Changing Demographics, Competencies and Physician Leadership

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Chief Executive Officer

American College of Physician Executives

" **The acute care hospital is the most complex organization to lead and manage.**"

Peter Drucker

But Health Care Is Not Just Hospitals:

- Highly Complex Processes
- Unique Problems & Patient Variability
- Loosely Knit Team System
- Multiple Outcomes Measures
- Incomplete Evidence Base
- Variable Layers of Responsibility
- Unpredictable Workloads & Case Mix
- Work Hours, Fatigue & Variable Employee Support Systems

FSMB Updated Stats

- **Nearly 900,000 licensed physicians in the US (280 MDs/100,000 population)**

- **Avg. age = 51yrs & just over 76% certified by an American Board**

- **2/3 of physicians are still male but…**

- **Female physicians with an active license increased in past 2 years by 8% - compared with only 2% of male physicians**

- **And 34% of female physicians are less than 39 years compared with only 18% of male physicians.**

- **Actively licensed physician population grew at faster rate in the older population compared with younger groups**
  - **11% increase for those >60 years vs. 1% increase for those <49 years**

- **26% of physicians are now over age 60 years, a demonstrable actuarial need for an increased supply of physicians in order to avert a physician manpower shortage in the near future.**

JMR 2013;99(2):11-24.

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Surge With Physician Employment

- Nearly 75% increase in the number of active physicians employed by hospitals since 2000, and recent hospital announcements suggest this trend is accelerating.

- September 2010 survey revealed that 74% of hospital leaders planned to increase physician employment within the next 12 to 36 months.

MGMA Survey

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Surge With Physician Employment

- Share of physician searches that were for positions with hospitals hit 51% for the 12 months ended in March, up from 45% a year earlier and 19% five years ago.

- The number of searches for physician groups and partnerships has dropped.

Merritt Hawkins

And Yet….

- ACA will rapidly expand the coverage by an additional 32 million in the next few years

- HRSA, distribution of physicians to rural underserved areas remains problematic
  - 52 million people currently live in so-called Primary Care Health Professional Shortage Areas (HPSAs)

- AAMC states that physician shortage numbers will increase overall to almost130,000 during the next 10 years

53 Global Health Care CEO's

Challenges for Future:

- Managing Change

- Funding Care

- Define/Measure Quality

- Managing Regulation

Leadership Characteristics:

- Innovative

- Insightful on Patients

- Insightful on Providers

- Collaborative

- Data Analytics

- Humility

R. Herzlinger – Harvard University

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Organizational Challenges in Managing and Nurturing Talent- Biggest Area of Difference- Implications:

- CEOs differ from academia: to them, academia does not produce the specific skills we need

- CEOs want business driven knowledge more than public health

- CEOs more ready to rehire than retrain than academia

Success Factors for Early and Mid-level Entrants- Implications:

- Academia values big picture vs. health care specifics more than CEOs

- CEOs think that ability to manage change is more important than knowing health policy, regulations

- They need flexible, adaptable people

- They need problem solvers with generic managerial skills more than those who can speak the health care language

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53 Global Health Care CEO's

Role of Academia in Future Health Care:

- Present a Global View
- Teach End-to-End Portrait of Health Care
- Enable Critical Business Thinking
- Use of Field-Based & Case-Based Learning
- Mentoring Strategies
- Facilitate Interactions with Real World Peers
- Acceptance of **Health Care Paradox**

R. Herzlinger – Harvard University

MD Demographics: What is Happening In Your Organization

American College of Physician Executives

Vision Statement:
ACPE is the world's premier organization for lifelong growth and support of physician leaders.

Mission Statement:
To help ensure that physicians continually grow as individuals and become successful health care leaders, ACPE develops and provides the necessary programs, products and services.

Strategic Goals:
1. ACPE is recognized as the premier organization for physician leadership education.
2. ACPE provides lifelong development and support of physician leaders.
3. ACPE is the collaborative community of choice for physician leaders.
4. ACPE is the preferred organization through which to engage and interact with physician leaders on issues of healthcare policy, management and delivery.

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acpe by the Numbers

ACPE is the nation's oldest and largest educational organization for physician leaders.

Nearly 11,000 physician members of ACPE representing 45 countries

65 expert faculty across dozens of disciplines

More than 50 physician leadership courses

4 Master's degree programs with 1,000 graduates

More than 2,000 physicians with ACPE board certification (Certified Physician Executives)

150 in-house leadership courses taught each year at hospitals and health systems

4 major educational conferences per year

More than 3,100 online courses sold annually

More than 20,000 physicians have completed the popular Physician in Management Seminar
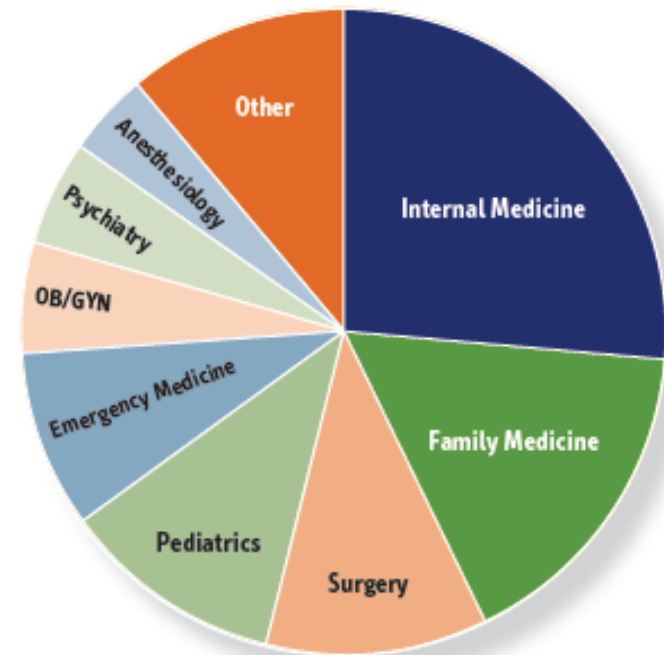
ACPE has educated nearly 100,00 physicians

Largest categories of positional titles

- VPMA, CMO
- **Administrator, CEO, President, Commander (full-time administrative roles)**
- Medical Director
- **Department Chair**
- Regional Chief, Practicing Physician, Academic, Vice President, Chief Operating Officer, Owner or Founder, Chief of Staff, Medical Staff Officer, Board Member, Student/Resident
- Other
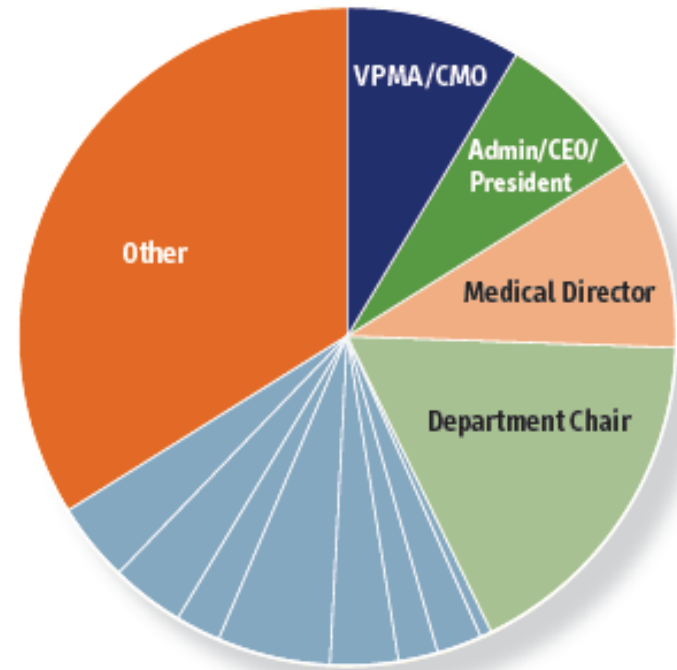
Largest categories of specialty types

- Internal Medicine
- Family Medicine
- Surgery
- Pediatrics
- Other
- Emergency Medicine
- OB/GYN
- Psychiatry
- Anesthesiology

Largest categories of organization types

- Hospitals
- Group practices
- Health Systems
- Academic Medical Centers
- Managed Care
- Ambulatory Care Center, Government, Military, Physician/Hospital Organization, Insurance, Pharmaceutical, Industry, Consulting, Contracting, Review
- Other
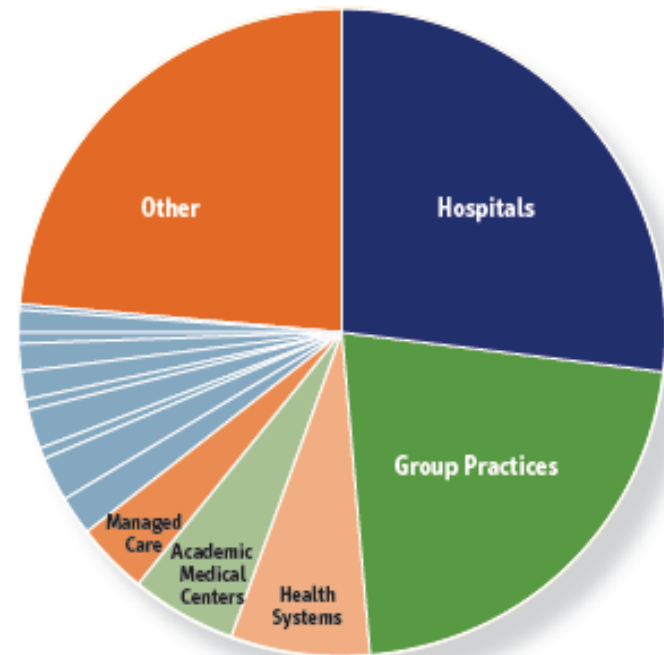
9 key elements that ACPE views as pivotal to patient-centered care:

1. Quality-centered
2. Safe for all
3. Streamlined and efficient
4. Measurement-based
5. Evidence-based
6. Value-driven
7. Innovative
8. Fair and equitable
9. Physician-led

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So What Are We Hearing Out There??

Physician Leadership & Integration

The 5 Vowels for HCOs Are:

1. **A**cceptance of MDs in Local Culture is Variable

2. **E**ngagement is Complex

3. **I**ntegration is Pivotal

4. **O**pportunity for MDs to Facilitate HCOs' Learning

5. **U**ncertainty by MDs on Future of Health Care

The 5 A's for MDs Are:

1. **A**wareness of Leadership Interests

2. **A**ssessment of Potential and Charting a Course

3. **A**cquire Knowledge and Early Experiences

4. **A**djust Course/Approach
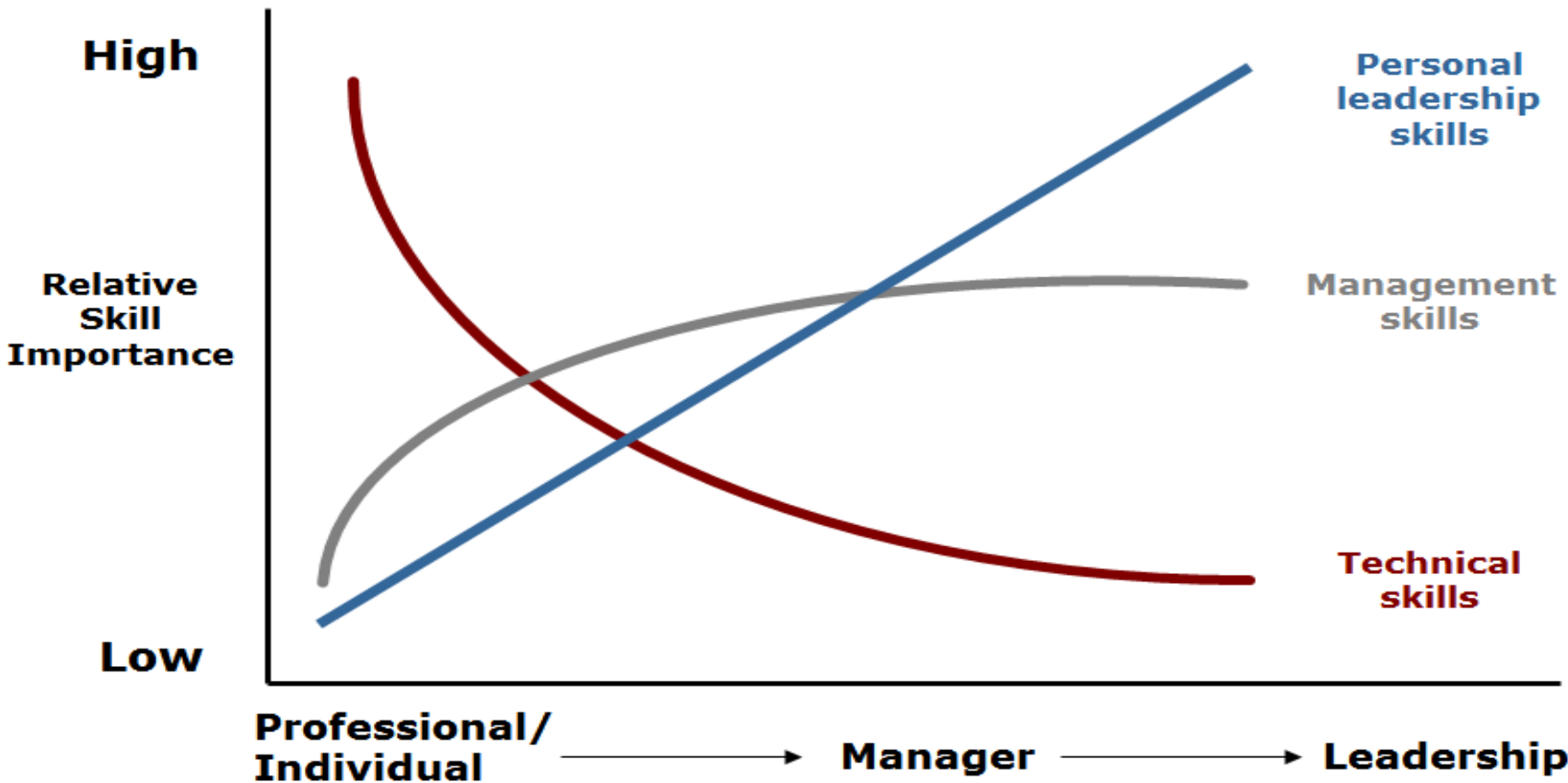
5. **A**ccentuate Leadership

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Three ways to lead

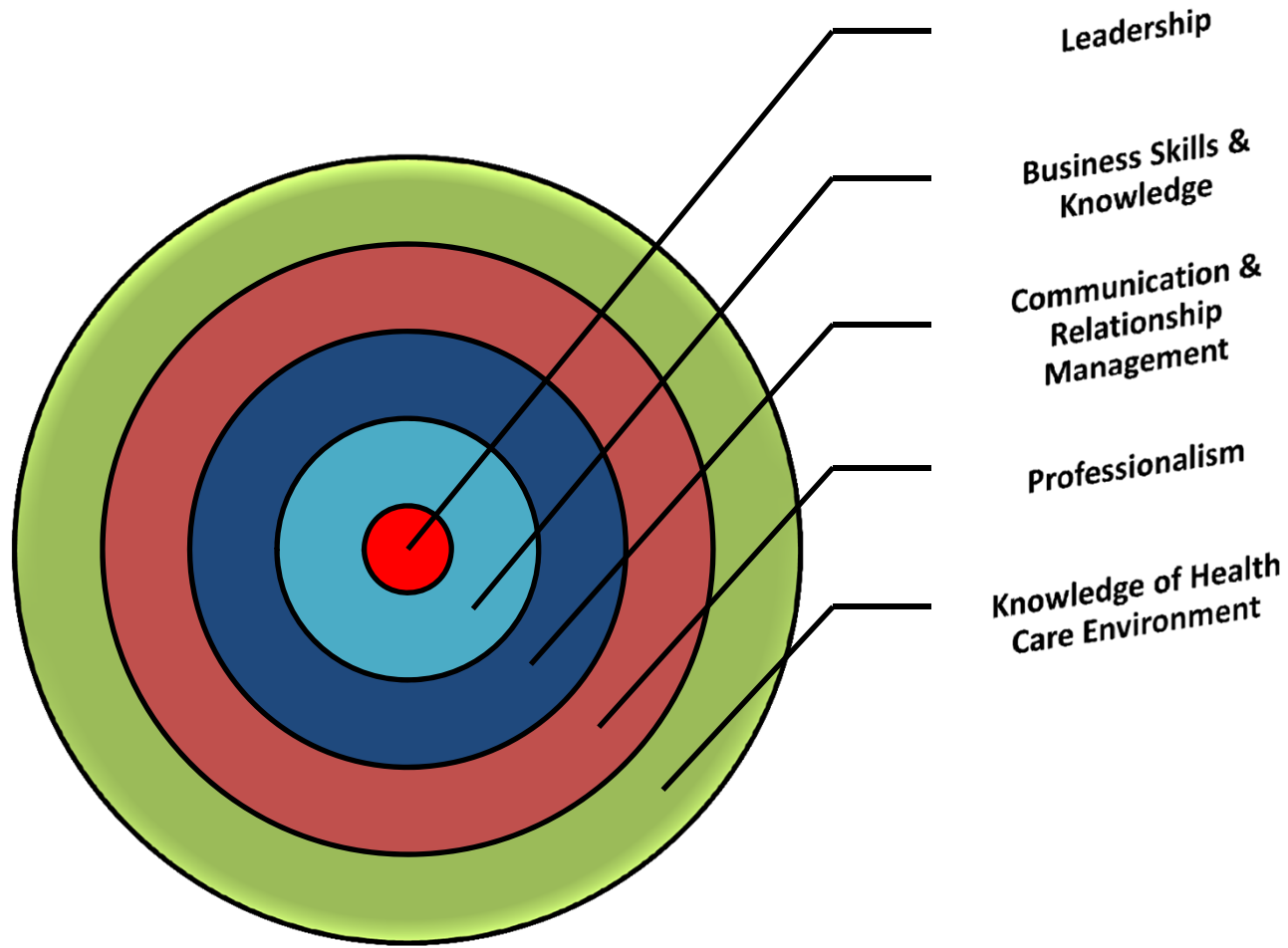Research suggests that at least three distinct types of clinical leaders exist.

		Overall identity	Sources of power	Selected leadership skills and knowledge required
Few	Institutional leader	• Clinician executive acting as steward of whole organization • Little direct contact with patients	• Highly credible to colleagues as clinician and leader; able to communicate vision	• Corporate-level strategic thinking, talent management, succession planning • Political savvy; strong skills in negotiation and influence
	Service leader	• Passionate advocate for own service, feels responsible for clinical and financial performance • Moderate level of direct contact with patients	• Highly credible to colleagues, primarily as clinician; well connected, can tap into centers of excellence • Innovative, willing to take risks	• Fluent service-management skills—eg, strategy/people development, budgeting • Detailed knowledge of evidence-based medicine in own clinical area
Many	Frontline leader	• Great frontline clinician who focuses on delivering and improving excellent patient care • High level of direct contact with patients	• Passionate about clinical work, credible to colleagues • Close to patients and frontline realities; can see opportunities for improvement	• Understanding of systems- and quality-improvement techniques—eg, process mapping, operational improvement • Self-starter, able to work well in teams

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Changing Skill Requirements

Competencies:
Healthcare Leadership Alliance (HLA)

Leadership

Business Skills & Knowledge

Communication & Relationship Management

Professionalism

Knowledge of Health Care Environment

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16 Critical Competencies for Healthcare Leaders

Cornerstone 1:

Well-Cultivated Self-Awareness
Living By Personal Conviction
Possessing Emotional Intelligence

Cornerstone 2:

Compelling Vision
Being Visionary
Communicating Vision
Earning Loyalty and Trust

Cornerstone 3:

Real Way With People
Developing Teams

Energizing Staff
Giving Feedback
Listening Like You Mean It
Mentoring Others

Cornerstone 4:

Masterful Style of Execution
Building Consensus
Cultivating Adaptability
Driving Results
Generating Informal Power
Making Decisions
Stimulating Creativity

Source: *Exceptional Leadership: 16 Competencies for Healthcare Leaders*
(Health Administration Press, 2006).

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Medicine vs. Leadership

THE NATURE OF MEDICINE	THE NATURE OF LEADERSHIP
Prescribe and expect compliance	Lead, influence and collaborate
Immediate and short-term focus and results	Short-, medium- and long-term focus and results
Procedures/episodes	Complex processes over time
Relatively well-defined problems	Ill-defined, messy problems
Individual or small-team focus	Larger groups crossing many boundaries, integrated approach
Being the expert and carrying the responsibility	Being one of many experts and sharing the responsibility
Receiving lots of thanks	Encountering lots of resistance
Respect and trust of colleagues	Suspicion of being a "suit"

Competencies: Which Are Valued –
In Your Organization

Physicians as Hospital Leaders

Rank	Organization	State	Name of CEO/Presdient	Physician?
1	Johns Hopkins Hospital	MD	Paul B. Rothman	Yes
2	Massachusetts General Hospital	MA	Peter Slavin	Yes
3	Mayo Clinic	MN	John H. Noseworthy	Yes
4	Cleveland Clinic	OH	Delos M. Cosgrove	Yes
5	UCLA Medical Center	CA	David T. Feinberg	Yes
6	Northwestern Memorial Hospital	IL	Dean M. Harrison	No
7	New York-Presbyterian University Hospital of Columbia and Cornell	NY	Steven J. Corwin	Yes
8	UCSF Medical Center	CA	Mark R. Laret	No
9	Brigham and Women's Hospital	MA	Elizabeth G. Nabel	Yes
10	UPMC-University of Pittsburgh Medical Center	PA	Jeffrey A. Romoff	No
11	Hospital of the University of Pennsylvania	PA	Ralph W. Muller	No
12	Duke University Medical Center	NC	Victor J. Dzau	Yes
13	Cedars-Sinai Medical Center	CA	Thomas M. Priselac	No
14	NYU Langone Medical Center	NY	Robert I. Grossman	Yes
15	Barnes-Jewish Hospital/Washington University	MI	Richard Liekweg	No
16	IU Health Academic Center	IN	Dan Evans	No
17	Thomas Jefferson University Hospital	PA	Stephen K. Klasko	Yes
18	University Hospitals Case Medical Center	OH	Thomas F. Zenty III	No

U.S. News Best Hospitals 2013-14: the Honor Roll

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Physicians as Hospital Leaders

How are hospitals and health systems different when run by physicians?

- Better understanding on nature of challenges & common knowledge base
- Improved understanding of patient operational issues
- Unwilling to compromise quality/safety/labor for profit
- Finance as a means not an end
- Aligning differing values (RNs, MDs, support staff etc.) & improved interactions
- Greater value on physician leadership, compensate appropriately
- Anticipate change within health care industry and selectively embrace new technologies/methods, e.g., new trends, governmental regulation
- Better coordination with referral sources (private offices/clinics)
- Less duplication of similar services within region, more collaboration among local hospitals
- Greater insight into clinical/patient care activity on local and regional level

(Kearns et al - Physician Executive Journal, Jan/Feb 2009)

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Physicians as Hospital Leaders

- Among the nearly 6,500 hospitals in the United States, only 235 are run by physicians

  (2009 - Academic Medicine)

- <u>Overall hospital quality scores 25% higher</u> when doctors ran the hospital, compared with other hospitals.

- For cancer care, doctor-run hospitals posted scores 33% higher scores

  Physician-Leaders and Hospital Performance: Is There an Association?

 (Goodall July 2011 - Social Science and Medicine)

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Table 1.

Construction of the Dependent Variable - Index of Hospital Quality (IHQ)*

Structure 30% Weight	Outcomes 35% Weight	Process 35% Weight
✓ Availability of key technologies (15 technologies linked to specialty fields). ✓ Volume index (number of medical and surgical discharges). ✓ Nurse staffing – intensity of outpatient and inpatient, and level of excellence. ✓ Presence of a trauma centre. ✓ Patient services index (e.g. presence of an Alzheimer's centre, fertility clinic, etc.). ✓ Have at least one specialist in critical-care medicine.	✓ Mortality rates 30 days after admission for all IHQ-driven specialties. It is calculated using a risk-adjusted method which includes: Volume of cases; Severity of illness; and a specialty-specific risk-adjusted mortality calculation. ✓ Patient-safety index includes: "freedom from accidental injury", the practice of modern medical procedures and safety. This accounts for 5% of total score and is tied to both Outcomes and Process.	Reflects physicians' decisions made in the hospital setting, such as: ✓ Choices about admission ✓ Diagnostic tests ✓ Course of treatment ✓ Choice of medication ✓ Length of stay. This information is acquired through a survey of randomly selected board-certified specialist physicians in each specialty field.

Goodall - Social Science and Medicine July 2011

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Figure 1.

Mean Index of Hospital Quality (IHQ) Score of Hospitals Led by Physician CEOs and Manager CEOs in Three Specialty Fields
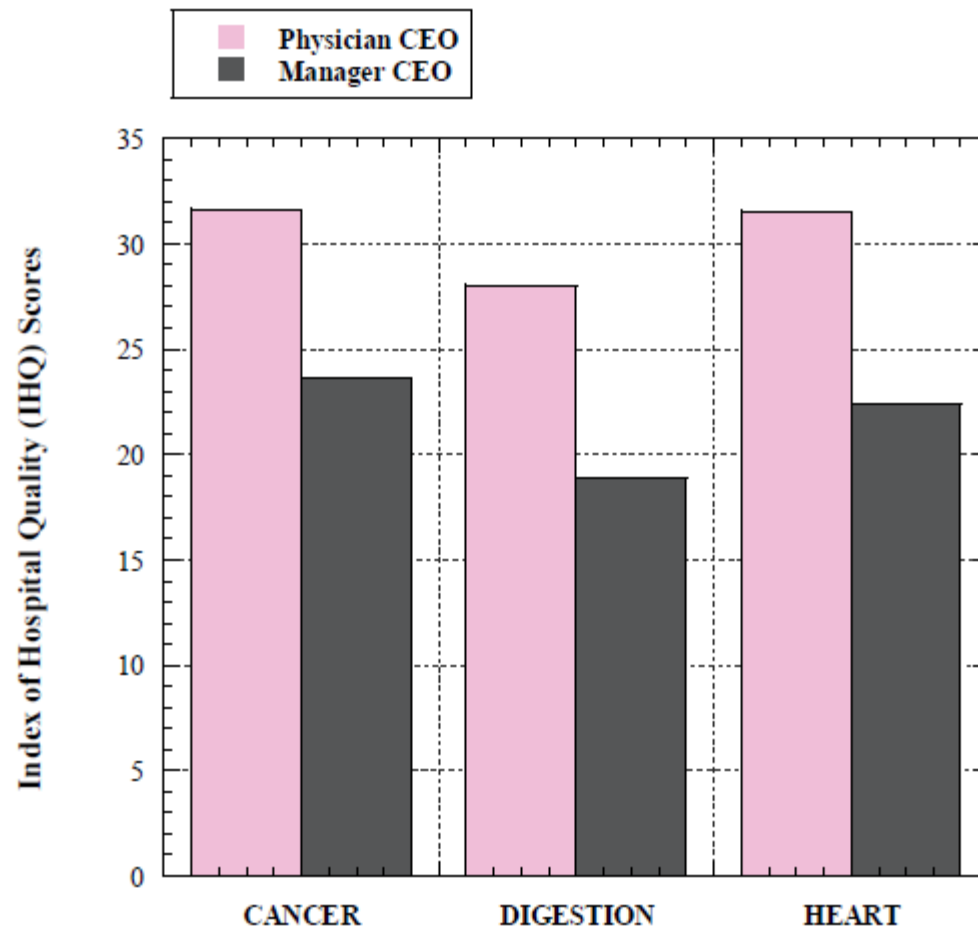
Kaiser Health News Article

- KHN - physician-owned hospitals continue to emerge as among the biggest winners under two programs in the health law.
  - rewards or penalizes hospitals based on how well they score on quality measures.
  - penalizes hospitals where too many patients are readmitted after discharge.
- More than 260 hospitals owned by physicians; scattered in 33 states (prevalent in Texas, Louisiana, Oklahoma, California and Kansas)

Physician Hospitals of America

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Kaiser Health News Article

- Of 161 physician-owned hospitals participating in the health law's quality programs,
  - 122 are getting extra money and 39 are losing funds

- In contrast, other hospitals have 74 percent penalized.

- Medicare is paying the average physician-owned hospital bonuses of 0.21 percent <u>more</u> for each patient during the fiscal year that runs through September

- Meanwhile, the average hospital not run by doctors is <u>losing</u> 0.30 percent per Medicare patient.

Kaiser Health News Article

- Past research: physician-owned hospitals score high in following basic clinical guidelines and patient satisfaction… the same factors that Medicare is using to determine bonuses and penalties in its VBP program.

- Successes are arguably made easier by the fact many patients come for elective surgeries rather than emergencies, allowing for more orderly preparations than at a typical acute-care hospital.

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Physician Leadership: Is It Valued – In Your Organization

$V = Q/C + A + E$

1. Academic Medical Centers

2. Aligned Integrated Systems

3. Multi-Hospital Systems

4. Rural Hospitals

5. Stand-Alone Hospitals

Legal and Successful

> "Valuable" provider for, and viable competitor of, health plans
> Willing and able to directly compete for and manage self-funded employer contracts
> Consistently outperforms the market (providers and health plans) in terms of quality of care
> Consistently outperforms the market (providers and health plans) in terms of cost of care

Legal

> A network of physicians committed to improving the value of care has been established.
> A set of quality, cost and utilization initiatives/metrics has been developed to promote value creation by all participating physicians.
> A system has been put in place to track and monitor physician performance (IT infrastructure).
> A process for addressing performance issues has been established.

Per-Se Illegal

> A group of independent physicians promotes itself as "clinically integrated," but has made no real effort to integrate (i.e., modified messenger model).

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WHAT IS THE PERCENTAGE OF EMPLOYED PHYSICIANS AT YOUR HOSPITAL/SYSTEM?

0%	8%
1%–10%	20%
11%–20%	18%
21%–30%	11%
31%–40%	5%
41%–50%	6%
51%–60%	4%
61%–70%	6%
71%–80%	5%
81%–90%	6%
91%–100%	11%
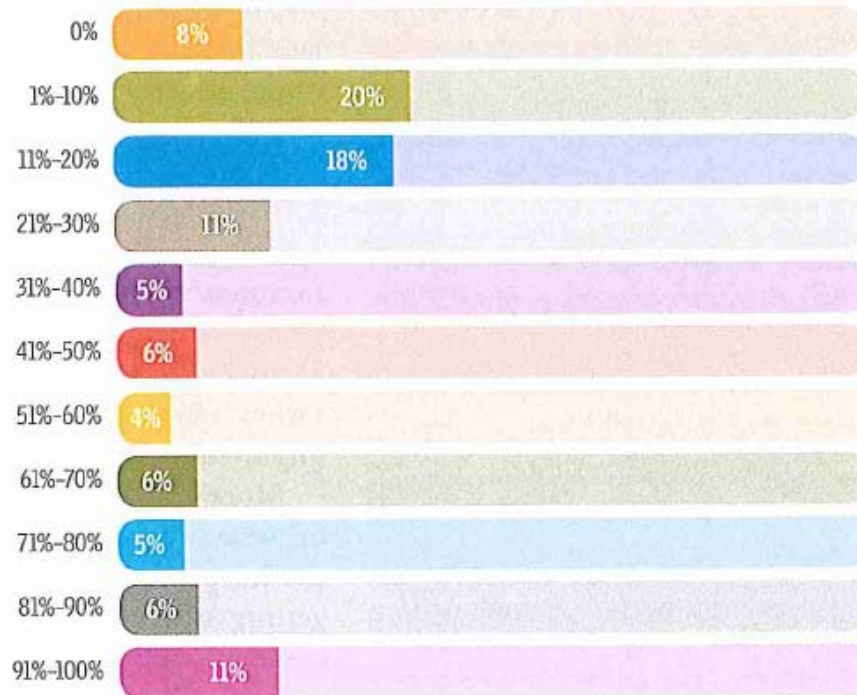
DOES YOUR HOSPITAL/SYSTEM ANTICIPATE THE PERCENTAGE OF EMPLOYED PHYSICIANS TO INCREASE, DECREASE, OR STAY THE SAME IN THE NEXT 12–36 MONTHS?
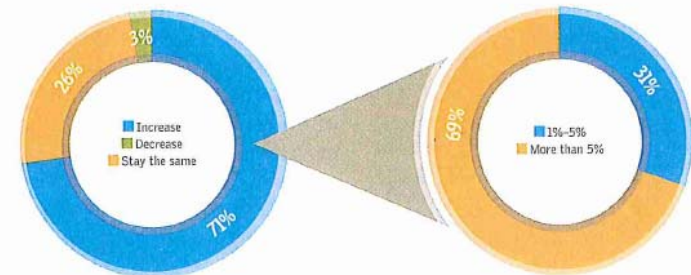
3%
26%
71%

- Increase
- Decrease
- Stay the same

INCREASE BY WHAT PERCENTAGE?

31%
69%

- 1%–5%
- More than 5%

www.healthleadersmedia.com

About This Survey. The *2012 HealthLeaders Media Physician Alignment Survey* was conducted by the HealthLeaders Media Intelligence Unit, powered by the HealthLeaders Media Council. It is part of a series of monthly Thought Leadership Studies. In June 2012, an online survey was sent to the HealthLeaders Media Council and select members of the HealthLeaders Media audience. A total of 279 completed surveys are included in the analysis. The margin of error for a sample size of 279 is +/-5.9% at the 95% confidence interval. A detailed report and analysis can be found online after September 11 at *www.healthleadersmedia.com/intelligence/*.

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PLEASE SELECT YOUR TOP FIVE PHYSICIAN RECRUITING TARGETS OVER THE NEXT THREE YEARS.

Specialty	Percent
Primary care	69%
Hospitalists	47%
Cardiology/cardiovascular	46%
General surgery	43%
Orthopedics	42%
Neuroscience/neurosurgery	37%
OB-GYN	20%
Gastroenterology	20%
Oncology	19%
Emergency medicine	19%
Pulmonary medicine	18%
Urology	14%
Pediatrics	10%

Multiresponse
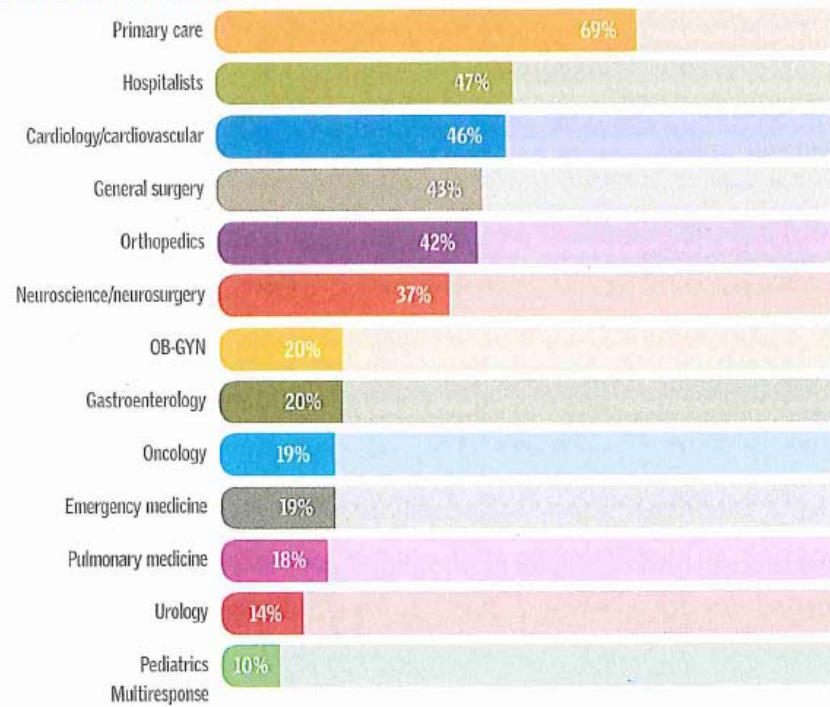
WHAT ARE THE TOP TWO MOTIVATORS THAT ARE DRIVING PHYSICIANS TO SEEK/ACCEPT EMPLOYMENT WITH YOUR HOSPITAL OR HEALTH SYSTEM?

Motivator	Percent
Declining reimbursement	62%
Stable compensation/income	52%
Escalating practice expenses	42%
Enhanced lifestyle	24%
Fear of patient loss due to payers assembling closed networks	9%

Multiresponse

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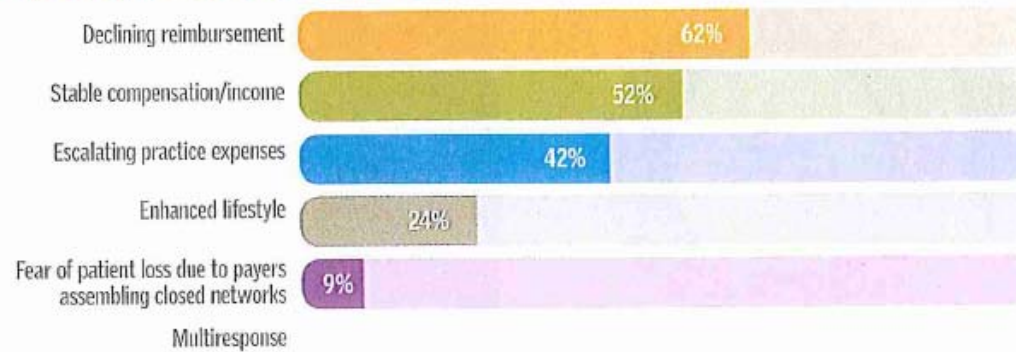
PLEASE SELECT THE TOP THREE THREATS TO YOUR HOSPITAL-PHYSICIAN ALIGNMENT STRATEGY.

- Physician shortage in key specialties — **61%**
- Expected reductions in reimbursement — **53%**
- Difficulty getting physicians to participate as leaders — **34%**
- Loss of medical staff to competitor hospitals — **33%**
- Demands for paid call coverage — **30%**
- Regulatory burdens — **27%**
- Competition from physician-owned outpatient organizations — **24%**
- Out-of-system referrals — **19%**
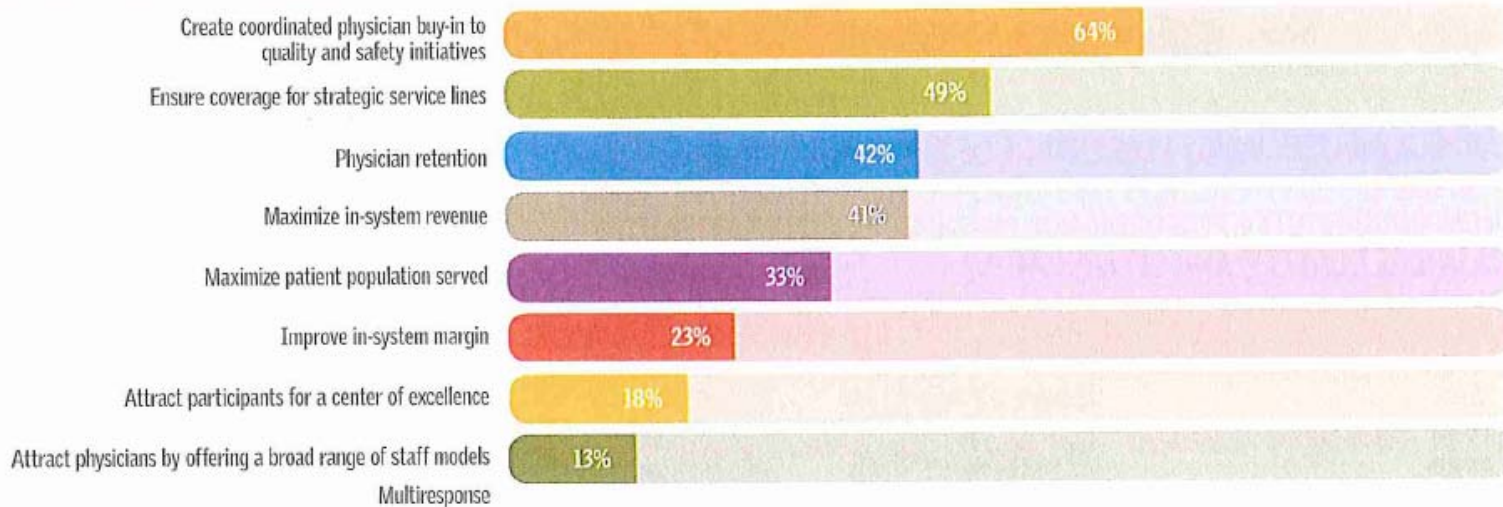- Physicians' requests for nonmonetary remuneration — **5%**

Multiresponse

PLEASE IDENTIFY THE TOP THREE OBJECTIVES OR MOTIVATIONS BEHIND YOUR ALIGNMENT STRATEGY FOR EMPLOYED PHYSICIANS.

- Create coordinated physician buy-in to quality and safety initiatives — **64%**
- Ensure coverage for strategic service lines — **49%**
- Physician retention — **42%**
- Maximize in-system revenue — **41%**
- Maximize patient population served — **33%**
- Improve in-system margin — **23%**
- Attract participants for a center of excellence — **18%**
- Attract physicians by offering a broad range of staff models — **13%**

Multiresponse

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Before embarking on a physician-integration strategy, hospitals and health systems should perform a detailed analysis of the following four critical areas to ensure that the strategy is competitive and sustainable:

> Strategic objectives
> Financial resources
> Requisite experience and functional capabilities
> Organizational structure, culture, and commitment

Typical Elements of a Practice Acquisition Package

A typical practice acquisition package will include the following:
> A three- to five-year term for the initial employment agreement
> An asset purchase agreement, specifically outlining assets to be purchased and those that will remain with the practice
> A custodial agreement between the practice and the health system for access and use of patient medical records post transaction
> A two- to three-year fixed compensation plan with productivity based on work relative-value units at the group or individual level and indexed to recalibrate
> Employment of practice support staff under the hospital or health system's wage and benefit plans
> Establishment of a practice advisory committee ("operating board") that gives physicians a voice in operations and strategy development
> Malpractice insurance provided by the health system with funding of tail coverage commonly provided as well
> Noncompete restrictions

Source: Kaufman, Hall & Associates, Inc.

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CATEGORIES OF EXPENDITURES IN A PHYSICIAN PRACTICE ACQUISITION

Expenditure Category	Typical Cost per Physician
Property, plant and equipment, workforce in place, medical records, etc.*	$80,000 to $100,000
Funding networking capital	$40,000 to $60,000
Transaction costs	$20,000 to $40,000
Facility and technology upgrades	$20,000 to $40,000
Capitalization of leases as debt†	$100,000 to $250,000
Capitalization of operating losses	Significant

* Workforce in place and medical records are two intangible assets that are booked as long-term assets on the balance sheet.
† According to the new GAAP requirements, operating leases need to be considered as debt.

Source: Summary of recent observed transactions by Kaufman, Hall & Associates, Inc.

System Integration & MD Engagement:

- Stage 1: Create Physician Buy-In
- Stage 2: Create & Communicate System Vision & Common Goals
- Stage 3: Build MD Confidence & Trust
- Stage 4: Create Performance Leadership Structure
- Stage 5: Use Measurement to Assess & Report MD Performance
- Stage 6: Develop & Train MDs
- Stage 7: Create a Physician Code of Conduct

S. Beeson

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For System Integration to Work:

- MDs must support and engage in a collaborative organizational culture

- MD behavior must be consistent with the vision and values of the organization

- MD and Administrative leadership must be tightly coupled moving in a unified direction

S. Beeson

Early Results on Integration?

ACPE recently surveyed its 11,000 physician leaders about what happens to health care costs when a group or practice is bought by a hospital or health system. Nearly 500 responded:

- Costs go up   32%
- Stay mostly the same   15.9%
- Costs go down   4.9%
- Not sure   12.5%
- Not applicable   34.7%

ACPE press release generated > 410 hits.

CNBC article… Dan Mangan (http://www.cnbc.com/id/100911258)

John Redding

4 pitfalls to clinical integration

> Assuming that EHR adoption is the cornerstone of successful integration

> Believing that knowledge of clinical integration initiatives will passively diffuse through the ranks

> Delaying the development of ambulatory services that support clinical integration

> Attaching too much weight to Federal Trade Commission/ Department of Justice approval of a clinical integration model

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Issues/Approaches for Sustainability

- Capital Requirements
- Impact on Financial Performance (aggregate/within practice/across enterprise)
- Implementation Risk
- Impact on Current Operations
- Impact on Clinical Delivery
- Staffing Requirements
- Contracting Obligations
- Ability to Cover Geographic Needs
- Ease of Replication

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Mayo Clinic Survey: Is It Accurate – In Your Organization

The extent to which participating physicians and administrative support staff understand the impact of clinical integration on their day-to-day activities is a strong predictor of the long-term success of the program.

Physician Integration Works – And Is Essential

Thank You For The Attention

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