

THE
ECONOMIC
CLUB OF
CHICAGO

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The 91st Annual Dinner Meeting was held on Wednesday, April 10, featuring Debra A. Cafaro, chairman and CEO of Ventas, Inc., and who members learned that evening will be the next chair of the Club beginning July 1, 2019. The program opened that evening with Nominating Committee Chair Mary Dillon presenting the slate of candidates approved by the Executive Committee for the Club's 2019-2020 board (*view here*). For the dinner program, Ms. Cafaro gave brief remarks and then joined Mellody Hobson on stage for a seated conversation.

Excerpts from the speech and interview are below.

On her family background....

“I grew up in a working class neighborhood in Pittsburg, which looked a lot like those working class neighborhoods throughout Chicago. My father was a mailman. My mother was a high school valedictorian, turned stay-at-home mom. Both were first-generation Americans, children of immigrants.”

“My parents loved us, and my dad grew to love his work equally or almost as much. He was the most unlikely entrepreneur you've ever seen. Almost by accident one day, my dad learned that he could make a living by trading rare coins. Specifically, he found out that rare silver dollars that were then in circulation, could be worth \$20 or even more. So with his mathematical mind he learned the dates to look for, and every week he would take his postal service paycheck to the bank and cash it in for silver dollars. He would jingle on home and we would spread those silver dollars out on the dining room table, looking for the valuable ones. Some weeks dad made more money finding rare coins than he ever did delivering the mail. Eventually, after years of working two jobs, dad opened his own little coin shop in downtown Pittsburgh. He took a big risk, worked incredibly hard, and he did it because he knew his purpose was tied to a sense of both personal achievement and family commitment. That little coin shop put my sister and me through college, his proudest accomplishment.”

On the state of Ventas when she became CEO...

“When I was asked to join Ventas as CEO, [my father's] example inspired me. That was in early 1999. Back then, Ventas was a new, small and unknown company, and those were its absolutely best characteristics. The company was in deep trouble. We had a single tenant itself headed for bankruptcy. Between heavy bank debt coming due, a tax audit looming, distressed debt guys lining up against us, and a Medicare fraud investigation under way, most people didn't give Ventas a chance.”

On turning the company around and where they are today...

“In those early days at Ventas, our team of underdogs worked harder and more creatively than you can possibly imagine. We were absolutely relentless. We tried everything we could to save the company and turn it around. Where others saw no way out, we saw opportunities to find solutions that benefited

everyone. [...] We had the advantage of both hindsight and foresight. We anticipated the potential created by the changing demographics in the US. We knew that more healthcare and senior living providers would need a committed, knowledgeable, long-term real estate partner, and we made sure that we could be that partner. Today [...] we have 1,200 assets across North America and the United Kingdom, and we're valued at \$34 billion. Along the way, we've delivered over 22 percent compound annual return to our shareholders.”

On the industries Ventas touches and their significance...

“Most of you know that healthcare accounts for nearly 20 percent of our economy, and real estate makes up another 20 percent. So Ventas sits at the exciting intersection of these dynamic and essential industries. [...] I'm really proud that as a public real estate company with a clear mandate to serve shareholders, we're also part of the healthcare solution in this country. But we're just one part, and I'd like to take a moment to speak to our large and complex health care system. As a nation, I believe we are obligated to provide basic health care for all of our citizens.”

On what she saw in Ventas when she was asked to be CEO...

“The upside-downside of the situation was in my favor, even though it didn't look like it was. The company was really written off by everyone, no one thought that it could survive. What I saw was the ability to learn how to be a CEO. I had never been a public company CEO before, and I thought that would be valuable, the opportunity to learn about healthcare, because of course, what could be bad about learning about healthcare? And the chance that somehow if we were able to find a way to save the company, we would be able to create significant economic value, and perhaps build a great company. I really believed at that time that if it went the other way, that there was enough in it that it would be a worthwhile experience, and no one would blame me.”

On how Ventas survived and then thrived under her leadership...

“We formed a team in those days of the greatest outside advisors that you could have, because we couldn't really attract the best caliber of people. So thinking about how to win in that environment really required bringing in a team of incredible experts. [...] We did one of the most successful multi-billion dollar restructurings that had ever occurred at that point in time, and everyone won, all the constituents won. That was part of the beauty of it. I thought at that time that someone would buy the company, because in real estate, if you have a wonderful morsel of assets and cash flow, typically a more aggressive acquisitive company will come along and acquire you. What turned out was that our sub-sector of the real estate market was slightly inert, the people in it, they were just, they weren't doers [...] so we looked around and said, ‘There's this great demographic, we have this great cash flow now, we have a wonderful tenant who has a sustainable capital structure, they're still the largest provider of long-term care in the U.S., maybe we can make something of ourselves.’”

On the Affordable Care Act...

“The Affordable Care Act, much maligned, was signed into law nine years ago and became fully effective only five years ago. It was an effort to make health care available to everyone. That law did not seek to disrupt, but rather build on and reform the system of Medicare, Medicaid, and private insurance we've developed over the years. It is far from perfect, but health care exchanges and Medicaid expansion have

enabled more than 20 million fellow Americans to obtain health care coverage and care. It has allowed special needs individuals, like our precious daughter Katie, to remain on our work insurance indefinitely. And, of course, it has protected the 50 to 100 million Americans who suffer from a pre-existing medical condition.”

On whether healthcare is a right...

“I believe that every individual has a right to basic healthcare. [...] We know that when someone is sick or injured, and they come to the emergency room, that we have a moral and legal obligation to care for that patient. When that happens, that patient is getting healthcare in the most expensive way. By the way, we're all paying for that. We pay for it because then the government gives the healthcare providers a higher rate to kind of make up for it, and we pay for it in our employer plans because that's where all the profit has to be so that the hospital can care for these people without coverage. We are paying for it anyway. My view is, let's just pay for it in the most rational way we can figure out. Until someone comes up with something better, I would just say improve the Affordable Care Act. [Healthcare] is a right, because you can't be denied it.

On how she would reform the Affordable Care Act...

“Well, first of all, I would enable more of the states to expand Medicaid, that's been a great success. The under-insured population is double in the non-Medicaid expansion states as it is in the expansion states. There have been referenda in three states this year, where voters have said to their elected representatives, ‘We want you to expand Medicaid.’ Yet, even in those states, the elected representatives are trying to do less of that or not do it at all. We need the insurance market to be buttressed with government support until it gets stabilized, and for certain populations, perhaps for a longer period of time. I do think the equal partner of coverage is that we pursue initiatives that make healthcare more efficient, and deliver it at lower cost.”

On being a minority owner in the NHL Pittsburgh Penguins...

“It's been so interesting to see how the business of sports is like all of our businesses, only a lot more fun. [...] We were lucky enough to close on our interest in the Penguins right before they won two Stanley Cups, and it's been really incredible. By the way, I have no idea what was in that Stanley Cup when I was drinking from it.”

On what she wants to accomplish as chair of the Club...

“I think we've created tremendous momentum here at the Club. The kinds of speakers [the Club] had over the last two years, the kind of crowds we've convened, I want to build on that momentum. I do think the Club is going to play an increasingly important role in Chicago as we go through the big political changes that we have in the city and the state. The people in this room can be such a constructive unifying force for the state and the city. I hope that we'll be able to bring some of that during the next two years.”

Lightning round:

Best decision she ever made: “It has to be marrying my husband.”

Worst decision she ever made: “Probably not buying a company that shall remain nameless.”

The biggest influence on her life outside of family: “Sheli Rosenberg.”

A person no longer living who she would like to meet: “Abraham Lincoln.”

The most talented CEO she’s ever met: “Jamie Dimon.”

A dream she has yet to accomplish: “Making Ventas a \$100 billion company.”