners, and I actually get probably more feedback from some of the for-profit people listening to our podcast. So, first off, I want to own because quite often they do chastise me a little bit because we come across a little bit as holier than thou as nonprofits. That is actually part of the problem with nonprofits, is we have this kind of holier than thou attitude, therefore we must do it better. No, actually. Um, the game is the same, the rules are the same. It doesn't matter what your tax status is. The difference of at least how we get potentially to operate as nonprofits is we're not gonna pay it, we're not gonna pay taxes and we're not gonna have to pay a return to shareholder. Therefore, based upon those same rules, we should have more financial resource to invest back into our model. So competitively, we actually should have an

advantage, but there's also advantages that they have, typically the amount of capital they get to bring to bear, and if they invest that in technology and scalability. It makes for a really fun game, which is the point of why I think you probably wrote the case, is that um, and I and I'm not people may be listening, going, he's calling it a game. Well, years ago, I've actually heard that if it's a great way to look at any business, um, I forgot who it was, I think Jeff Sandefer. I may have mentioned him to you, Steve. He wrote cases for Harvard and then University of Texas and founded a school for his kids based upon cases, is actually really cool. And he said something I never heard before. He said that the basis of a capitalist society is why it works, is that it should be a place where multiple games get to be played out simultaneously with a good feedback loop. And I'm like, oh, that's a cool way to actually frame capitalism. So therefore, if it's a game, yes, I realize that we're walking on sacred ground caring for people at the end of their lives, but still every business, if you look at it as there's a game of sorts, um, there's there's kind of different advantages of one team being the nonprofit team versus the for-profit. So, I don't know if that kind of prompts any comments on either one of your parts from that little commentary. But again, I love the fact that you wrote a case about this. Um, I learned from being a part of this, and Steve, you do have a superpower about writing these cases because when I went back and read it, it's almost like having an out-of-body experience of actually going, oh my God, that is kind of what we're in.

**Stephen Maiden: 14:56**

I'll just say I read it this morning in advance of this. Um, and I really enjoyed it. And it and it's because the tension is so real uh when you're dealing with end-of-life care and the impact is so high. You know, you talk about these mission moments that you start at the beginning of every board meeting where you talk about the care, you know, from the different um hospice centers that are in your network, um, and these end-of-life situations reuniting family members at the last moment and things like that. And it just strikes me how important it is what you do and you know, the I forget the exact ratio, but there's a great benefit in terms of nurse per patient ratio uh for nonprofits. So, the care is just fundamentally better. It's a human thing. And um so I just I think the best business cases have interesting tensions uh to discuss for students, but they also have like ethical and societal import to debate. And this one had all of that.

**Chris Comeaux: 16:10**

That's so well said.

**Lauren Kaufmann: 16:12**

Completely agree. I mean, I think you know, everyone in the room, and every room that I walk into where I discuss this topic has some personal connection to end-of-life care. And taking a step back, looking at it as a business question, you know, I think the game

metaphor makes sense, right? It's certainly competition where you're competing on several different fields. You're competing on mission alignment; you're competing on services. And I really want to underline what Steve was saying about competing on the communication piece. Several of my students, each time I teach this, are interested in marketing, are going into marketing. And for them, that question of communicating, as you've said, Chris, that hospice is not a singular entity. That hospice means many different things. And you have to communicate the differences and this distinctions between what different organizations can offer. That's a field of competition where a lot of the game is playing out so that consumers understand what they're paying for and the care that their loved ones will receive.

**Chris Comeaux: 17:27**

That is so well said. I'd never thought about this. And you guys interviewed us so many times as you kept distilling what you learned into ultimately what became the case. And when I look back on that, you guys are really skilled because they kind of take those interviews and we're seeing the world from our eyes but not understanding exactly what you're looking for to create the case. I never thought about it till just now. But you know, nonprofits are so unique, almost like that little local co-op or just your little local grocery store that's very local. Um, and then maybe you're competing against like a Walmart or something like that that's got a national scalable model brand, et cetera. And I never thought about that being a fitting analogy. Probably because what just occurred to me, I just finished reading the whole story about Whole Foods because a good friend of mine said, you need to read it because like these were like hippies and just interested in like just you know, healthy eating. And then eventually they created this amazing model. But the early days, there were very unique models throughout the country, but they would actually talk. And then eventually Whole Foods end up acquiring a lot of those different um organizations to create what ultimately became Whole Foods. And then, as we know, now Amazon owns it. And he was right, there actually was a lot of similarity in the passion behind what we're doing. Um, but interestingly, what it's not quite, you know, we're not going the whole food story way where they're creating a national scalable. There's something about the local that we keep that flavor within the nonprofits. And that's really what's unique about TCN. A friend of mine who does consulting says that it's 80-20. 80% is exactly the same, only 20% is local. We treat it more like 50-50 or 60-40. 40% is very similar, maybe strategy-wise, but 60% is very local. And, you know, it's probably more of an interesting framing than an actual quantifiable debate because we try to keep that local hospice flavor because of what you alluded to earlier, Lauren. The roots to the community are unlike anything I've ever seen. And I grew up in corporate America. So again, I don't know if that kind of prompts any kind of comments on both your parts, that I never

thought about that analogy of kind of like, you know, grocery stores, co-ops type type thing.

**Stephen Maiden: 19:40**

I can tag on that. I mean, when I think about it in a co-op um analogy, I almost think of Ace Hardware as a better one. Um when I was at business school way back when, 2001 at Darden, we tried to, this is when the dot-com bomb bubble was at its uh peak, and we came up with the idea of doing a B2B website that would allow independent hardware retailers to purchase goods and compete against the Home Depot and Lowe's. Now ultimately we failed, but it was an interesting um process to go down. And what's Ace Hardware, which is a co-op, it's kind of like a Teleios, they help the low the local, they help the local retailer, which you know, your local hardware store, it's a part of the community. They have a loc, there's a local um part of that that's important. Um you know, they have differences. Obviously, the products, um, the paint, the tools is different than the services you're offering. Um but they've been successful. You know, they have they have grown. They're probably about a third of all the independent hardware stores now in in the whole country. And, you know, they all exist kind of side by side. So, you know, I think that's an analogy that can should give you some comfort.

**Chris Comeaux: 21:07**

That's an awesome analogy, actually, because we just purchased my wife's got a dream that we're going to build a family compound. So we just finally found the property. Well, lo and behold, they're actually building a new ACE hardware, actually, not too far from it, out in the it's an interesting kind of crossroads area. And I was wondering about that because we do have a local one where I live now. And so I did not really, I think that's an awesome analogy.

**Lauren Kaufmann: 21:30**

Yeah, I'm thinking back to that first question about how nonprofits compete. And I think it is this balancing act. Again, the how you quantify it, we can hold to the side. But this idea of keeping both the sort of economies of scale peace, or what Chris, you've talked about is sort of like infrastructure standardization, bringing all that you learned coming up in corporate America, standardizing the back end ruthlessly, leaning on those economies. Of scale, whether it's compliance, HR, billing, but then at the same time protecting that local flavor, protecting the front lines ruthlessly, because those are exactly the elements that make the nonprofit model distinct, is how deep the connections and the impact goes into the community, how people feel called to give back through volunteering and maintaining that local care philosophy. To me, that this seems, as just as Steve was saying, this is a strategy question as much as an ethical one, which are my favorite kinds of questions.

**Chris Comeaux: 22:41**

Well, let's go into kind of what we talked about. Um so all this is kind of just good prelude. And so Teleios is not a traditional consulting firm, network, or operator. It really is kind of a hybrid amongst all of those things. What did you guys find most distinctive, distinctive about the model? Where does that uniqueness become a strength, but also maybe where it's a liability?

**Lauren Kaufmann: 23:01**

Yeah, so I'll say that my experience teaching it in the classroom is the hybrid structure for my students is where they get most excited about talking about how this creates unique opportunities around capital. So, as a 501c3, Teleios can access philanthropic funding, grants, mission-aligned donors. We've learned great examples. Um, for example, Carolina Caring being able to attract uh foundation-backed donations that enabled the pediatric hospice, um, which to your point, you know, there's no exit horizon. You're able to have sort of a loss leader in that sense, a pure philanthropic play for patients who really would need it for the Carolina kids. So there's that side of things. While at the same time, the Teleios consulting arm is able to have earned revenue in ways that the philanthropic side couldn't, could attract for-profit investors. To me, that's a meaningful structural advantage, too, is attracting the right kinds of capital to both sides of the house. And at the same time, it's probably the hardest thing for you to explain, especially to a skeptic, um, is this unique hybrid structure.

**Chris Comeaux: 24:29**

It's a really good I'm learning as I'm listening to you guys, because again, seeing it through your eyes is great.

**Stephen Maiden: 24:34**

Yeah, it's the flexible nature of your model is kind of the strength and the weakness, I guess, for scaling. Um, it's the attractive part. If you're a nonprofit hospice, you get to partner with the Teleios, get all the shared services, the wisdom, the network, but still maintain control and your local um, you know, the name, the local kind of uh connection. Um, but that makes it hard for you to scale. And you I I think you talked about um your model lets you have influence but not authority, which is which is a natural tension for you. You know, there may be times you want to really impose and say you really should do this, you should do that, uh, but you can't, you can only suggest an influence. I think the evidence is that your model's working. When we wrote the case, I think I wrote it down. You had we had you had um 15 hospice partners in 10 states. And the latest I've heard from you; you have 24 hospice partners in 14 states now. So that's just in just a little over a year. So that's your hybrid model is working.

**Chris Comeaux: 25:48**

Yeah. Yeah, well, definitely. And we want to see it a lot more. So, your case lays out a pretty stark contrast between nonprofit and for-profit hospice models from your research. Where is that gap most real? Where might it be overstated or maybe even misunderstood?

**Lauren Kaufmann: 26:05**

To me, the answer is to where it's most real and I think most troubling is around staffing ratios, which is just one measure of the quality of care or the texture of care. Did the social workers, the chaplains, the volunteers, that willingness to do the fishing trip for the father and the son, sort of that aspect of the care that don't show up easily in the quantified metrics that for-profits might track. So, they don't might not show up easily in Medicare data, um, but that's the difference between care as a transaction and care as a relationship. But I think, as you said earlier, Chris, where the gap gets overstated is that assuming all nonprofits are the same and assuming all for-profits are the same, uh, there are for-profit operators who deliver genuinely good care in the same way that there are nonprofit hospices that may be coasting on their status or feeling incentive misalignment or pressures that are in maintaining that same level of staffing. So, to me, it isn't the legal structure per se. It really comes more down to leadership, culture, and governance.

**Chris Comeaux: 27:23**

That is so well said. In fact, I think I'm gonna steal that quote, Lauren, like care as a relationship, not as a transaction. That is awesome.

**Stephen Maiden: 27:31**

There's not much to add there. That was that was perfect. I would just say um that you show me the incentives, I'll show you the outcomes kind of thing. Um the for-profits, that that is um where it's not overstated. That is for sure the for-profits are incented for profitability and they are more profitable. I think you gave the example that on average their margins are 13% versus negative 1.0% for nonprofits. And there, and I think you even mentioned one was 30%. Like there. So, if you really do want to lower costs, and I think you said 70% of costs are um staffing, then you lower the staff. And yeah, you can have more profit, but that's worse care. And so, yeah, I mean it's an ethical, it's a societal question. It's um, but there are there are absolute differences.

**Chris Comeaux: 28:26**

Yeah, we actually did uh um, I think I mentioned her to you, Steve and Lauren, a lady named Laura Katz Olson. She wrote a book called Ethically Challenged. She actually

researched quite a bit where she felt private equity was doing more harm than good, and hospice was one of the chapters, as also was air ambulance, autism schools, home health. Um, a couple more segments, I'm forgetting at the moment. Maybe dental was one of them, et cetera. And one of the things I listening to her, because I get the role of private equity, you know, bringing capital. And one, and she acknowledged then there that typically the argument is that by bringing that capital and bringing some standardization and some technology, that does kind of enable more efficiency. And conceptually, it's a hundred percent true. We just have not seen that at large scale throughout the country yet. Um, a lot of the still national for-profit models are really very small hospices at the local level, little 30 patient-day hospices that just aggregate across the whole country. So, it's an aggregated very large number, but locally they're very small operations. Um, and the technology has been substandard throughout the whole industry to date. Now, I keep making a qualifier. I think we're at a very interesting potentially inflection point and where it goes from here. But the cool thing is it's as potential for nonprofit as it is for for-profit, because AI is kind of a leveler from the standpoint of you don't have to have these enterprise class systems compared to the past, that it really was. So, we didn't really get into that much in your class, Lauren. We touched into it just a little bit, but could either one of you speak to that? That is AI an enabler for more localized to compete at broader levels?

**Jeff Haffner: 30:19**

Don't miss part two of this episode coming this Friday.