

NEW BLOOD

Why Health Systems Need to Look in
New Places for Leadership Talent



Integrated Healthcare Strategies
ARTHUR J. GALLAGHER & CO.

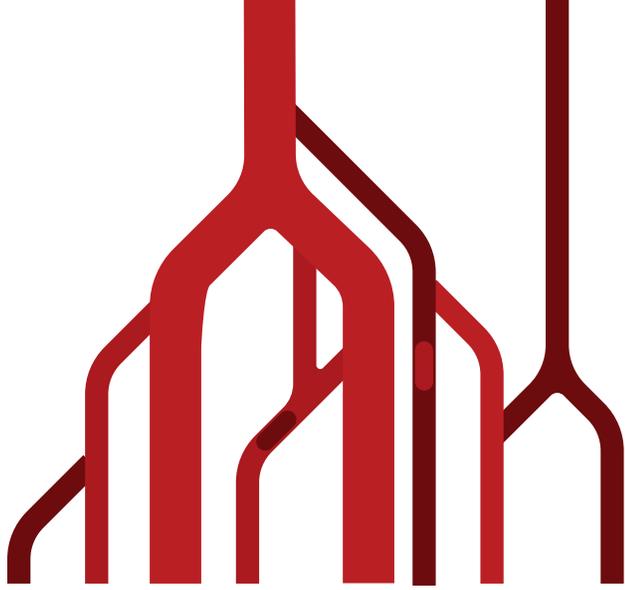


TABLE OF CONTENTS

- 3** Introduction
- 4** Why Traditional Doesn't Work
Two Types of Scenarios
- 5** Healthcare's Rapid Transformation
- 6** New Competency Models
- 7** Good Managers, Cautious Leaders
Adopting Best Practices
- 8** Tomorrow's Leadership Sources
- 9** The Need for Change
- 10** Real-Working Examples
- 11** Conclusion

Introduction

A Healthcare Idea That's Going to Make You Squeamish

Blood Trans·fu·sion

bləd tran(t)s'fyōōZHən | noun

“the transfer of blood or blood components from one person (the donor) into the bloodstream of another person (the recipient).”

As everyone in the healthcare industry knows, a blood transfusion can be a lifesaving medical maneuver, used to replace blood cells or blood products lost through bleeding. And though it is a fairly routine procedure, we in the healthcare industry sometimes get a little squeamish about injecting fresh, outside-the-box talent into the C-suites of our health systems.

We tend to prefer the comfort of what we know, and we therefore fill leadership positions with physicians and industry professionals who have worked within health systems their entire career. But all too often, it proves difficult for those who have been embroiled in the healthcare industry's challenges to offer the objectivity and fresh thinking needed for organizational success.

That's why health systems need to open themselves to recruiting leaders from outside healthcare. Because much like a blood transfusion, bringing in an outsider to offer fresh ways of thinking and different experience can stabilize your organization and even offer great opportunities to improve its long-term health.

False Positives

Why the Qualities of Traditional Healthcare Leaders No Longer Apply

Moving from volume-based to value-based reimbursement calls for an astonishing degree of change, especially in developing the capability for managing population health effectively. In its own way, so does learning how to compete successfully with retail and internet-based providers.

It would be easier for an outsider to lead those efforts than for an executive whose entire experience comes from volume-based operations fed by referrals from loyal physicians. Selecting an insider to lead these efforts typically results in relatively slow, incremental change. Someone with no ties to the past is more likely to design and implement the best approaches for the future.



It is more likely that someone with no ties to the past will design and implement the best approaches for the future.

Consider These Two Types of Scenarios



A Positives

BeWell Health System asked Bob to lead its clinical integration initiative. Bob, a vice president of nursing at BeWell's largest hospital, had proven to be a good manager, and CEO Amy thought Bob would do well leading clinical integration. His new job required him to lead efforts to get physicians and nurses to standardize care across the system, and to engage nursing and physician leaders in deciding how to optimize performance by organizing and managing service lines.

A Negatives

Bob's previous roles, however, had called for careful management of ongoing operations, not inventing new ways of organizing care. He was the wrong person for the role, and BeWell recognized that it needed to recruit either someone who had already had success in this role or someone who could envision the best ways to integrate.

B Positives

HopeWell Hospital asked Sue, its vice president of strategic planning, to lead its foray into Population Health Management (PHM). Sue had worked at HopeWell her entire career and had helped the hospital develop a dozen successful new programs, so CEO Chuck expected her to succeed in planning and developing the PHM initiatives and infrastructure.

B Negatives

Everything Sue had planned before had been focused on generating new revenue, not on managing cost. She had none of the financial expertise required for managing the risk involved in value-based contracts. She was the wrong person for the job, and after losing \$1,000,000 over three years, HopeWell recognized that it needed to recruit a new leader—someone who already knew how to manage the risks involved in health insurance, or someone who could envision the best way to do it well.



It's important to note that neither of these hypothetical examples represent candidates who are “bad” or even unqualified. Rather, the unique needs of each organization attempting to keep up with a transforming healthcare landscape necessitated a degree of lateral thinking that the leader's experience level did not allow them to offer. As health systems make the volume-to-value transition and begin offering services that appeal to today's consumer-minded patients, leaders with experience in this kind of thinking—even outside the realm of healthcare—may at times be better suited to take on the challenges ahead.

A Sudden Rush of Blood

The Rapid Transformation of Healthcare

Healthcare providers are facing the biggest changes they have seen in more than 50 years, when insurers first began demanding that providers become more cost-effective. Providers will now be paid for keeping patients *out* of the hospital and seeing that patients with chronic diseases take better care of themselves.

Consumers expect providers to meet their demands for timely, easy access to care, whenever and wherever they want it—and when they don't get it, they go elsewhere to get what they need. Health systems are either acquiring or developing managed care plans or deciding instead to partner with the health plans they have been scrapping with for years. Meanwhile, new competitors are disrupting the referral relationships hospitals have depended on for years.

Out for Blood: The New Competitors



Retailers



**App-based
national networks**



**Health systems from
neighboring regions**

Getting the Blood Pumping Why New Competency Models for Leaders Are Changing

Every manager is expected to manage change of at least one kind or another, but until recently, this has almost always meant incremental change by improving productivity, quality, or service; reducing costs; or expanding market share. Management jobs rarely require re-invention or wholesale replacement of previous ways of organizing and managing operations. But today's managers are quickly moving from low-pressure to high-pressure expectations, with greater urgency than ever before.

Leading the transformational changes demanded now requires exceptionally strong competencies in planning, leading, and executing change. Leaders of these efforts must be visionary. They need to:

- Bring teams together to reinvent new ways of organizing and delivering care and new ways of managing the cost of care.
- Lead people who don't report to them, by giving them a compelling vision and reason to change.
- Win support from people who are generally cautious, risk-averse, and accustomed to making their own decisions.

**For more about the top qualities
of healthcare's new leaders, visit:**

www.offscriptpath.com



In the Same Vein

Why Internal Talent Makes for Good Managers But Cautious Leaders

Hospital administrators have dramatically improved cost effectiveness and clinical quality over the past two decades. They have improved margins and productivity by cutting staff, reducing length of stay, and winning rate increases from payers and discounts from suppliers. They have improved quality by standardizing clinical practices. But this is all incremental improvement.

Few hospital executives have had much experience leading transformational change, because it has rarely been needed. Success has come from doing things better—not from doing better things. Given the clinical and financial risks of healthcare, managers have learned that success comes most readily from cautious, incremental change; conversely, they've learned that taking on risks unnecessarily invites failure.

Injection, Not Invention

Adopting Best Practices to Modify Models

What's called for today by transformation, clinical integration, and PHM is radical change—invention or reinvention of the modes for organizing, delivering, and managing care. Inventors are not necessarily smarter than everyone else, but they're more venturesome, less attached to the status quo, and less risk-averse. They identify opportunities to do something different, then seize the opportunity and transform it into a challenge. They thrive on doing something new, or doing something in a different way. Inventors are different from managers, and good managers are rarely inventors.

Some aspects of clinical integration and PHM don't need to be invented. Kaiser, Mayo, and Geisinger are already good at it. But hospitals and physicians have traditionally wanted to develop their own approaches, hoping they will do better with something homegrown rather than with something copied from elsewhere. After years of rejecting “best practices” as cookbook medicine “not invented here,” providers are beginning to change their ways of thinking; rather than inventing their own, they are instead choosing to inject successful practices from elsewhere into their own environment—and as a result, reinventing their practices in the process.

But because circumstances differ, and because cultures differ, many providers are trying to discover or invent their own best way to engage in PHM or to improve quality and cost effectiveness through clinical integration. They generally ask one of their executives rooted in the volume-based world to lead these efforts. Then they find that leaders in the volume-based world hold all the power and are reluctant to let one of their peers decide how to transform their organization.

Health systems learned years ago that hospital administrators don't usually make good medical practice managers. Now they are learning that hospital administrators don't always make good leaders for PHM and clinical integration.

Drawing Blood

Tomorrow's Healthcare Leaders Will Come From*



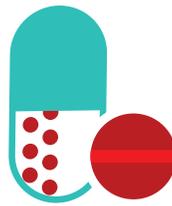
Finance



Hospitality



Investment



Pharmaceuticals

Based on a poll of 1,504 board members and human resource officers of provider organizations, *Black Book Rankings* estimated that two-thirds of new CEOs hired would have little to no healthcare experience and would come instead from general industry, bringing new perspectives on productivity improvement, business development, and technology. Respondents thought the best candidates might come from venture capital, banking, or technology. It also reported that 94% of CEOs without extensive healthcare background did not believe other leadership positions in their organizations needed healthcare expertise.

94

The percentage of CEOs without extensive healthcare backgrounds who believe other leadership positions in their organizations don't require healthcare expertise.

A *HealthLeaders Media* survey reported that healthcare executives named finance, hospitality, investment, and pharmaceuticals as the other industries from which the next generation of healthcare leaders would most likely be drawn.

*According to *HealthLeaders Media*

Hot-Blooded

Why Health Systems Need Creative Disruption, Inventiveness, and Entrepreneurial Change

Transformative change starts with a hot-blooded drive for creative disruption, not efforts to incrementally improve current processes. It requires inventiveness, eagerness to tackle new approaches, and the willingness to take risks. Many of today's healthcare executives who control operations don't pursue transformative change because it puts their own careers at risk. People who succeed at transformative change generally do so by persuading those who control operations that there is a better way to organize and deliver care, and that the old way is likely to fail long-term in an ever-changing industry.

Transformative Jobs For Transformative Change

The jobs in the best position to lead transformative change are the Chief Executive Officer, the Chief Information Officer or the Chief Medical Information Officer, or the Chief Medical Officer—especially if they have been recruited from elsewhere or if they have spent time in many different organizations, and are therefore not wedded to the organization's own ways of doing things.

The people asked to lead transformative change, however, are those charged with leading clinical integration, transformation, or PHM. Leaders charged with inventing new ways of organizing, delivering, and managing care, may enter into the role with no power base, no revenue, and only a tiny staff. Therefore, they must lead through influence and win support through collaboration.

Health systems embarking on transformation should consider bringing outside talent into some (at least one, but probably several) of these positions, rather than staffing them entirely with insiders from the volume-based world. It is much easier for an outsider to lead this kind of transformation, as they are expected to bring new approaches with them—or at least an eagerness to make a mark by trying something completely new.

One way to find outside talent is to draw from the organization's own board. Since many boards have CEOs from other industries—some close enough to retirement that they might be ready for a new career in community service—new CEOs frequently come from other industries already familiar with healthcare through their board service.

Still, it is almost as common to reach out to outsiders with no prior board service. One approach is to recruit someone from another industry—whether banking, retail, or consumer goods—who is bound to bring not only different expertise, but also entirely new ways of thinking about technology and customers and risk within the healthcare industry.

Another is to bring in a physician who has helped a large medical group learn how to manage care under capitation, or an executive from a health plan with expertise in mining data to identify the best ways of treating diseases or classes of patients. Yet another, of course, is to recruit an executive from a health system that is already led by physicians or already successful at managing the risks involved in capitation.

Proof Positive

Consider These Real World Examples

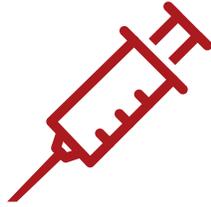
Two prominent organizations have hired bankers as their CEOs. Jackson Health System, Miami-Dade County's safety net hospital system, chose Carlos Migoya, a banker, after he spent a few years as Miami's city manager. Migoya managed to curtail losses and return the system to profitability, accomplishing what the previous two CEOs—veteran healthcare administrators—could not. Christ Hospital in Cincinnati chose Michael Keating, a long-service board member, attorney, and banking executive. Keating then brought in other outsiders to help the hospital through the transformation needed to prepare for PHM.

Three prominent children's hospitals recruited their CEOs from outside healthcare. Children's Hospital Medical Center in Cincinnati has twice selected one of its board members as its CEO, someone who had never before led a hospital. First James Anderson, a partner in a local law firm and previously an executive of a publicly traded firm; then Michael Fisher, who had been the CEO of a manufacturing firm. Anderson led the hospital to a position as one of the country's premier children's hospitals, and Fisher has reshaped the hospitals by expanding services and access—all while reducing costs to make the services more affordable.

Phoenix Children's Hospital hired Robert Meyer as CEO from a leadership position in a consulting firm. He was just named one of Phoenix's most admired CEOs for leading a dramatic turnaround, then doubling the size of the hospital and expanding its services. And Dayton Children's Hospital chose as its CEO Deborah Feldman, formerly the county administrator and a board member at virtually all the major community organizations in Dayton. Feldman is leading a dramatic revitalization and transformation of the hospital.

Conclusion

Don't Fear the Needle



It doesn't take a hematologist to understand the benefits of a blood transfusion in the right medical situation. And for the healthcare industry, there has never been a better time for an infusion of “new blood” to create the kind of transformational change needed for long-term organizational health.

While bringing in an outsider always entails risk of failure—whether for not fitting in, or for not having the needed competencies—promoting an insider from the volume-based world entails its own risks, and doesn't offer the advantage of bringing in new expertise and an entirely different way of thinking about technology and customers.

So close your eyes, breathe in, and get ready for change. This will only cause discomfort for a second.

Authors

DAVID A BJORK PhD
Managing Director & Senior Advisor
Total Compensation & Rewards

KATHY HALL
Managing Director & Practice Leader
Gallagher MSA Search



Integrated Healthcare Strategies
ARTHUR J. GALLAGHER & CO.