

# Medicine Plus Management

Cultivating physicians for leadership positions is a complex process with risks and rewards

By Deedra Hartung

**D**elivery system transformation, dwindling revenues and the demographic tsunami of aging Americans are challenging health care organizations to develop more accountable, quality-driven delivery systems. Organizations will need to transform leadership teams to encompass new skill sets. Some health systems even are developing a physician executive structure to add to the CEO's senior leadership team physicians who have in-depth knowledge of clinical practice and business management skills.

One key management skill physician leaders bring to an organization is an ability to facilitate open communication with physicians in the system. Mark Laney, M.D., CEO of Heartland Health, St. Joseph, Mo., says that when he was hired by the system, building relationships was key. "They really wanted to improve relationships with physicians as they looked at the future of health care and where it's going. If a leader had both a medical and business background that would be a good combination," he notes.

Evidence that physician leaders make a measurable impact on the quality of care delivered to patients is building. One preliminary study by the Institute for the Study of Labor notes that among top hospitals in the

United States, those that are physician-led tend to score higher on quality rankings.

Today, organizations see immense value in the contributions of physician leaders who can translate their passion for patient care from one-to-one relationships to an entire population.

Cultivating an executive team of strong leaders — including physicians — is a process that goes beyond recruiting and hiring. Among the most pressing of the challenges that physician executives encounter are: balancing administrative and clinical duties, developing business acumen and leadership skills, and adjusting to different compensation drivers.

## Balancing Act

Finding time to balance clinical and administrative responsibilities is a significant challenge. Boards, management and other team members should align their expectations. Just less than half of physician executives say that organizations require them to maintain clinical hours, but 68 percent continue clinical practice.

C-level physician leaders spend an average of 80 percent of their time on administrative duties. Some veterans make the weary observation that "the other 80 percent" is spent on clinical duties.

Howard R. Grant, M.D., president and CEO of Lahey Clinic, Burlington, Mass., believes in the importance of clinical credibility and advises physician leaders to maintain clinical practice as long as they feel the need. "It's not like riding a bicycle," Grant says of clinical practice. "Once you're away from it for a period of time, it's very, very difficult to go back."

Many experienced physician leaders emphasize that one size doesn't fit all situations, and the level of ongoing clinical practice should be driven by the physician's passion as well as the needs of the organization.

"It's important that physician leaders have clinical credibility, but what we might mean by clinical credibility will change related to the nature of the position," says David A. DiLoreto, M.D., executive vice president and chief medical officer of Presence Health, Chicago.

## The Business of Health Care

Postgraduate management degrees are becoming increasingly essential for physician leaders. A little less than half (42 percent) of today's physician executives hold some type of postgraduate degree. Among C-level executives, 37 percent specifically hold a master of business administration, medical management or health ad-

ministration, according to a 2011 American College of Physician Executives and Cejka Search survey.

Advanced business training is to business colleagues what clinical practice is to clinical colleagues. Robert W. Pryor, M.D., CEO of Scott & White Healthcare, Temple, Texas, can attest to this. "Physician executives cross both circles and having credibility in both camps is rather important," he says. "You can establish business credibility by getting the tools that you need to be conversant on the business side. Typically this 'tool' is a business degree," he says.

In fact, more and more universities now recognize the value of physicians who acquire important management skills. The Association of MD-MBA Programs reports that more than 50 universities in the United States now enable medical students to acquire a medical and business degree simultaneously.

### New Kind of Compensation

The transition from specialist to administrator changes the compensation profile for which the physician must prepare. A common expectation for physicians is that they will be making more money by adding a leadership position on top of their clinical compensation. Often, that is not the case.

How well a leader enables teams to achieve the organization's goals will be reflected in his or her compensation. At the C-level, a larger proportion of total compensation is in the bonus. Financial performance and the attainment of organizational performance goals can constitute up to 60 percent of bonus compensation.

That said, margin pressure, reduced volumes and public scrutiny in tough economic times all contribute to the impact on executive compensation. The double-digit growth in physician executive compensation reported in previous years dropped to single-digit growth in 2010. Not surprisingly, the slowdown in compensation most acutely affected high-ranking physician executives.

Traditionally, many executives understand and expect performance-based compensation packages. However, boards should recognize that physicians growing through the administrative ranks in their organization will require clear and effective communication about roles, goals and expectations. To ignite their passion for leadership, physicians must accept the risks, understand the rewards and share the vision.

### Focus Doesn't Change

Ultimately, the board and executive management must support the unique skills, professional focus and values of each leadership team member. "An effective physician executive keeps patients at the center of everything he or she does," says Susan L. Freeman, M.D., chief medical officer of Temple University Hospital, Philadelphia. "A physician leader never stops being an advocate for the patient, but gains the opportunity to expand his or her framework to become an advocate for all patients served by the organization." **T**

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## Putting the Pieces Together

Cultivating a cohesive leadership team with the skills and experience to succeed can be accomplished through the following steps:

**1 Hire well.** Look beyond résumé experience and focus on the track record for results in management, operations, technology, quality and financials. Importantly, don't overlook the importance of the right cultural fit for your organization.

**2 Set the standard.** Adopt a set of criteria or milestones for leadership advancement within your organization. Provide stepping stone opportunities in middle management, such as leading a project or committee. Also, determine whether a postgraduate management degree is required of C-level executives.

**3 Provide educational opportunities.** Partner with universities and professional institutes to offer customized postgraduate education. For time-strapped physician executives, tapping into local educational resources or a mini-MBA course can have a major impact.

**4 Mentors make a difference.** Foster leadership development through mentoring. Pair physicians who are interested in leadership with a business partner with whom they can work in tandem.

**5 Have an honest conversation.** It is important to acclimate physicians to new compensation models because leadership positions are based on different drivers than clinical positions. — D.H.