

# Healthcare Companies with a Conscience: How Benefit Corporations Can Reduce Healthcare Costs

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As healthcare costs continue to rise from almost every angle, quality healthcare and treatment often come with a lofty price tag. Survival of private healthcare providers is contingent upon optimizing profits, such that a company's motivation is driven by shareholder value instead of commitment to social responsibility. Good health at a fair price is often not the primary corporate goal for healthcare companies, but what if it could be?

A benefit corporation is a new legal tool currently available in 33 states and allows private companies to adhere to moral concerns by providing quality services at fair and justifiable prices.<sup>[1]</sup> These corporations differ from traditional for-profit corporations in three main ways.<sup>[2]</sup> First, a benefit corporation must provide some type of public benefit, such as providing low-income or underserved individuals or communities with beneficial products or services|promoting economic opportunity for individuals or communities beyond the creation of jobs in the ordinary course of business|or improving human health.<sup>[3]</sup> Second, the directors of a benefit corporation are required to consider their workers' interests as well as the community or environmental impact.<sup>[4]</sup> Lastly, a benefit corporation must release public reports on the company's overall social and environmental performance.<sup>[5]</sup> In short, benefit corporations promote social benefit, accountability, and governance. Under the benefit corporation framework, obligations of the board of directors are expanded,

because board members are now required to consider environmental and social factors in addition to the financial interests of shareholders. While these corporations are taxed as for-profit corporations under both federal and state tax law, a benefit corporation may raise capital more freely, distribute proceeds, and pursue its for-profit goals and social mission simultaneously.[\[6\]](#)

The principle of doing good by promoting social benefit makes benefit corporations a natural fit for healthcare companies. Healthcare companies have a social responsibility to provide quality care at a fair price. Under the benefit corporation model, companies with the public benefit goal of improving human health would have to consider how to best provide high quality services at low costs. As a benefit corporation's commitment to the community is embedded in the company's charter, it forces its directors to pursue social agendas and depart from the traditional capitalist structure. By incorporating the interests of various stakeholders into the fiduciary duties of its directors and officers, a benefit healthcare company must thus strive for high value care at lower costs. Additionally, the majority of existing legislation requires a benefit corporation to publish an annual report addressing the compensation of its directors, the director's opinion on whether the company stayed true to its public purpose,[\[7\]](#) and a summary of the company's overall social and public performance.[\[8\]](#) In the pharmaceutical industry, actual generic drug pricing information is often kept secret.[\[9\]](#) While a benefit corporation's annual report would not necessarily disclose actual pricing information, the report would force pharmaceutical companies to justify high profits and shed light on the company's overall performance and operations. In turn, this requirement could help improve industry price transparency.

[Just Biotherapeutics](#), for example, is biotechnology company with a conscience. The company was constructed as a benefit

corporation to ensure that pharmaceuticals are delivered at a low and fair price to patient populations in need.[\[10\]](#) Founded by former Amgen executives in 2014, the company is working to catalyze expansion into new cost-sensitive markets by creating new therapeutic approaches with biologics, like antibodies, and eliminating hurdles to access life changing protein therapeutics.[\[11\]](#) Their carefully selected model reduces manufacturing costs which allows its medication to be sold at much lower prices.[\[12\]](#) Just Biotherapeutics is changing the landscape of the pharmaceutical industry.[\[13\]](#) According to Jim Thomas, the CEO of Just Biotherapeutics, the company has partnered with some of the best laboratories in the field of HIV research, developing biologics for HIV prevention that could potentially reduce the spread of AIDS in low and middle-income countries.[\[14\]](#) Its innovative and integrated technologies will allow the company to provide protein therapeutics to the public regardless of income or location, demonstrating that businesses can adhere to a public-oriented mission and maintain the bottom line.

While for profit companies may still be guided by financial incentives, quality concerns can also motivate them, as shown by the model of benefit corporations. Even though benefit corporations are rarely seen in the healthcare field, Just Biotherapeutics' successful model offers a promising future as it offers a plausible method to help reign in healthcare costs.

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[\[1\]](#) *What is a Benefit Corporation?*, Benefit Corporation, <http://benefitcorp.net/> (last visited Nov. 6, 2017).

[\[2\]](#) Mary Ramsay, *New Benefit Corporations Could be a Great Fit for Healthcare Companies*, Smith Moore Leatherwood, (Apr. 28, 2014),

<http://www.smithmoorelaw.com/new-benefit-corporations-could-be-a-good-fit-for-health-care-companies>.

[3] *Id.*

[4] *Id.*

[5] *Id.*

[6] Introduction and Background, Cal. Prac. Guide Corps. Ch. 9(II)-A.

[7] Ramsay, *supra* note 2.

[8] *Id.*

[9] Steven Lieberman and Paul Ginsburg, *Would Price Transparency for Generic Drugs Lower Costs for Payers and Patients?* The Brookings Institute (June 2017) at 1.

[10] Just Biotherapeutics, <http://www.justbiotherapeutics.com/> (last visited Oct. 31, 2017).

[11] *Id.*

[12] *Id.*

[13] Nat Levy, *Gates Foundation Leads 14 M funding round for Just Biotherapeutics to Battle Infectious Diseases*, Geek Wire (July 26, 2016), <https://www.geekwire.com/2016/gates-foundation-leads-14m-raise-for-just-biotherapeutics-to-beef-up-lab-space/>.

[14] *Id.*