

Hiring, Supporting and Incentivizing Department Chiefs in Today's Dynamic Environment

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Outline



- Dynamic environment
- Alignment and leadership have never been more important
- Recruiting for leadership
- Structures to support and incentivize Chiefs/Chairs
- Developing additional skill sets

Dynamic environment



Six major trends buffeting US MDs

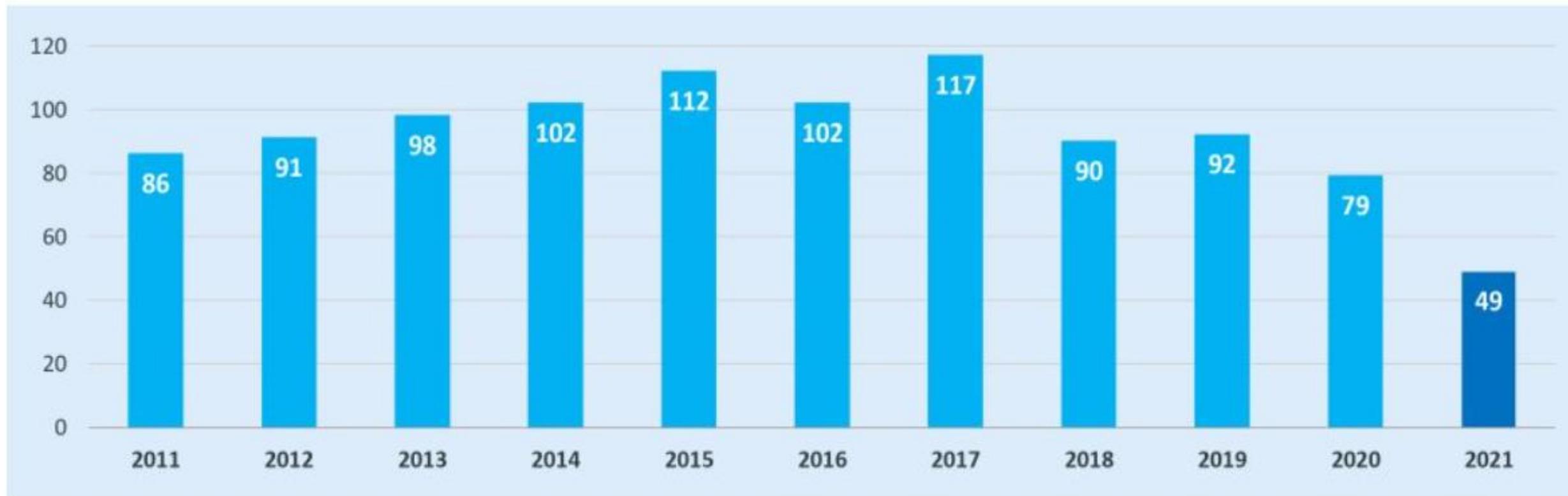


- Consolidation of markets
 - Cost pressures that put mission at risk
 - New entrants
 - Move to risk contracting
 - Workforce crisis
 - Disconnect between market value of MD services vs. what conventional payment structures pay
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- All lead to increased MD employment and larger clinical services

Hospital mergers and the rise of the mega merger

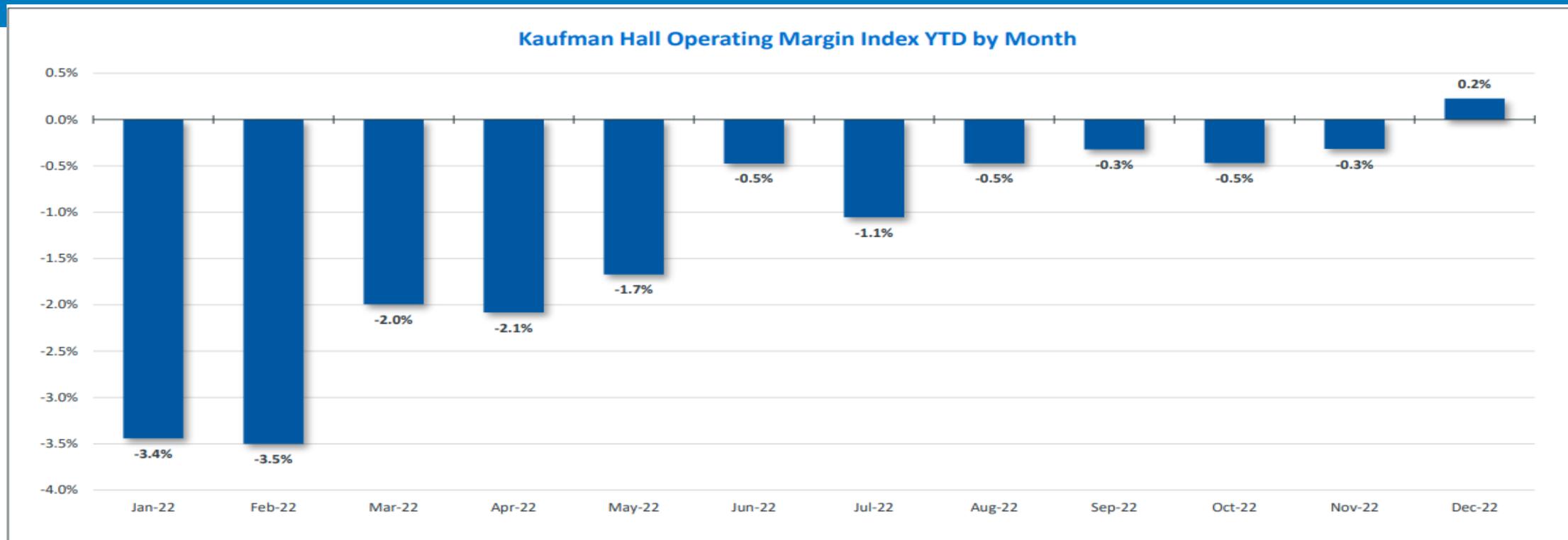


Figure 1: Number of Announced Transactions, 2011 - 2021



Source: Kaufman, Hall & Associates, LLC

Hospital Crisis



Kaufman Hall, National Hospital Flash Report (January 2023)

<https://www.kaufmanhall.com/insights/research-report/national-hospital-flash-report-january-2023>

- **Expenses significantly elevated from pre-pandemic levels.** Labor expenses projected to increase by \$86 billion, while non-labor expenses are projected to increase by \$49 billion.
- Competitive labor market and greater reliance on expensive contract labor to meet staffing drove expenses that outpaced volume increases
- Approximately half of U.S. hospitals finished the year with a negative margin

New Entrants

- CVS and United Health Group employ 100,000K MDs/1M in US

amazon clinic

General health

Sexual health

Skin and hair

Prescription renewals

Help / FAQ

Sign in

Find a treatment

Healthcare is a message away

Get treatment for common health concerns at your convenience—no appointments or video calls required.

Find a treatment

Trending now

UTI

Pink eye

ED

Sinusitis

Eyelash growth



No appointment needed

Start a visit quickly and discreetly, whenever works best for you.

Personalized treatment

Your clinician will review your symptoms and prescribe treatment.

US-licensed clinicians

We work with qualified doctors and nurse practitioners.

Your health data is secure

All of your information is protected by our practices and by law.

Changing Payment models

The *breadth* of contract incentives and the *depth* of incentives (use of downside risk, whether or not there are caps on risk) influence organizational decision making

As of 2018, only one-third of ACOs have an ACO payment contract with downside risk.

Payment Trends 2012-2020

	2012	2014	2016	2018	2020
Fee-for-service					
Yes	89.4%	85.9%	83.6%	87.0%	88.1%
No	5.3%	5.2%	5.8%	6.6%	6.1%
Don't know	5.3%	9.0%	10.6%	6.4%	5.7%
Pay-for-performance					
Yes	29.4%	32.7%	35.7%	42.3%	44.5%
No	57.2%	50.5%	44.3%	42.6%	41.5%
Don't know	13.4%	16.8%	20.1%	15.0%	13.9%
Capitation					
Yes	21.7%	26.1%	25.1%	23.9%	23.8%
No	66.9%	57.8%	55.2%	60.0%	59.9%
Don't know	11.5%	16.1%	19.6%	16.1%	16.3%
Bundled payments					
Yes	32.0%	34.5%	34.8%	36.2%	40.1%
No	54.9%	46.6%	44.4%	47.7%	44.0%
Don't know	13.1%	18.9%	24.6%	16.1%	16.0%
Shared savings					
Yes	8.3%	13.6%	16.7%	18.9%	21.5%
No	70.7%	59.1%	53.5%	57.3%	53.8%
Don't know	21.1%	27.3%	29.8%	23.8%	24.7%

Source: Author's analysis of AMA 2012, 2014, 2016, 2018, and 2020 Physician Practice Benchmark Surveys. See Appendix Table 2 for t-tests.

Workforce Crisis



In 2019, WHO projected health care workforce crisis by 2030

It's here now

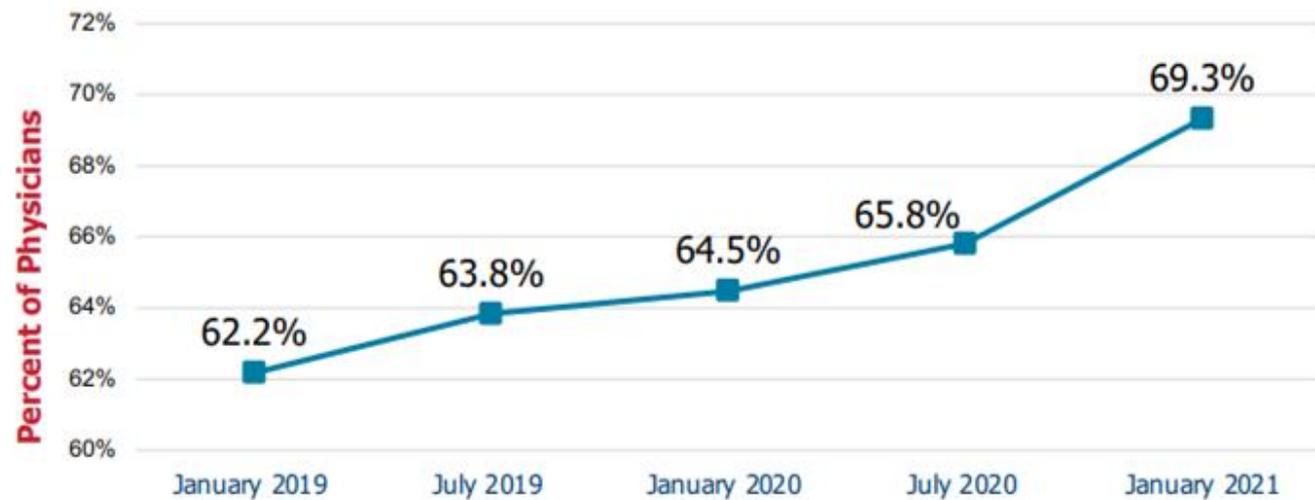
if US trends continue, more than 6.5 million healthcare professionals will permanently leave their positions by 2026, while only 1.9 million will step in to replace them, leaving a national shortage of > 4 million workers

Projected Physician Shortages by 2034

Specialty Area	Shortage Range
Primary Care (e.g. family medicine, general pediatrics, geriatric medicine)	Between 17,800 and 48,000 physicians
Nonprimary care specialties	Between 21,000 and 77,100 physicians
– Surgical specialties (e.g. general surgery, obstetrics and gynecology, orthopedic surgery)	– Between 15,800 and 30,200 physicians
– Medical specialties (e.g. cardiology, oncology, infectious diseases, pulmonology)	– Between 3,800 and 13,400 physicians
– Other specialties (e.g. anesthesiology, neurology, emergency medicine, addiction medicine)	– Between 10,300 and 35,600 physicians

Physician employment trends

PERCENT OF U.S. PHYSICIANS EMPLOYED BY HOSPITALS OR CORPORATE ENTITIES IN 2019-20



- **69%** of physicians were hospital or corporate-employed by January 2021
- Over the two-year study period, the percentage of employed physicians **grew by 12%**

From 2018-2021, 108,700 additional physicians left independent practice and became employees; 83,000 (76%) of that growth occurred after the onset of Covid-19.

By the end of 2021, 74% of physicians were employed by hospitals, health systems or corporate entities such as private equity firms or health insurers. In 2012; 60% were independent

- 52.1% employed by hospitals and health systems
- 21.8% employed by other corporate entities

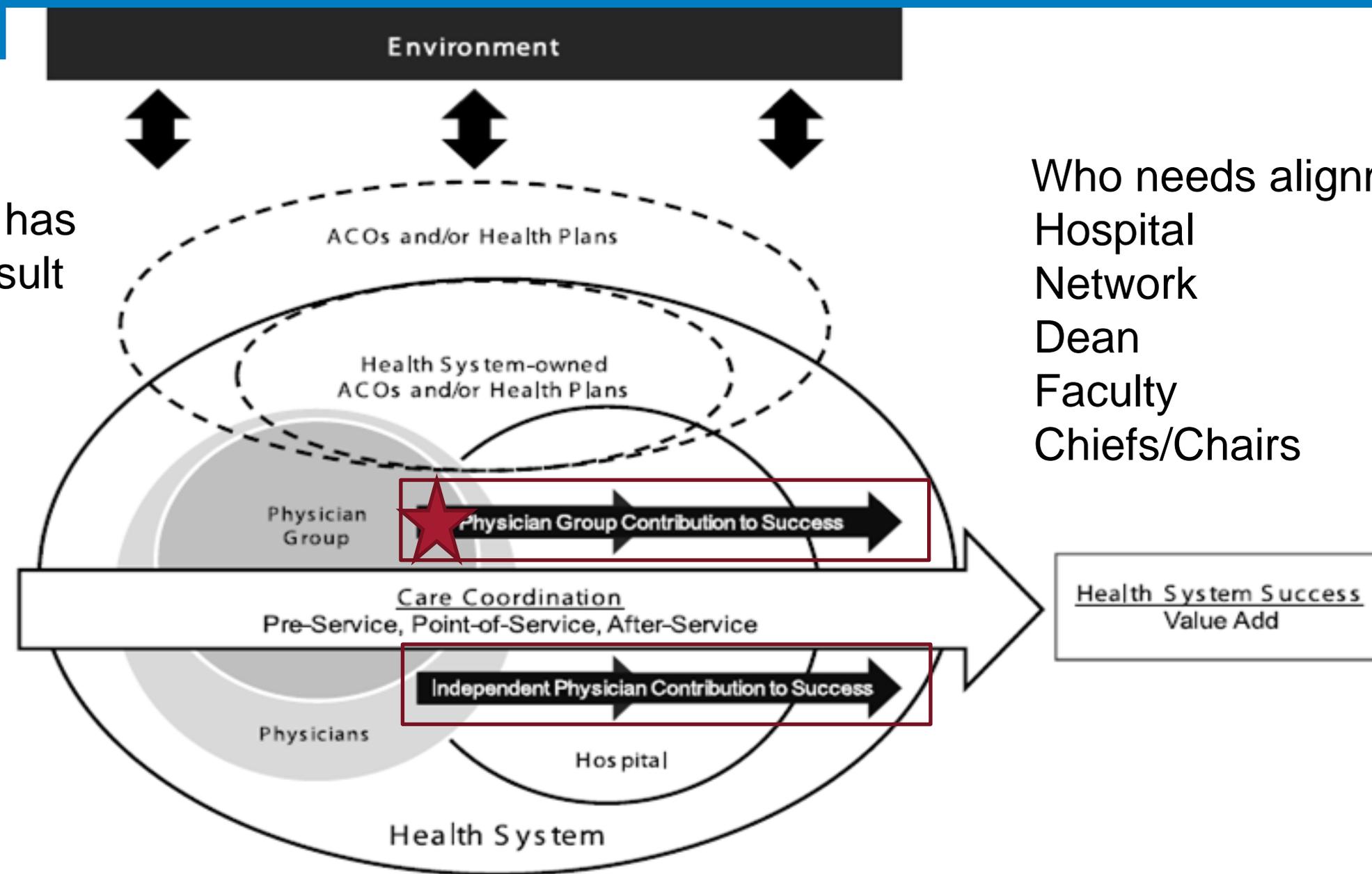
Why?

- Scope and scale matter
- Value-based plan coverage
- Network competition
- Capital expenses
- Current value proposition of owning a practice

Model of physician-system integration



Chiefs/Chair job has changed as a result



Who needs alignment?
Hospital
Network
Dean
Faculty
Chiefs/Chairs

Alignment and leadership have never been more important



Employment ≠ Alignment

Best model will be situation
and culture dependent

Six strategies can strengthen health system-physician alignment



01.

Know your
partners



02.

Put physicians
in charge



03.

Support
data-driven
decisions



04.

Make it worth
their while



05.

Be transparent



06.

Provide the
tools for
success

The role of the Chief/Chair has changed dramatically

- Decades ago, leaders were responsible for small departments, overseeing the research, clinical and educational mission
- Universities feared fiscal risk of AMCS in the 90's
- Then they turned to them for fiscal expansion
- Chiefs/Chairs today may have less authority and new responsibilities: expanded clinical enterprise, population health/value delivery, network operations
- May compete with other MD groups in new ways

Medical school positions in dermatology are up by 650%

In 1970, there were
202 full-time
faculty positions.



In 2019, there
were **1,519**.

Heightened tensions that Chiefs today manage

- Burnout and exhaustion
- New expectations of leadership
- Centralization vs Autonomy
 - Rise of Unions
- Customization vs Standardization
- Efficiency versus Redistribution of Tasks

Effective MD leadership is essential

- MDs make great leaders because they bring clinical perspective and mission driven decision-making
- Chiefs/Chairs are often under-consulted and under-utilized for enterprise-wide activities
- Physicians-led organizations are more cohesive and do better
- Doctors who work for physician-led organizations are happier, suffer less burnout, and are less likely to leave the practice of medicine
- McKinsey [study](#) showed that 26% of physicians who joined a practice or health system expressed interest in returning to self-employment.
- Bain Consulting recently [reported](#) that physicians in corporate-owned groups gave an NPS of only 6 points, compared to scores of 40 points from those at physician-led practices.

Core skills for MD leaders



- Synthesize information
- Change management
- Understand the difference between consensus culture versus collaborative culture
- Be big picture - but sometimes really granular
- Financial literacy
- Willingness to collaborate in an environment with less autonomy
- Strategic Thinking
- Stewardship of Culture

Recruiting for Chief/Chair leadership



High Levels of Leadership turnover in the industry



- Retirements post COVID
- Aging workforce – average MD age = 53.2
- Average age Chiefs = 60 years old, average age at appointment = 52
- New generation of Millennial leaders emerging
 - and they will be managing Gen Z

Generations and defining moments

Traditionalists

Baby Boomers

Generation X

Millennials

Generation Z

1922-1946

1946-1964

1965-1980

1981-1997

1998-Present

Great Depression

Civil Rights
Movement

First personal
computers

AIDS

Columbine

World War II

Vietnam War

Terrorism at the
Munich Olympics

Challenger
disaster

September 11

Pearl Harbor

Cold War

Fall of Berlin Wall

Gulf War

Iraq War

D-Day

Moon landing

Oklahoma City
Bombing

COVID

Generations and characteristics (although should never over-generalize)

Traditionalists

Baby Boomers

Generation X

Millennials

Gen Z

Loyal

Optimistic

Independent

Group-oriented

Cautious

Cautious

Self-focused

Skeptical

Global

Serious

Formal

Competitive

Tech pioneers

Tech-dependent

Technologically advanced

Proud

Forever young

Autonomy

More diverse

Entrepreneurial

Strong work ethic

Meaning in work

Goal oriented

Meaningful work

Question authority

Less hierarchical

Strong social needs

Diverse

Typical Leadership pathways for MDs



- Departmental Leadership
- Corporate Leadership entry
- Consulting background
- Advance degrees: skills, credential, and contacts

Recruiting Leaders: Develop Internal Candidates

--Successful leadership pipeline requires development

--Internal candidates seem preferred right now – known and already know the landscape – and may have expectations already aligned

- **Provide opportunity for leadership learning (encouraging roles on specialty society boards, internal committees, internal leadership programs that also develop networks**
- **Current leaders need to delegate to develop experience base**
- **Post all internal opportunities to encourage development of diverse candidates**

Leaders: Recruiting from Outside

**Ideally bring news skills,
experience and perspective**

**Search firms vs Search
Committees**

- **Good committee chairs can work networks very effectively but need administrative back up**
- **Train committee in search process best practice (implicit bias etc)**
- **Zoom helps with timing but can disadvantage some candidates**

Structures to support and incentivize Chiefs/Chairs and Developing Skill Sets



Tools



- Compensation Plans
- Department Incentives
- Leadership Incentives
- Shared Governance
- Process
- Community and Academic Physician Governance
- Communication

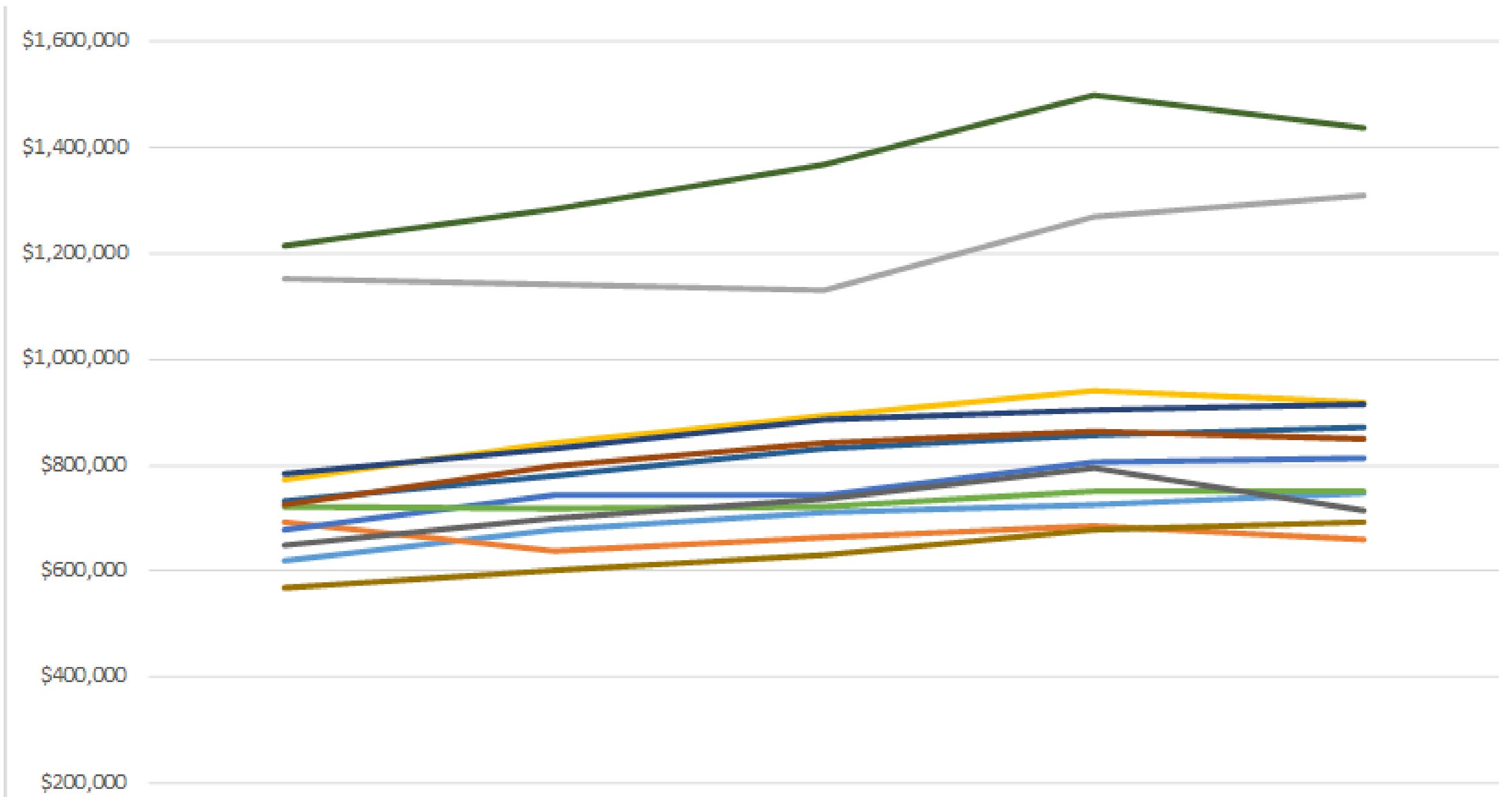
Compensation



Generally based on

- Performance
- Risk/Reward
- Scope of responsibilities
- Management training and Experience

Chief Compensation Trends (AAMC 75ile) 2015-2020



Compensation Plan Spectrum – Pros and Cons



**Solely
benchmark**
(intrinsic, servant
leaders)

Incentives that are
almost always
paid out or
qualitative



**Granular points
system**
(extrinsic)

- Consider rewarding department instead of Chief
- Alignment and Transparency are critical: Make sure that people who report to chief are incentivized for the same goals; if, for example, chief is driving for an outcome that they benefit from financially, it may cause a rift with vice chairs, if they don't

Leaders: How to Support & Incentivize

Give them the skills they might still need to succeed

Often today included up front in package

Two biggest gaps:

Finance vocabulary

-not that complicated

Managing disruptive personnel

-no one ever thinks they broke up too soon

Coaching can be helpful

Corporate Finance Course

MBA

ELAM

Harvard Chiefs Course

Strategic Planning Process

Public Speaking

Give them access to the professionals they need

Make sure they know how to access and use the HR, financial, administrative professionals you have available. They do not need to go it alone

Don't underestimate communication skill building

- In person presence
- Newsletters
- Specialized Newsletters
- Crisis communications
- Video



Can Chiefs continue clinical practice or research?



- Depends on specialty
- Adds credibility
- Adds insight
- Reinforces mission
- Life-long career satisfaction

Help them transition to leadership perspective

- Process is critical
- Understand role as an exemplar
- Authenticity and integrity
- People may over interpret what leaders say
- People expect leaders to stay calm
- Endurance matters – leaders get burned out too



COVID's Lasting Impact

Everyone was exposed to a traumatic experience - especially those of us in the healthcare field.

Learners lost learning time and experience.

Expectations may have changed - priorities may have shifted.

Conclusions



- Physician Leadership has never been more important
- Sometimes difficult for consolidated entities to recognize
- New demands for Chiefs/Chairs mean that they may need to develop new skills
- Being deliberate about developing, choosing, and supporting leadership can make all the difference