The Value of Physician Leadership

Peter B. Angood MD
President & Chief Executive Officer
American Association for Physician Leadership
“The acute care hospital is the most complex organization to lead and manage.”

Peter Drucker

**But Health Care Is Not Just Hospitals:**

- Unique Problems & Patient Variability
- Highly Complex Structures & Processes
- Multiple Metrics & Outcomes Measures
- Immature & Incomplete Evidence Base
- Loosely Knit Team Systems
- Variable Layers of Responsibility
- Unpredictable Workloads & Case Mix
- Work Hours, Fatigue & Variable Employee Support Systems
Changing Definition of “Hospital”

- More Integration Opportunities
  - M&A Activity
  - Physician Integration
  - Community Coordination
- More Risk Management
- Increased Accountability

R. Umbdenstock-Healthcare Executive Mar/Apr 2014 (pp.78-79)
Evolving Hospital Landscape: Trends

**TRENDS**

1. **Hospital Accountability**
2. **Reimbursement**
3. **Integration**
4. **Consolidation**
5. **Supply Chain Evolution**

**CONSIDERATIONS**

- Emergence of value-based care and contracting
- Regulatory reform and CMS pressure on margins
- Trend toward vertical integration (especially for value-based care)
- Drive to increase negotiating leverage
- Optimize to reduce costs, increase scale
- Cost control regulations
- Shifting methodologies (fee-for-service to value)
- Longitudinal care coordination

Trends driving population health management opportunity
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 & GENIE
53 Global Health Care CEO’s
Role of Academia in the Future of Health Care:

- Must 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

R. Herzlinger & GENIE
FSMB Updated Stats

- Nearly 900,000 licensed physicians in the US (280 physicians/100,000 population)
- Avg. age = 51yrs and ~76% are certified by an American Board
- 2/3 of physicians are still male but...

- Female licensed physicians increased in past 2 years by 8%
  - compared with only 2% of male physicians

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

- Actively licensed physician population grew faster in older population compared with younger groups
  - 11% increase those > 60 years vs. 1% increase 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. 
    \[JMR \ 2013;99(2):11-24.\]
Surge With Physician Employment

- ~75% increase in number of active physicians employed by hospitals since 2000
- Late 2010 - 74% of hospital leaders planned to increase physician employment within next 12 to 36 months.
  
  **MGMA Survey**

- Share of physician searches for hospital positions hit 64% in 2013
  - up from 45% year earlier & 19% five years ago
  
  **Merritt Hawkins**
Surge With Physician Employment

- 2001 to 2011, number of physicians & dentists employed by US hospitals grew by >40%

- Trend is accelerating - 3 in 10 physicians are now hospital employees
- 60% FP & Peds; 50% Surgeons; 25% Surg Spec are employed – not independent
Medscape: Employed Doctors Report
(~4600 Physicians in 2014)

Where Do Employed Doctors Work?

- Private solo: 1%
- Private group (single specialty): 13%
- Private group (multispecialty): 7%
- Group (single specialty) owned by hospital: 11%
- Group (multispecialty) owned by hospital: 13%
- Hospital: 25%
- Healthcare organization: 9%
- Outpatient clinic: 7%
- Academic, research, military, government: 9%
- Other: 3%
And Yet....

- ACA will rapidly expand the coverage by an additional 30+ 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 almost 130,000 during the next 10 years
Paradox

- Conflict between two perspectives that appear incapable of simultaneously existing at the same time...and yet they must.
- There are at least two apparent options or so-called polarities (contradiction, oxymoron, etc.)
- Effective management requires balancing the polarities over time

- Binary Choices vs. Simultaneous Management

R. JACOBSEN (2013)
American Association for Physician Leadership
By the Numbers:

- The oldest and largest educational organization solely dedicated to physician leadership
- 100K educated & currently with 11,000 physician members representing 45 countries
- 75 expert faculty across dozens of disciplines
- Approximately 100 physician leadership courses and several certificate programs
- 4 Master’s degree programs with more than 1,200 graduates (PhD in development)
- More than 2,200 physicians with board certification (Certified Physician Executive)
- >200 in-house leadership courses taught each year at hospitals and health systems
- More than 3,200 online courses sold annually
- 4 major live educational conferences per year
- More than 21,000 physicians have completed the popular Physician in Management series
9 Elements Essential for Patient-Centered Care

- Quality-centered
- Safe for all
- Streamlined and efficient
- Measurement-based
- Evidence-based
- Value-driven
- Innovative
- Fair and equitable
- Physician-led
So What Are We Hearing Out There??
Physician Leadership & Integration

The 5 Vowels for HCOs Are:
1. Acceptance of DOCs in Local Culture is Variable
2. Engagement is Complex
3. Integration is Pivotal
4. Opportunity for DOCs to Facilitate HCOs’ Learning
5. Uncertainty by DOCs on Future of Health Care

The 5 A’s for DOCs Are:
1. Awareness of Leadership Interests
2. Assessment of Potential and Charting a Course
3. Acquire Knowledge and Early Experiences
4. Adjust Course/Approach
5. Accentuate Leadership
What leadership skills do our recent attendees view as most critical?

- Communication
- Conflict resolution
- Negotiation
- Change management skills
- Motivating others
- Team-building ability
- Emotional intelligence
- Flexibility
Three ways to lead

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

- **Few**
  - **Institutional leader**
    - Clinician executive acting as steward of whole organization
    - Little direct contact with patients
  - Sources of power
    - Highly credible to colleagues as clinician and leader; able to communicate vision
  - Selected leadership skills and knowledge required
    - 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
  - Sources of power
    - Highly credible to colleagues, primarily as clinician; well connected, can tap into centers of excellence
    - Innovative, willing to take risks
  - Selected leadership skills and knowledge required
    - Fluent service-management skills—e.g., 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
  - Sources of power
    - Passionate about clinical work, credible to colleagues
    - Close to patients and frontline realities; can see opportunities for improvement
  - Selected leadership skills and knowledge required
    - Understanding of systems- and quality-improvement techniques—e.g., process mapping, operational improvement
    - Self-starter, able to work well in teams

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Health International 2009 Number 9
## Medicine vs. Leadership

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

- High
- Relative Skill Importance
- Low

Personal leadership skills
Management skills
Technical skills

Professional/Individual → Manager → Leadership
AAPL 16 Leadership Competencies

- Integrity
- Trust & Respect
- Humility
- Accountability
- Adaptability
- Judgment
- Motivates Others
- Leadership

- Strategic Perspective
- Critical Appraisal Skills
- Skillful Communication
- Develop Relationships
- Collaborative Function
- Conflict Management
- Business Knowledge
- Knowledge of Health Care Environment
HLA Leadership Competencies:

- Leadership
- Business Skills & Knowledge
- Communication & Relationship Management
- Professionalism
- Knowledge of Health Care Environment
The CPI 260® Assessment

- Published by CPP (of MBTI fame); first rendition in 1956

- Customized with the American Association for Physician Leadership in 2013

- Empirically derived and allows for fair comparison to other leaders and executives
The Feedback Report

Three “big picture” scales include:

- Externality vs Internality
- Norm favoring vs Norm questioning
- Level of satisfaction

- Move toward or draw back from others
- Need to enforce or resist constraints
- Living up to positive potential (or not)
Which conditions are necessary for each lifestyle to take the lead?

- **Implementer**
  - Sociable
  - Ambitious
  - Assertive
- **Supporter**
  - Insightful
  - Cautious
  - Attentive
- **Innovator**
  - Clever
  - Progressive
  - Insightful
- **Visualizer**
  - Pensive
  - Imaginative
  - Sensitive

Always seek ways to move toward the positive adjectives.
Competencies: Which Do You Value
## Physicians as Hospital Leaders

<table>
<thead>
<tr>
<th>Rank</th>
<th>Organization</th>
<th>State</th>
<th>Name of CEO/President</th>
<th>Physician?</th>
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<tbody>
<tr>
<td>1</td>
<td>Johns Hopkins Hospital</td>
<td>MD</td>
<td>Paul B. Rothman</td>
<td>Yes</td>
</tr>
<tr>
<td>2</td>
<td>Massachusetts General Hospital</td>
<td>MA</td>
<td>Peter Slavin</td>
<td>Yes</td>
</tr>
<tr>
<td>3</td>
<td>Mayo Clinic</td>
<td>MN</td>
<td>John H. Noseworthy</td>
<td>Yes</td>
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<tr>
<td>4</td>
<td>Cleveland Clinic</td>
<td>OH</td>
<td>Delos M. Cosgrove</td>
<td>Yes</td>
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<tr>
<td>5</td>
<td>UCLA Medical Center</td>
<td>CA</td>
<td>David T. Feinberg</td>
<td>Yes</td>
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<tr>
<td>6</td>
<td>Northwestern Memorial Hospital</td>
<td>IL</td>
<td>Dean M. Harrison</td>
<td>No</td>
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<tr>
<td>7</td>
<td>New York-Presbyterian University Hospital of Columbia and Cornell</td>
<td>NY</td>
<td>Steven J. Corwin</td>
<td>Yes</td>
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<tr>
<td>8</td>
<td>UCSF Medical Center</td>
<td>CA</td>
<td>Mark R. Laret</td>
<td>No</td>
</tr>
<tr>
<td>9</td>
<td>Brigham and Women's Hospital</td>
<td>MA</td>
<td>Elizabeth G. Nabel</td>
<td>Yes</td>
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<tr>
<td>10</td>
<td>UPMC-University of Pittsburgh Medical Center</td>
<td>PA</td>
<td>Jeffrey A. Romoff</td>
<td>No</td>
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<tr>
<td>11</td>
<td>Hospital of the University of Pennsylvania</td>
<td>PA</td>
<td>Ralph W. Muller</td>
<td>No</td>
</tr>
<tr>
<td>12</td>
<td>Duke University Medical Center</td>
<td>NC</td>
<td>Victor J. Dzau</td>
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<td>13</td>
<td>Cedars-Sinai Medical Center</td>
<td>CA</td>
<td>Thomas M. Priselac</td>
<td>No</td>
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<tr>
<td>14</td>
<td>NYU Langone Medical Center</td>
<td>NY</td>
<td>Robert I. Grossman</td>
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<tr>
<td>15</td>
<td>Barnes-Jewish Hospital/Washington University</td>
<td>MI</td>
<td>Richard Liekweg</td>
<td>No</td>
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<tr>
<td>16</td>
<td>IU Health Academic Center</td>
<td>IN</td>
<td>Dan Evans</td>
<td>No</td>
</tr>
<tr>
<td>17</td>
<td>Thomas Jefferson University Hospital</td>
<td>PA</td>
<td>Stephen K. Klasko</td>
<td>Yes</td>
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<tr>
<td>18</td>
<td>University Hospitals Case Medical Center</td>
<td>OH</td>
<td>Thomas F. Zenty III</td>
<td>No</td>
</tr>
</tbody>
</table>
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 care operational issues
- Unwilling to compromise quality/safety/labor for profit
- Finance as a means not an end
- Aligning differing values (RNs, PHAs, DOCs, 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)
Physicians as Hospital Leaders

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

  (2009 - Academic Medicine)

- Overall hospital quality scores 25% higher 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)
Kaiser Health News Article

- 161/260 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 more for each patient during the fiscal year that runs through September
- Meanwhile, the average hospital not run by doctors is losing 0.30 percent per Medicare patient.
ACOs – MSSP (CMS: 1/30/14)

- 367 groups of providers formed ACOs
- 5.3 million Medicare patients serviced (1 in 8)
- 115,000 US doctors involved in some way
  - (LEAVITT PARTNERS)
- First class of ACOs saved $380 million
- Of 114 ACOs in the program, 54 ACOs saved money and 29 saved enough to receive bonus.
- 21 of 29 successful ACOs with received bonuses were physician-led.
\[ V = \frac{Q}{C} + A + E \]

1. Academic Medical Centers
2. Aligned Integrated Systems
3. Multi-Hospital Systems
4. Rural Hospitals
5. Stand-Alone Hospitals
Leading in the Yellow Box

- Population/Global Payment
- Payment Methodologies
- Individual/Discount
- Fee For Service

Care Delivery:
- Encounter
- Episode/Lifetime

Transition:
- Market Relevance
- Global Adoption
- Today

Value
Range of Value-Based Payment Models

Provider Risk Level:
- Low: Quality Bonus, Gain Share, Risk Share
- High: Bundled Payment, Global Capitation

Provider Types:
- Independent Physician Groups
- Network of Physician Groups
- Integrated Delivery Networks

- PCMHs
- Specialty Pay P4P (Other VBCs)
- Provider Risk Pool Model
- ACOs
- Hospital P4P (Other VBCs)
- Bundles (Other VBCs)

Expected Evolution for Successful ACOs

www.physicianleaders.org
3 Major Options for DOC Employment

1. Large Independent Medical Group
2. Private Insurance Company
3. Hospital or Health Care System

For Success With #3:
- Vision
- Data
- Fair Trade
- Competitive Compensation
- Professional Collegiality
- Branding and Marketing
- Physician Leadership

(P. Keckley)
Medscape: Employed Doctors Report
(~4600 Physicians in 2014)

How Are Employed Physicians Paid?

- Straight salary: 46%
- Base salary plus productivity targets/Formula only: 33%
- Base salary plus productivity targets/Formula plus bonus ladder: 13%
- Other: 8%
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 recalculate
- 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.
**Paradox of Fee-4-Service with VBP & Bundled Payment Strategies**

- **Median loss $176,463 for employing DOCs in 2012 (MGMA 2013)**

### Categories of Expenditures in a Physician Practice Acquisition

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

* 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.
ACPE recently surveyed its physician leader membership 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%
RAND/AMA Study - Implications

1. Physician practices need a knowledge base and resources for internal improvement

2. Paying attention to professional satisfaction may improve patient care and health system sustainability

3. Predictability and perceived fairness of physician incomes will affect professional satisfaction

4. Better EHR usability should be an industrywide priority and precondition for EHR certification

5. Reducing the cumulative burden of rules and regulations may improve professional satisfaction

http://www.rand.org/content/dam/rand/pubs/research_reports/RR400/RR439/RAND_RR439.pdf
Partnering & Collaborating with Physicians

- Individuals
- Health Care Organizations
- Professional Medical Societies
- Medical Educational Oversight Bodies
- Non-Physician Professional Organizations
- Multi-Professional Consortia
Physician Leadership Works – And, Is Essential!

Thank You For The Attention

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