

# 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

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Dynamic environment



# Six major trends buffeting US MDs

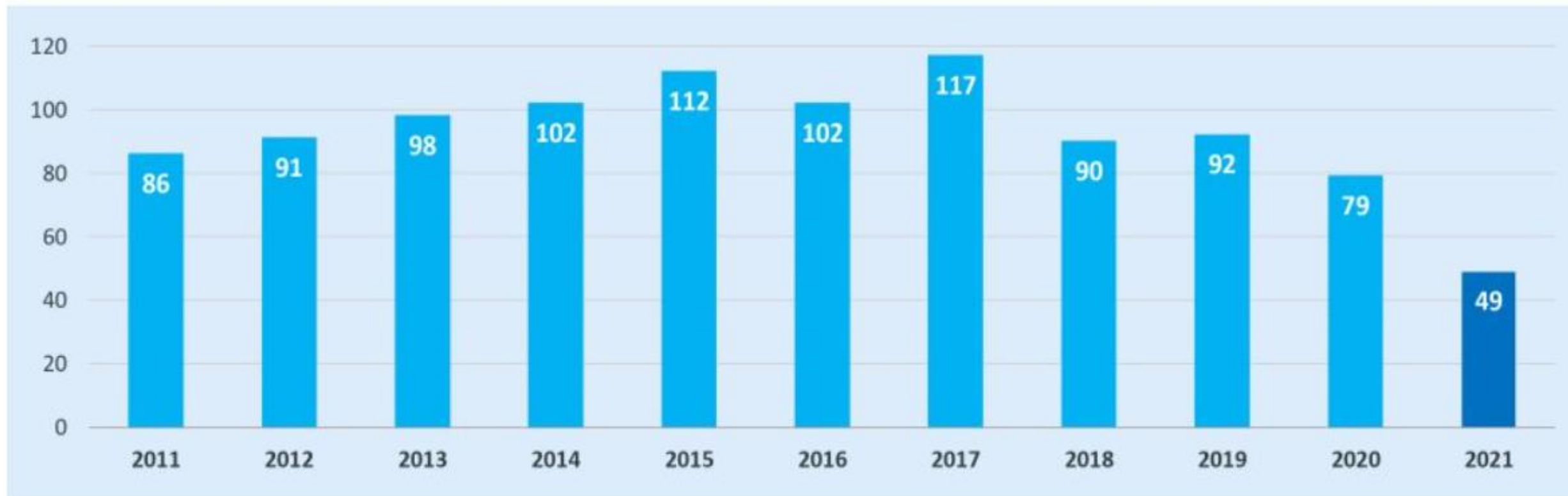


- Consolidation of markets
  - Cost pressures that put mission at risk
  - New entrants
  - Move to risk contracting
  - Workforce crisis
  - Disconnect between market value of MD services vs. what conventional payment structures pay
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- All lead to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

# Hospital mergers and the rise of the mega merger

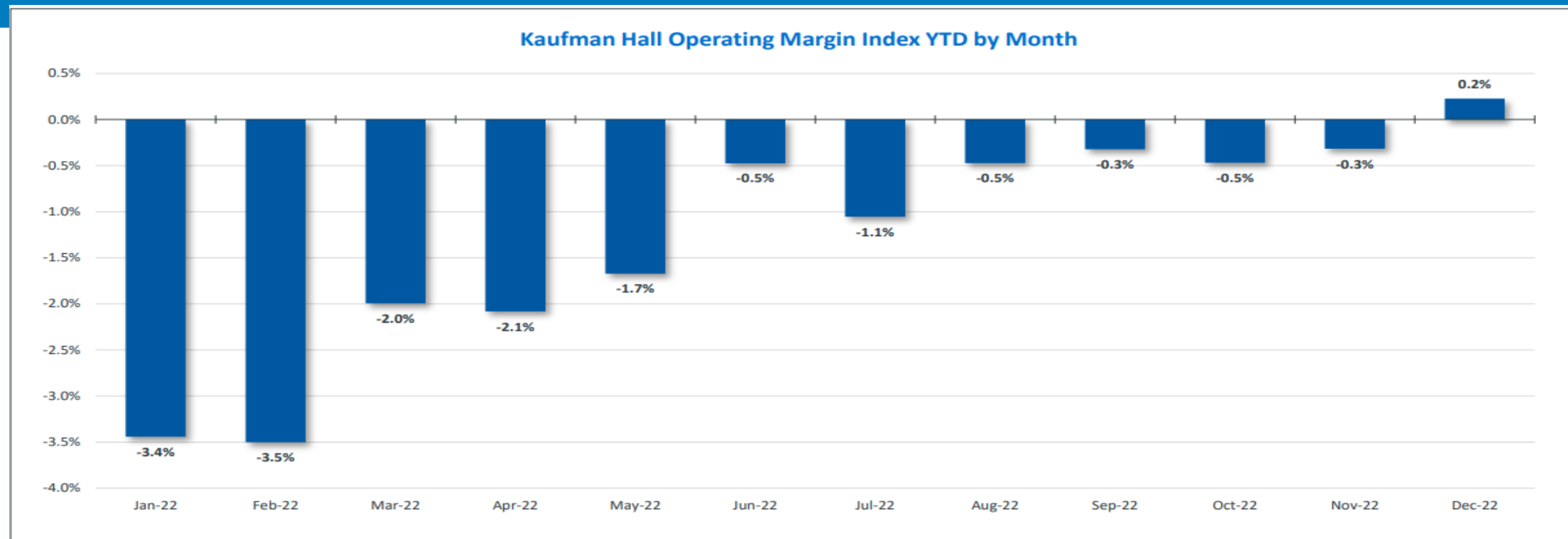


Figure 1: Number of Announced Transactions, 2011 – 2021



Source: Kaufman, Hall & Associates, LLC

# Hospital Crisis



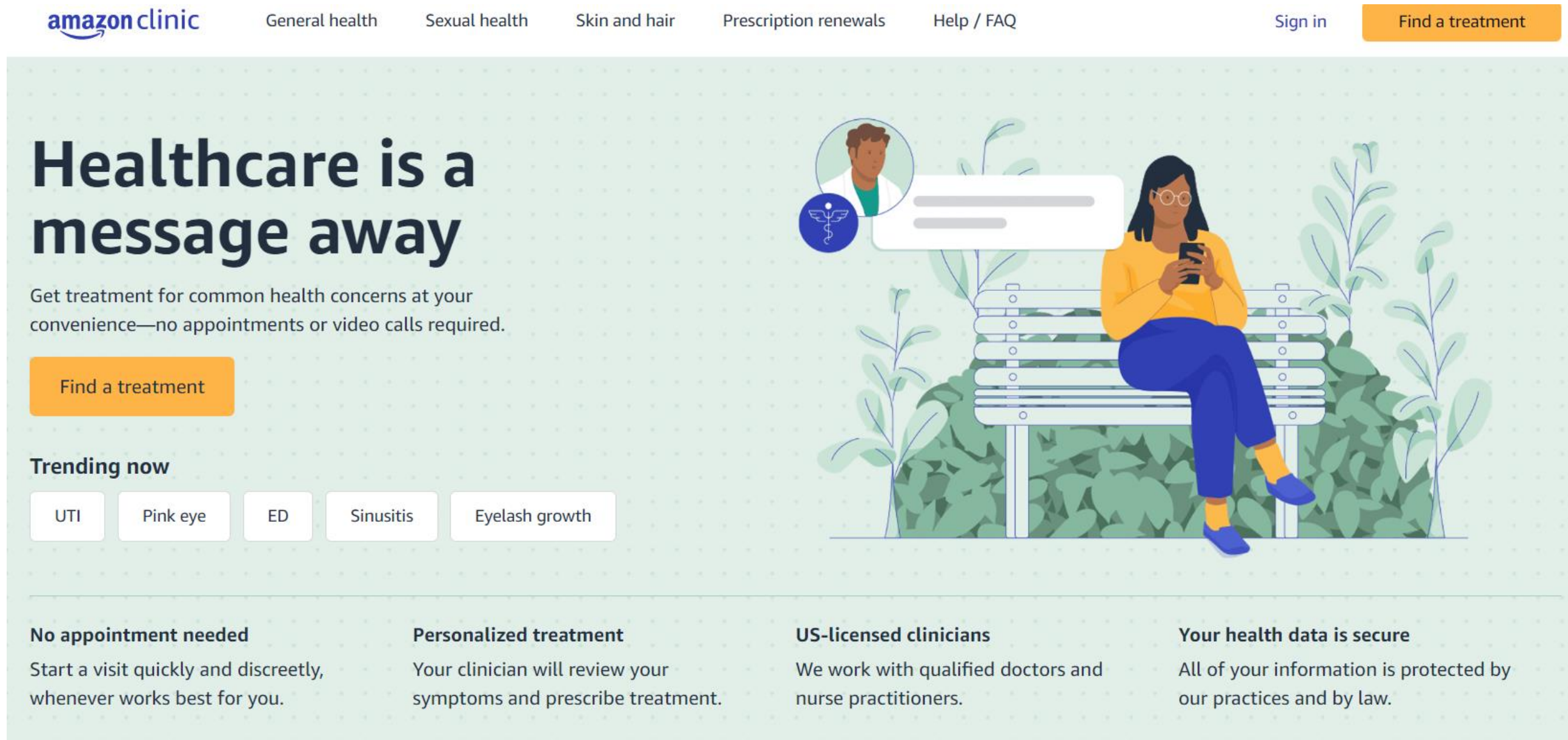
Kaufman Hall, National Hospital Flash Report (January 2023)

<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



The image shows the top portion of the Amazon Clinic website. At the top is a blue navigation bar with the Amazon Clinic logo and links for General health, Sexual health, Skin and hair, Prescription renewals, and Help / FAQ. On the right of the navigation bar are links for Sign in and Find a treatment. Below the navigation bar is a large hero section with a light green background. On the left, the headline 'Healthcare is a message away' is displayed in large, bold, dark blue text. Below the headline is a sub-headline: 'Get treatment for common health concerns at your convenience—no appointments or video calls required.' An orange button labeled 'Find a treatment' is positioned below the sub-headline. To the right of the text is an illustration of a woman with dark hair and glasses, wearing a yellow sweater and blue pants, sitting on a white park bench and looking at her smartphone. To her left is a circular inset showing a male doctor in a white coat, with a speech bubble containing two horizontal lines next to him. Below the hero section, there is a 'Trending now' section with five buttons: UTI, Pink eye, ED, Sinusitis, and Eyelash growth. At the bottom of the page, there are four columns of text, each with a bold heading and a descriptive sentence.

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
<b>Fee-for-service</b>					
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%
<b>Pay-for-performance</b>					
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%
<b>Capitation</b>					
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%
<b>Bundled payments</b>					
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%
<b>Shared savings</b>					
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

[www.oracle.com/human-capital-management/healthcare-workforce-shortage/](http://www.oracle.com/human-capital-management/healthcare-workforce-shortage/)

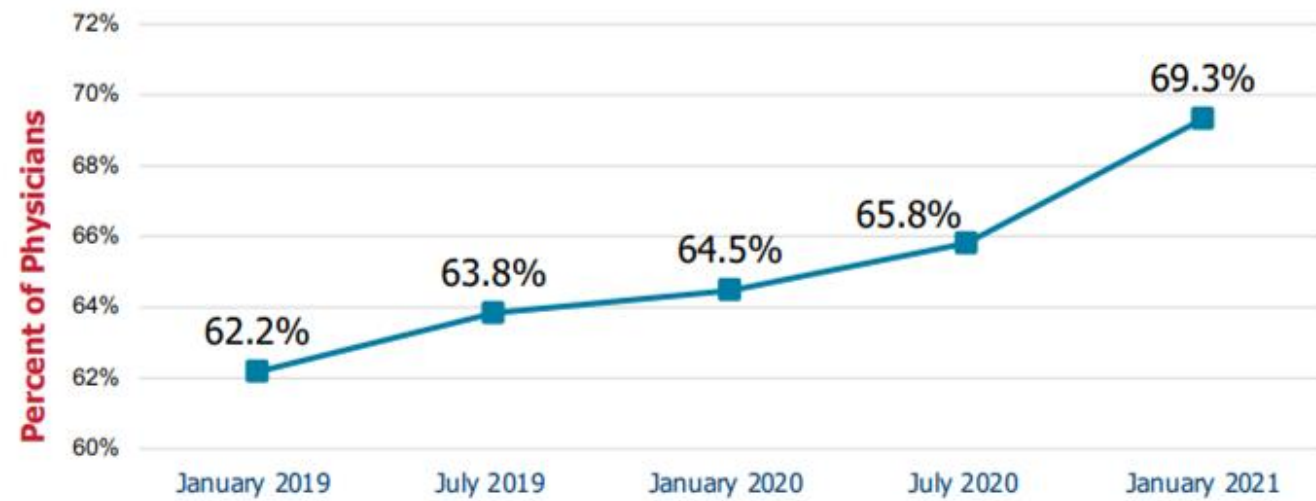
## Projected Physician Shortages by 2034

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

<https://www.aamc.org/news-insights/press-releases/aamc-report-reinforces-mounting-physician-shortage>

# 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

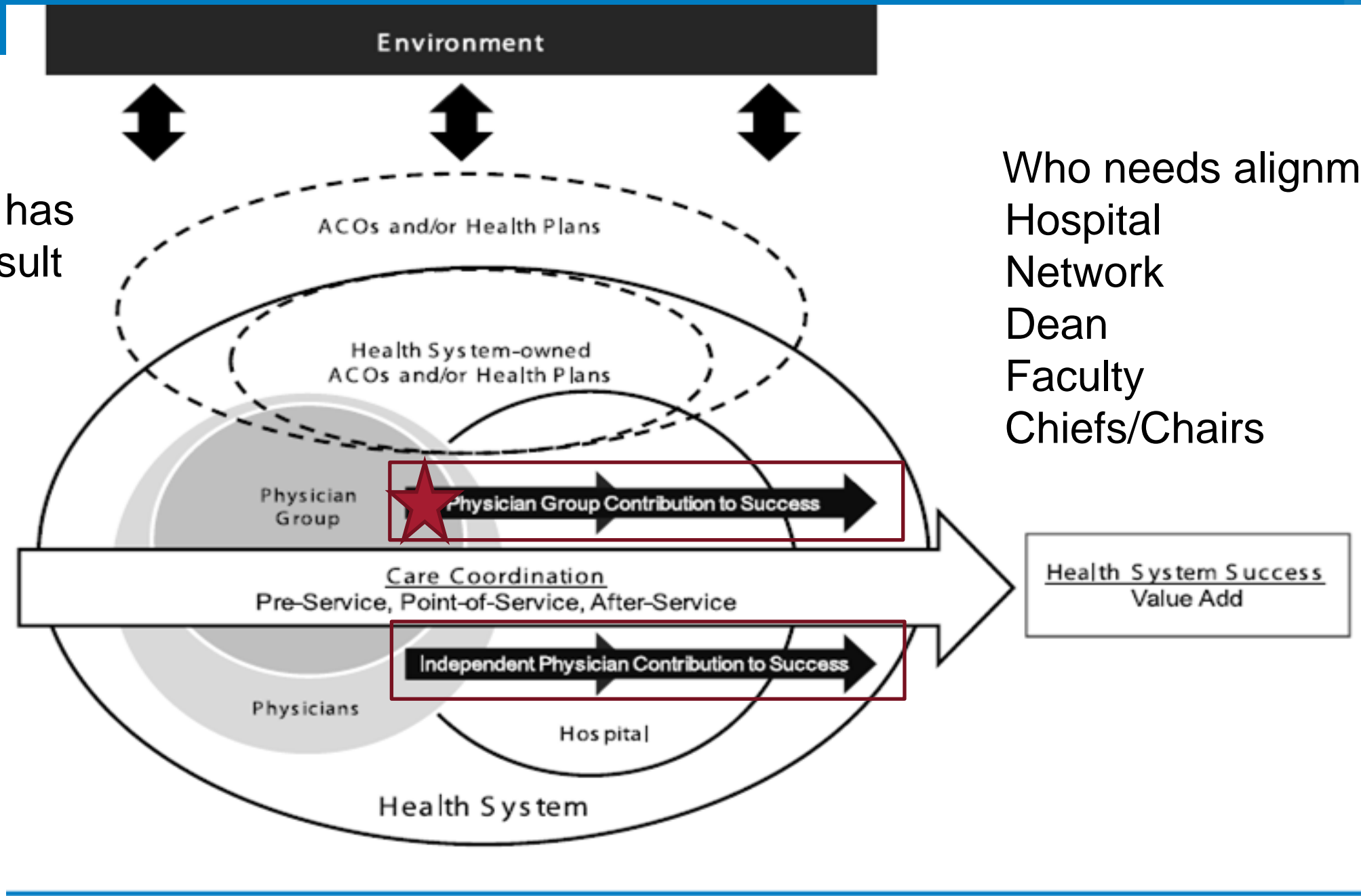
- 52.1% employed by hospitals and health systems
- 21.8% employed by other corporate entities

## 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

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# Employment $\neq$ 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

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# 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

1922-1946

Great Depression

World War II

Pearl Harbor

D-Day

Baby Boomers

1946-1964

Civil Rights  
Movement

Vietnam War

Cold War

Moon landing

Generation X

1965-1980

First personal  
computers

Terrorism at the  
Munich Olympics

Fall of Berlin Wall

Millennials

1981-1997

AIDS

Challenger  
disaster

Gulf War

Oklahoma City  
Bombing

Generation Z

1998-Present

Columbine

September 11

Iraq War

COVID



# Generations and characteristics

(although should never over-generalize)

Traditionalists	Baby Boomers	Generation X	Millennials	Gen Z
Loyal  Cautious  Formal  Proud	Optimistic	Independent	Group-oriented	Cautious
	Self-focused	Skeptical	Global	Serious
	Competitive	Tech pioneers	Tech-dependent	Technologically advanced
	Forever young	Autonomy	More diverse Goal oriented Meaningful work Question authority Less hierarchical Strong social needs	Entrepreneurial
	Strong work ethic	Meaning in work		Diverse
	Clear instructions			

# 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

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# Tools



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



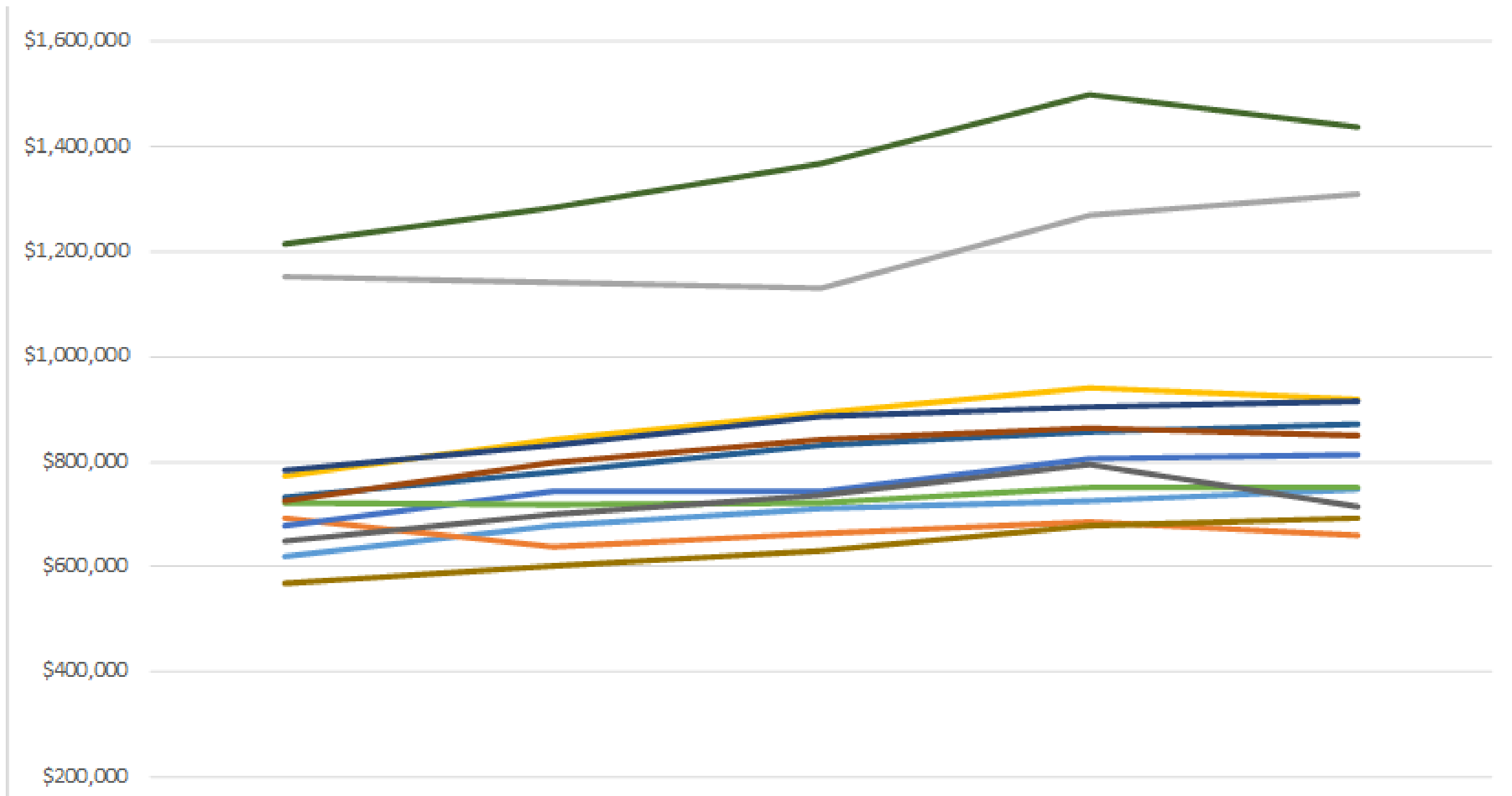
# Compensation



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**

## Leaders: How to Support & Incentivize

**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