

THE IMPERATIVE FOR MEDICAL LEADERSHIP

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Your hospital is at a crossroads. In an era where CEOs must begin to focus on quality initiatives, pay for performance, and clinical service line development, there is a dearth of physician leaders at most of our nation's hospitals. Hospitals are increasingly being evaluated based on their ability to demonstrate quality. But how can this be done without effective physician leadership? In our view, the alignment between senior management and physician leaders has never been more critical; for the first time, the clinical quality and economic imperatives of healthcare are becoming inextricably linked.

A number of highly renowned healthcare organizations, including the Mayo Clinic and the Cleveland Clinic, have hardwired physician leadership and leadership development into their cultures. These organizations represent closed systems borne out of physician group practices. But how and why should CEOs with open medical staff structures create a more meaningful role for physicians in hospital leadership? There is no simple and painless solution. A CEO's commitment to embracing the concept of integrated physician leadership is a cultural event that will fundamentally change the organization. Furthermore, it will be a courageous move for CEOs, because they will have to share decision-making power. But we believe that CEOs who embrace physician

involvement in management will experience huge gains in physician satisfaction and medical staff engagement, and in the long run, will enjoy improved financial performance.

Why is Medical Leadership Important Now?

Quality of Care

Interest in healthcare error reduction and quality improvement has skyrocketed since the publication of the Institute of Medicine's (IOM's) *To Err is Human* in 1999 and *Crossing the Quality Chasm* in 2001. Movements such as IHI's 100k Lives Campaign and the Leapfrog Group's Quality and Safety Practices are placing increased

pressures on hospitals to improve quality processes and performance.

The key processes that drive high-quality care will require consent and cooperation from your doctors. IOM pointed out that care based on training and individual experience—rather than on evidence—is a leading cause of errors. Physicians often resist the changes required to achieve best practices, so any expectations of significant gains in this area without physicians leading the charge are without merit.

Pay for Performance

The era of measurable clinical performance for both hospitals and physicians is here, and there is real money at stake in pay-for-performance initiatives. For Medicare, CMS’s Premier Hospital Quality Incentive Demonstration rewards top-performing hospitals according to performance in evidence-based quality measures for

patients with AMI, heart failure, pneumonia, CABG procedures, and hip/knee replacements. On the commercial side, many health plans have rolled out performance measurement and payment schemes, with many more to follow. Employers are designing benefit plans to channel patients to higher-performing institutions, such as Boeing waiving co-payments for Leapfrog-compliant hospitals.

Service Line Success

Many CEOs who speak of service line successes acknowledge the requirement of physician champions and the importance of ceding true clinical and operational power to these individuals. Despite this obvious finding, few CEOs are involved in searching for or developing physician leaders, and many of our clients find it frustrating to cultivate signature programs. From a different perspective, many of our academic health system clients have

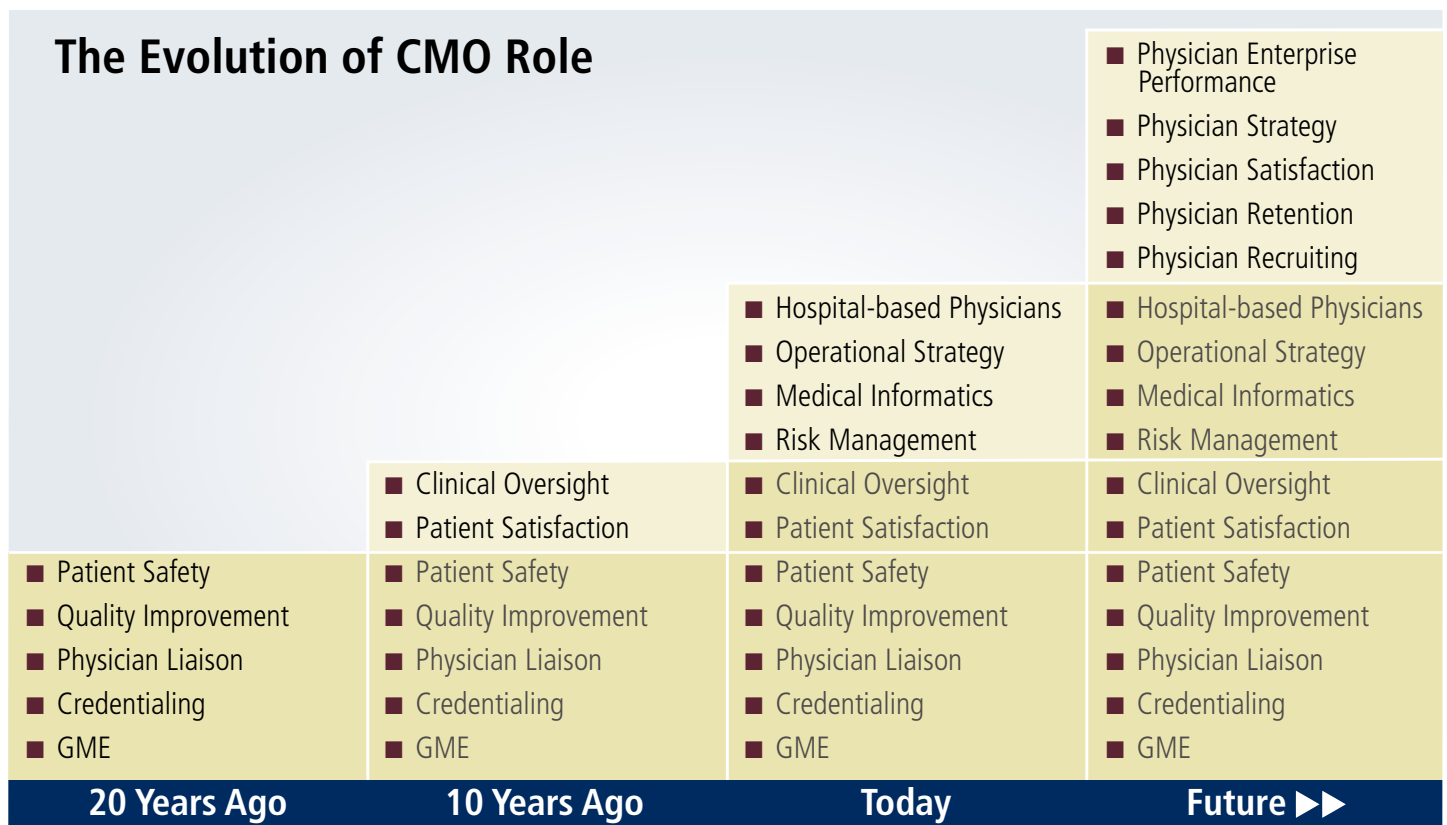
built distinguished clinical programs, owing in large part to the power and vision of department chairs.

How Do You Build Medical Leadership?

In designing physician leadership structures, it is critical to ensure that physician’s roles are understood, responsibilities and reporting relationships are clear, and for employed physicians, variable compensation is linked to organizational objectives.

Physician Advisory Councils

Physician advisory councils that are built to vet critical management decisions have proved to be an effective vehicle for obtaining physician input and enhancing communication. The key to making these “kitchen cabinets” work is to develop a formal committee, with physician leaders and senior management, that has regular meetings



and meaningful agendas. It is not enough to say you value physicians' input; you have to prove it by seeking their advice prior to acting on important decisions and potentially reconsidering choices that go against the grain of your physician advisors.

Service Line Management Teams

Service line management teams with physician leadership can bring about clinical and operational changes that make for significantly greater efficiency. They are effective at enhancing quality and improving the work lives of physicians and other clinical workers. These structures are typically seen in key strategic service areas such as cardiology and oncology (see the cardiology management case study), but can also be developed for other strategic areas of importance, such as GME. In our experience, those on the forefront of this type of physician involvement have had impressive service line financial performance and remarkable physician, staff, and patient satisfaction scores.

Chief Medical Officers

One obvious method for elevating physician leadership in your hospital is to include a chief medical officer (CMO) or equivalent position on the executive team. The traditional role of a CMO has evolved to be an integral part of executive management teams, more likely to spend time with the CEO than with the medical staff office. The CMO generally has specific duties related to the management, direction, and evaluation of quality initiatives and clinical affairs, but increasingly is involved with strategic planning and relationships with critical physician groups. More forward-looking systems have added physician recruitment and retention to this list of responsibilities. Academic medical leadership structures generally include a full-time CMO, in the form of a vice president of medical

affairs, and a host of full-time clinical chairs and section chiefs.

Medical Directorships

Many hospitals employ paid medical directorships to help extend the reach of their CMOs and ensure access to the specific clinical expertise needed for various departments. There is a tendency, however, to afford these physicians a level of autonomy not normally given to other members of the management team, and it is not unusual for these positions to be undermanaged and, therefore, ineffective. If you are going to pay a physician for management, you should hold that person accountable for results, just as you would any other manager, with formal objectives and ongoing performance evaluations.

What about the formal medical staff?

It seems long ago that medical staff leadership positions were seen as an honor and a sign of respect from one's peers. In many hospitals, these positions are now occupied by the unfortunate physician who was out of the room when the sparsely attended elections were held. In fact, as much energy is often expended keeping issues away from the medical staff rather than working with the physicians through this mechanism. To address this, explore an integrated physician leadership structure that combines the focus, dedication, and accountability of medical directorships with the political legitimacy of the medical staff. These types of structures, though, require both the medical staff and the hospital to cede some control over selection, and are therefore fraught with political risks and defensive behaviors. But in the long term, it is easy to imagine more innovative structures like this becoming common.

Best Practices in Physician Leadership

- Physician advisory committees
- Service Line management teams with physician leadership
- Focused medical directorships
- Full-time CMO
- Integrated medical staff/medical directorship structure
- Formal training and education program for emerging physician leaders

Assessing your medical leadership structure is important to ensure that physician leaders understand the requirements and expectations of their job and that the structure is designed to meet the hospital's needs. In fact, we are often asked to help design job descriptions for these elected positions, and in some cases, develop variable compensation plans aimed at aligning physician leaders' activities with organizational goals.

Developing a System to Create Physician Leaders

For MemorialCare, a five-hospital system based in Long Beach, California, physician leadership is a basic tenet of the organization's structure and operations. Twenty to 30 physicians are enrolled annually in a year-long leadership program, exposing them to a variety of clinical and business management principles and practices. To this end, the program has faculty

(including the hospital CEOs) and personnel (best practices director, IT support staff, etc.) to give physicians the necessary access to best clinical practice approaches and innovative management techniques. Their leadership development has paid off: MemorialCare now has several graduates in positions of significant influence in the governance and operations of the MemorialCare medical centers.

Many organizations send their future physician leaders to university-based executive leadership programs at prominent business schools. Alternatively, you could work with a local or regional business/healthcare administration school to develop a

specialized education program to instruct physicians in critical topics such as healthcare strategy, financial decision making, operational management, governance, and teamwork. While education is an investment, it can demonstrate a significant return by developing leaders and showing a true commitment to your medical staff.

Outlook

Jack Welch, the legendary CEO of General Electric, believed that identifying and cultivating leaders was his perpetual responsibility and a major factor in GE's success. Every year he would identify several "up and comers" and would then train them and put

them in ever more important leadership roles. For him it was a fundamental business concept. And so we ask, why wouldn't this same concept apply to hospitals, and more so to the physicians who are so fundamental to clinical quality and financial performance?

It is easy to see a future that will demand tight alignment of physician and hospital interests, but getting there is the hard part. The challenge for CEOs is to first acknowledge the growing dependence on physician leadership and then invest in the structure needed for it to happen. In short, if you create ongoing opportunities for physicians to be part of the solution, you have laid the groundwork for improved performance.

About ECG

ECG Management Consultants, Inc., is a national firm that provides a broad range of strategic, operational, management, and IT-related consulting services to healthcare providers. Our 50 consultants have worked with many of the nation's leading health systems, hospitals, academic medical centers, and physician group practices.

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