The Evolving Healthcare C-Suite:

Trends, Predictions and Strategic Advice

A Report from InveniasPartners
Healthcare Executive Search, Assessment and Talent Management
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A Letter from Curt Lucas
President and CEO, InveniasPartners

Healthcare C-Suites and Boards Confront a New Landscape

The healthcare C-Suite faces unprecedented change brought about by healthcare reform, accountable care, increased consolidation and the economic realities of declining Medicare reimbursement, deteriorated payer mix and pressures to contain costs.

Shifts in the healthcare landscape call for a new brand of healthcare leaders. Healthcare organizations (HCOs), including hospitals, health systems, and payers, increasingly seek out executives from industries as diverse as insurance, e-commerce, technology, retail and consumer products.

There’s little doubt that healthcare C-Suites and boards will need skills, competencies and knowledge as listed below:

- Innovator
- Change leader
- Risk taker
- People mobilizer
- Transformer
- Communicator
- Collaborator

Developed by InveniasPartners, a Chicago-based healthcare executive search, talent management and assessment firm with six offices across the United States, this report documents the challenges faced by healthcare C-Suite and board members. I would like to personally thank the following executives featured in this report:
Barry Ostrowsky, President and CEO, Barnabas Health, West Orange, New Jersey
Deborah Proctor, President and CEO, St. Joseph Health, Irvine, California
Joel T. Allison, FACHE, President and CEO, Baylor Scott & White Health, Dallas, Texas
John J. Finan, Jr., President and CEO, Franciscan Missionaries of Our Lady Health System, Baton Rouge, Louisiana and Board Member, Mercy Health, St. Louis, Missouri
Victor V. Buzachero, Corporate Senior Vice President for Innovation, Human Resources and Performance Management, Scripps Health, San Diego, California

I would also like to thank the many others who provided insightful thoughts and opinions for our report. They include the following individuals:

Donna Katen-Bahensky, former President & CEO, University of Wisconsin Hospital and Clinics, Madison, Wisconsin
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Mark Stauder, President & COO, Inova Health System, Falls Church, Virginia
Steve Lipstein, President & CEO, BJC HealthCare, St. Louis, Missouri
Mitch Wasden, President & CEO, University of Missouri Health System, Columbia, Missouri
Ralph Muller, President & CEO, University of Pennsylvania Health System, Philadelphia
Lloyd Dean, President & CEO, Dignity Health, San Francisco, California
Sam Moskowitz, Senior Vice President, MedStar Health, Baltimore, Maryland

This report also offers predictions on the future of the C-Suite and guidance on how organizations, executives and board members can prepare for healthcare’s bright but turbulent future.

The complete version of this report appears on the InveniasPartners (http://www.inveniaspartners.com) Web site. We plan to update the report with fresh interviews, statistics and examples from news reports, studies and white papers.

We welcome your input on this report and look forward to providing you with ongoing insights on healthcare executive and board search, assessment and talent management.

Please connect with us on the InveniasPartners Web site (www.inveniaspartners.com), Twitter (www.twitter.com/inveniaspartner) and LinkedIn (www.linkedin.com/inveniaspartners).

For more information on how InveniasPartners can help meet your healthcare executive search, assessment and talent management needs, call Madeline Lazarz at 312-283-8184 or e-mail Madeline Lazarz at lazarzm@inveniaspartners.com

Curt Lucas
President and CEO InveniasPartners
The Changing Healthcare Landscape

The healthcare landscape is changing. The American Hospital Association’s Environmental Scan 2015 points to a future dominated by the following trends:

**Care transformation**: Stand-alone hospitals will continue to disappear as providers, payers and policymakers focus on value—defined as the best possible health outcomes for a given cost or price. Providers will compete on outcomes.

**Consumers and patients**: As healthcare organizations (HCOs) transition to value-based contracts, they will promote the notion that individual behavior is, by far, the most powerful contributor to prevention, wellness and chronic disease management.

**Economy and finance**: While fewer uninsured patients will decrease the bad debt of hospitals and health systems, volume is likely to remain weak.

**Information technology and e-health**: HCOs will continue to rely on data and data analytics to deliver evidence-based care, manage population health and predict health outcomes.

**Insurance and coverage**: While payers may continue to exclude higher cost hospitals, payers are still willing to collaborate with hospitals interested in accepting lower reimbursement.

**Physicians**: HCOs will continue to acquire physician practices at a rapid pace creating enhanced management and financial challenges.

**Political issues**: Payment models will continue to evolve as accountable care organizations and patient-centered medical homes grow in popularity. Access to care for adults may deteriorate as performance disparities among hospitals and health systems persist.
Provider organizations: Brand loyalty will grow in importance as HCOs differentiate themselves based on consumer and patient experience. Advances in technology will continue to improve HCO performance through 2020.

Quality and patient safety: HCOs will focus on care partnerships with patients, competition based on value, realignment of services with payment systems and individual accountability for improvement.

Science and technology: Healthcare will continue to evolve toward precision-based or personalized medicine as technology mobilizes healthcare and fulfills the demands of an increasingly tech-savvy workforce.

Workforce: The C-Suite will continue to build workforces that are capable of meeting the requirements of new and emerging markets, using programs like workplace wellness and prevention to reduce healthcare costs and boost productivity.

Chief executive officers (CEOs) are feeling the pressure. “State and federal governments that pay the majority of the bills are running out of money, while the private sector is unable to absorb added cost shifting,” says John Finan, President and CEO of Franciscan Missionaries of Our Lady Health System (FMOLHS), Baton Rouge, Louisiana. “And everything is playing itself out through a complex, troublesome piece of legislation that carries both benefits and challenges.”
While the healthcare industry has always grappled with change, never before has the change been so profound or broad based. Among the most challenging trends witnessed by InveniasPartners in its work with hospitals, health systems and payer organizations are the following:

- Continued consolidation, leading to challenges with operational and cultural integration
- Financial constraints requiring cost containment initiatives and the implementation of performance and continuous performance programs such as the Lean Management System
- Partnerships with other providers or payers, both of which were once considered direct competitors
- Population health and accountable care
- Retail healthcare competition
- Consumers’ increased involvement in their own healthcare delivery strategy
Integration/Accountable Care

C-Suite executives and board members must decide if an HCO can emerge as an integrated delivery system (IDS) that would ultimately evolve into an accountable care organization (ACO), according to Jay Eckersley, partner in the Salt Lake City, Utah office of InveniasPartners. The strategy: Reap the rewards of market share growth through covered lives, premiums and payments based on quality and outcomes.

Unfortunately, integration remains challenging. It typically involves bringing together physicians, hospitals and health plans and crafting budgets for governance, planning and management. Partnering with 600 to 800 physicians, for example, can translate into the recruitment of hundreds of physician extenders, acquisition of physician practices and alignment of physicians with HCO strategy and goals.

Still, some hospitals and health systems are joining ACOs, helping to usher in the prediction that more than 200 million Americans will be covered by ACOs by 2016, says a report from ReportsonReports.com. Other hospitals and health systems are seeking relationships with public and private payers for shared savings and bundled payments, according to a 2014 report from ITG Market Research.

For example, DaVita HealthCare Partners has joined forces with Englewood, Colorado-based Centura Health to create relationships that incorporate “financial incentives to manage healthcare costs and quality, including accountable care and capitation contracts,” according to Modern Healthcare. Meanwhile, Anthem Blue Cross has created a health plan where seven rival hospitals, including Cedars-Sinai, UCLA Health and MemorialCare Health System, will share in profits and losses. ACO success is evident throughout the country. Neptune, New Jersey-based Me-

"State and federal governments that pay the majority of the bills are running out of money, while the private sector is unable to absorb added cost shifting."

John Finan,
President and CEO, Franciscan Missionaries of Our Lady Health System (FMLOHS),
Baton Rouge, Louisiana.
ridian Health System created an ACO through a partnership with Meridian hospitals, partner companies, and more than 800 physicians and allied health professionals. The ACO, which now serves some 50,000 patients, promotes evidence-based medicine, patient engagement, and an infrastructure that allows providers to report on quality and cost metrics.

Under CEO Joel Allison, FACHE, Baylor Scott & White Health, Dallas, Texas, has advanced population health through an ACO called the Baylor Scott & White Quality Alliance. Hospital admissions for the ACO’s 34,000 members have already declined more than 4 percent, while 30-day readmissions are down 18 percent with a 7 percent cost savings.

Others such as Baton Rouge-based Franciscan Missionaries of Our Lady Health System (FMOLHS) have opted not to enter the insurance business. Instead, FMOLHS plans to partner with insurance companies and sustain care management competencies acquired through its Healthy Lives population health initiative, according to FMOLHS’ President and CEO, John Finan.
Consolidation

Just as troubling to C-Suite and board members is the surge in mergers and acquisitions, a trend that will continue throughout 2015, according to a report from Moody’s Investors Service. The implications and results of consolidation may vary by provider size.

Struggling smaller hospitals are likely to gain from being acquired by larger, stronger systems, predicts Moody’s. However, hospital and health system consolidation may emerge as a “credit negative” for acquirers due to “high financial leverage associated with acquisitions and the risks that come with acquired assets.”

According to Curt Lucas, President and CEO, InveniasPartners, consolidation deals typically involve the following:

- Appointment of a single system CEO or C-Suite
- Integration of corporate, business and clinical functions
- Rebranding
- Development of separate budgets for hospitals, physician clinics and provider-sponsored health plans
- Integration of cultures

Because loose affiliations often fall apart against managed care pressures, HCOs often “merge up to avoid scrambling the egg,” says Eckersley. C-Suite search assignments typically emerge immediately after a merger or before an HCO enters into its next merger discussion. This is followed by pre and post-merger talent management in anticipation of a newly created integrated delivery system and re-engineering of the C-Suite to include a specific number of executives—often no more than 8–10.

Formed through the 2013 merger between Baylor Health Care System and Scott & White Healthcare, Baylor Scott & White Health is now the largest not-for-profit health system in Texas with 43 hospitals, some $9 billion in net revenue and a patient population larger than the state of Virginia. The goal: Increase efficiency to combat shrinking margins brought about by healthcare reform and the Affordable Care Act.

“Combining two systems offered us the opportunity to develop new models of care that support individual patient care and population health management,” says Joel T. Allison, FACHE, President and CEO, Baylor Scott & White Health. “By using our size and strength to zero in on the health and well-being of patients, families and communities, we can continue to offer high-quality care at an affordable cost.”
Population Health Management

The population health market is still in its infancy, according to a report from Chilmark Research, as HCOs struggle to both link outcomes with performance and leverage data—clinical, claims and demographics—to improve care delivery.

“Healthcare has always taken care of the sick, but the emerging measure of success is how well HCOs can manage and ensure the health of a population,” says George Popko, partner, InveniasPartners. “It’s no longer about how to run a hospital, but how to engage physicians and sustain population health.”

Fortunately, population health management programs are already paying off, according to a survey of healthcare executives by KPMG LLP. More than half expect to recoup investments in three to four years and view population health management as a strategy to reduce avoidable medical costs and care variability.

Population health demands that C-Suites and boards align or reposition every care entity—from hospitals, nursing homes, and imaging centers, to pharmacies, labs and physician practices—along the expanding continuum of care, according to Popko. Equally important, C-Suites and boards must secure and control premium dollars to keep people healthy and manage care delivery.

As President and CEO of Irvine, California-based St. Joseph Health, Deborah Proctor illustrates the challenges of managing a complex health system of 16 hospitals, physician organizations, home health agencies, hospice care, outpatient services, skilled nursing facilities and community outreach programs in Northern and Southern California, Texas and New Mexico.

“St. Joseph Health’s emerging approach to population health management will vary by region,” says Proctor. Texas, for example will become an insurance partner, while Southern California will house population management within a medical foundation. The only commonality among regions: physician leadership of population health management.
The definition of population is also shifting; Proctor, for example, recently formed a partnership with a residential complex equipped with a grocery store, restaurant and fitness club, in addition to a St. Joseph Wellness Center. Within the St. Joseph Health Wellness Corner Village, residents have access to exercise equipment, as well as personal coaching and health and medical services available through a St. Joseph Health medical group. Wellness Corner Village has already offered triathlon training and a more aggressive form of yoga, along with weekly consults with plastic surgeons and sports medicine physicians.

The project is a winner for St. Joseph Health and the residential complex. Revenues for the medical group will continue to climb as St. Joseph Health delivers its health and wellness services through Wellness Corner Village. More specifically, St. Joseph Health and the complex will share data on factors like resident age, income, education, employment, activities and preferences for evening and weekend appointments.
Retail competition and the consumer

Healthcare providers and payers are witnessing the “retailization” of healthcare. Walmart, for example, launched Healthcare Begins Here with plans to create primary care retail clinics available through Wal-Mart’s Centers of Excellence. With a Wal-Mart located within five miles of 95 percent of the U.S. population, providers and payers may falter without a retail-focused mindset.

“Ensuring that patients and consumers get the care they need means honing in on the retail and consumer experience—specifically how people shop,” says Baylor, Scott & White’s Joel Allison. “How, for example, can HCOs engage young invincibles in prevention and wellness while taking on the retailers that just migrated into the healthcare space?”

The transition calls for a massive change in culture. “It may be a challenge to think in terms of consumers and customers instead of patients,” says Allison. “Healthcare executives and providers have devoted their lives to patients, so it’s not in our DNA to carry on discussions about retail, shoppers and shopping. But we need to do it.”

The shift to consumers and a retail environment may also require HCOs to open their doors to outsiders. “HCOs need to diversify their portfolio of outsiders and identify how these professionals could contribute to the C-Suite,” says Allison. “Healthcare needs people who will challenge traditional thinking, but still understand healthcare’s culture, mission, vision and values.”

“HCOs must define what they hope to become and where they’ll fit, and then pinpoint specific areas of expertise,” adds Allison. That, in turn, calls for leaders “to run a marathon as well as a sprint” and meet consumers’ needs in an ever-changing environment. “Executives must be as proactive as they are reactive, accepting that some ventures will be home runs and others will be foul balls,” he says.

The healthcare C-Suite and board are especially concerned about the evolution of retail clinics that have surfaced within supermarkets, chain drug stores and retailers like Wal-Mart and Target. RAND Health counsels providers to track their answers to the following questions:
• Who uses retail clinics and why?
• What services do retail clinics provide?
• Are there valid concerns about retail clinics?
• What's next for retail clinics?

The influence of retail is also being felt in Southern California where Deborah Proctor sees value in a community wellness or customer engagement strategy that functions like a retail business and relies on executives to take charge of wellness, accountable care, population health and insurance. The focus: Manage at-risk lives through population health and deliver care within an integrated system that addresses both wellness and acute patient care.

Proctor believes that HCOs must re-engineer how they interact and engage with patients, consumers and members. While health systems may implement consistent approaches to care delivery, she believes the way systems approach population health management can vary by region, community, or patient population.

Proctor has already moved forward with a customer engagement digital strategy, reflecting a nationwide trend to engage consumers, patients and families via digital media. Hospitals already rely on digital media to acquire and retain patients, according to experts from BerylHealth.

St. Joseph Health’s digital platform allows customers to become partners, even if they never sought sick care or joined an insurance plan. Community residents obtain access to a hub, which puts them in touch with St. Joseph’s digital platform. They can load their health data into the hub, request that a hospital interact with a wellness center or allow a physician to see their fitness data.

For example, residents who are expecting a baby can access specialized pregnancy content, network with communities of mothers, parents and hospital-based labor and delivery services or locate stores selling baby supplies.

Proctor believes that St. Joseph Health’s new digital platform will give consumers access to health information and healthcare delivery in the way they want it, where they want and when they want it. Going forward she believes that HCOs will need fewer customer service professionals who staff call centers and will instead need more executives who can design and implement multiple channels for community residents to engage with a health system.
What Healthcare Industry Trends Mean to C-Suites and Boards

“The trends of accountable care, consolidation, population health management and retail competition and the consumer suggest that C-Suite and board members must rethink healthcare’s business model,” says FMOLHS’ Finan. Among his recommended questions:

- **Models**: Where are the new and emerging business models for achieving clinical, financial and operational goals?

- **Performance**: How well have these models already performed? How likely is it they will perform well in the years ahead?

- **Assets**: How can C-Suite and board members leverage organizational assets and strengths to reposition the HCO along the expanding continuum of care?

- **Gaps**: How can the HCO bridge performance gaps through partnerships, alliances and talent management systems while still sustaining mission, vision and values?
Beyond asking Finan’s questions, InveniasPartners advises healthcare C-Suite and board members to also focus on these strategies:

- Develop leader skill, competence and experience
- Provide patient and family-centered care
- Coordinate and collaborate on care delivery
- Manage the health of populations
- Insist on continuous value and performance improvement
- Deliver care across the continuum
- Evolve into a learning organization
- Engage the workforce and community in the healthcare journey

“Moving forward means securing full agreement on what you want to be when you grow up,” says Popko. “The big questions for C-Suite and board members are: Who are we and what do we want to do? Smaller hospitals may not have a CTO, CIO or a chief population officer, but they can partner with other organizations to tap resources, support and expertise.”

George Popko,
InveniasPartners, Princeton, New Jersey
From Trends to Strategic Action

Once healthcare c-suite and board members analyze, evaluate and synthesize the trends dominating the healthcare landscape, they’re ready to outline strategies, goals and objectives for executive search, assessment and talent management. InveniasPartners advises HCOs to adopt the following strategies:

Strategy A: Find and Develop the Right C-Suite and Board Talent: A Six-Step Process

Finding and retaining the talent capable of handling the demands of accountable care, consolidation, population health management and retail competition and the consumer demands a disciplined process:

**Step 1: Leadership assessment:** C-Suite and/or board members may choose to partner with an executive search, assessment and talent advisory firm to assess executive needs and create position specifications consistent with culture and preferred executive performance.

**Step 2: Executive selection:** Executives, board members and consultants explore how the right talent will drive clinical, financial and operational performance. Consultants brief hiring executives and board members on interview standards, best practices, process, and anticipated results.

**Step 3: Strategic onboarding and coaching:** Consultants work with hiring executives and board members to ensure fulfillment of the four Cs: compliance, clarification, culture and connection, all of which prevent executive derailing and enhance executives’ contributions to strategic goals.

**Step 4: Executive engagement:** Consultants work with C-Suite and board members to reinforce the HCO’s value proposition, mission, values and culture. By promoting external and internal involvement and participation, the C-Suite and board enhance executive engagement, performance and retention.
Strategy B: Recruit Top C-Suite and Board Talent

Given the environment of unprecedented change, recruiting top talent in the healthcare provider industry is more important than ever.

Health systems continue to evolve from cultures based on hierarchy, fragmentation and expert-centeredness to cultures rooted in integration, collaboration, teaming, matrix structure, and patient/family centeredness. These changes demand leaders who think strategically, embrace change, learn quickly, move with agility and manage horizontally throughout the enterprise.

“One thing is sure: HCOs should avoid a do-it-yourself approach. Identifying the appropriate mix of skill, knowledge and experience requires enterprise-wide assessment,” says Jay Eckersley, partner, InveniasPartners.

“Search, assessment and talent management firms evaluate an HCO’s mission, vision, values, strategy and culture to identify candidates who will fit within that culture and fulfill strategic goals,” says Lucas. “Only then can board and C-Suite members think in terms of specific positions or clusters of positions.”

This includes merging titles like chief incentive officer, chief experience officer, chief engagement officer, chief safety officer, chief population health officer and chief technology officer.
The best executive search, assessment and talent management firms challenge the “specs” for positions—especially if a C-Suite and board identifies its ideal candidate as a white male under the age of 40.

“The key,” says George Popko, “is motivating C-Suite and board members to examine how candidates complement the HCO’s workforce, patient population and surrounding community and service area.”

“All too often, employees, patients, families and clinicians can’t imagine how members of a C-Suite or board could relate to their lifestyle, concerns and priorities,” counsels Lucas. “If HCOs want to serve patients/consumers in an increasing diverse community and nation, they must add diversity to their leadership team.”

Among the other search and talent management criteria recommended by InveniasPartners and healthcare CEOs are the following:

**Transitional and transformative:** Recruit C-Suite and board leaders with the skill, knowledge and experience to take on the transition to value-based accountable care, population health management, collaborative care across the continuum and fulfillment of meaningful use.

“C-Suite and board members sometimes chase after the best talent without seeking skill sets that complement HCO strategy,” says Barry Ostrowsky, President and CEO, Barnabas Health, West Orange, New Jersey. “But healthcare is less about managing health services and more about the delivery of care, prevention and wellness in a retail-based, consumer-oriented environment.”

“Ostrowsky is recruiting a chief population health officer and is in the process of re-engineering a chief medical officer position. If Barnabas assumes added risk for clinical services, Ostrowsky may tweak finance and strategic positions or look for data professionals who can interface with sources of big data analytics.”

**Back-to-basics:** Seek out C-Suite and board leaders who can focus on patient satisfaction, quality improvement and financial performance, and who can reach past the “bigger is better” merger and acquisition mania of past years. Lucas advises HCOs to search for leaders who are willing to work with incentives that respond to long-term financial, clinical and operational performance rather than quick fixes and fast wins.

**Inspirational:** The best executives understand how to forge bonds between C-Suite
and board members, employees, managers and clinicians. “Technology isolates people, compromising the interpersonal relationships that accelerate productivity,” says Ostrowsky. “The C-Suite must counter the migration to non-interpersonal communication because we’re in the people business and you can’t manage people via Twitter.”

Ostrowsky also champions a culture of transparency and simplicity. “Healthcare is a business where we can’t keep secrets,” he says. “The C-Suite of the future must communicate with every constituency in the enterprise.”

**People focus:** “Seek C-Suite and board leaders who can implement enterprise-wide human capital management and align employee performance with HCO strategy,” counsels Popko.

Ostrowsky recommends that HCOs recruit a visionary chief human resources officer (CHRO)—possibly someone from outside of healthcare. As a stop gap measure, he advises HCOs to build a team of executive vice-presidents to oversee talent management.

**Openness:** “Seek C-Suite leaders who won’t endlessly meet and collaborate but will lead and act decisively,” advises Popko. Equally important, uncover leaders who are willing to combat healthcare myopia and look for inspiration and ideas from outside the industry.

Ostrowsky, for example, meets regularly with small groups of less experienced professionals to discuss new and emerging trends, implications, strategies and “what Barnabas needs to achieve success.” He also challenges professionals “not to wait for me to explain something” but to master trends on their own.

**Tech savvy:** The best executives know how to leverage new and emerging technologies. While information systems have allowed HCOs to use data more effectively, Popko believes that it’s up to C-Suite and board members to transform data into information, information into meaning, meaning into knowledge and knowledge into wisdom, as first described in The Knowledge Pyramid.

**Diversity:** HCOs need executives who will bring diversity—in age, gender or ethnicity—to the C-Suite and board room. “HCOs should ensure that newly developed or recruited executives and board members complement the HCO’s patient population and workforce,” says Lucas. “That, in turn, means working with executive search firms that make diversity a priority.”
Strategy C: Build Structures for C-Suite and Board Success

What kinds of structures allow C-Suite and board members to achieve top performance?

Jay Eckersley, former President and CEO of Springfield, Missouri-based St. John’s Health System and now a partner with InveniasPartners, recommends an organizational structure that incorporates approximately twelve senior management positions visualized through a series of concentric circles.

The goal, according to Eckersley, is to “integrate hospital, physician and health quality and economic interests at all levels of a health system, including governance, senior management, business operations and clinical service lines of excellence.”

Eckersley recommends CEO, line and support staff leadership development for hospitals, health plans and clinics. He envisions each system hospital being led by a CEO, as well as a chief medical officer elected by medical staff and a chief nursing officer. Each member of a C-Suite can share the same incentive-based goals linked to the system’s strategic goals.

Just as vital to a health system’s success is appointing line managers to functions such as mission services, information technology, legal, customer service, finance, human resources, strategic planning and marketing. A foundation can oversee fund development and community involvement.

Eckersley recommends that hospitals and health systems develop multiple strategic service lines around mission, vision and values. Physician and executive teams can take charge of service lines that could include women and children, oncology, neuroscience, cardiovascular, seniors, sports medicine and emergency, trauma and burn care.
However, not all services may qualify as strategic service lines. To evaluate the prospects of service lines, Eckersley suggests applying the following criteria:

- Grows market share through covered lives
- Is led by a physician and executive management team
- Accepts managed care risk
- Focuses on utilization and global cost per case
- Offers excellent customer service
- Publishes quality metrics
- Serves the poor
- Reinforces system image and identity
- Develops disease management protocols
- Benchmarks with other centers of excellence
- Focuses on health and wellness programs

“Hospitals and health systems increasingly abandon the belief that a physician will magically morph into a manager and run a service line alone,” says Eckersley. “Instead, a physician and manager should partner to build market share and assume insurance risk on a carve-out if a contract demands it.”

Other organizations like Scripps Health have taken a different tack. When Scripps’ COO moved up to become CEO some 14 years ago, he chose not to replace himself with a traditional COO. Instead, COO roles and responsibilities are shared among several executives, including the CEO, chief financial officer (CFO), and Victor Buzachero, who handles workforce and talent management as Corporate Senior Vice-President for Innovation, Human Resources and Performance Management. The executives also support each other on board committees.
The executive team realized that Scripps had “grown up by picking up facilities,” says Buzachero. What it lacked, however, was a consistent strategy for addressing the needs of diverse functions like human resources, information technology, purchasing and clinical care. Buzachero responded with a succession planning and benchmark development program. The goal: Create horizontal operations leaders who assume responsibilities across the organization that complement their vertical responsibilities.

The program produced multiple horizontal vice-presidents who work in collaboration with hospital CEOs to eliminate variation across the enterprise. By monitoring elements as diverse as operating room and service line performance, the executives ensure consistent implementation of standards and squeeze out costs.

“Our horizontal VPs are the best operations executives because they understand how to collaborate with other operations executives,” says Buzachero. “Professionals who might have defended their silos or turf are now committed members of a team.”

“Making the transition from management of business units to management across organizational entities is vital as Scripps works to deliver accountable care, population health and positive health outcomes at a reasonable cost to patients and payers,” says Buzachero.

Managing across Scripps has already created the need for senior executive talent in medical management, population health and business development. For example, a senior vice-president of corporate development now promotes dialogue on potential partnerships and affiliations.
Strategy D: Assess and Develop C-Suite Executives and Board Members

Growing numbers of HCOs realize the importance of a single executive development program implemented throughout a hospital, health system or payer organization.

These programs identify and focus investment in “high-potential” executives while showing newly hired executives how to live and share HCO values.

HCA, for example, sponsors an executive development program “that ensures the management pipeline necessary to ensure leadership today and in the future.” Candidates can choose from two-to-three year programs focused on COO, CNO or controller positions with promotion based on “individual development, leadership skill assessments completed by (a) mentor and executive development leadership.”

Executive assessment at FMOLHS, where John Finan serves as CEO, is a structured process that relies on the following questions:

**Assessment:** Who are the real leaders in this organization? What types of leaders does FMOLHS need in terms of skill, experience, expertise and cultural fit?

**Expectations:** What are the behaviors required for success? FMOLHS focuses on mission, quality, satisfaction (team member, patient, physician), and financial results. What kind of performance is expected?

**Goals and objectives:** How do we create a clear line of sight from organizational performance requirements to individual leader personal goals and contributions to success?

**Support:** How can FMOLHS provide the resources—human, financial and structural—that executives need to support performance excellence?
At Scripps, Buzachero compares assessments with the actual performance of high-potential executives, while involving supervisors and managers in employee and team performance evaluation. The process removes what Buzachero calls “the Lake Wobegon effect” and ensures robust assessment of every Scripps worker.

Scripps evaluates its executives based on outcomes, including employee morale, financial performance, quality and patient satisfaction. By feeding performance data into an algorithm, Buzachero can rank executives and executive performance from highest to lowest.

Executives in the top quartile tend to perform well in every category: budget, turnover, patient satisfaction and quality. However, executives in the lowest quartile miss on almost every measure, while those in the middle quartile demonstrate mixed results. The actionable data and intelligence allow Scripps to validate and invest in high-potential executives.

“Scripps no longer relies on performance reviews, just concrete statistics,” says Buzachero, who compares the process to the narrative of the 2011 film “Money Ball.” By securing data on how well executives perform under pressure in a variety of settings, Scripps can formulate individualized plans for improvement. Or the system can transform the highest-performing executives into mentors, coaches or heroes that up-and-coming executives might want to emulate.

And what about executives who rank near the bottom? Buzachero and his colleagues work to find these executives less complex, more realistic positions. However, if the executives fail to perform after a period of three years, they invariably leave the organization. Executives who rank in the middle typically qualify for coaching and possible placement within Scripps.

Scripps always leaves the door open to new executives who might head up massive development, construction or redesign projects. Buzachero already sees the need for an executive who could re-engineer some of Scripps’ clinical areas. However, he insists that the executive be someone “with a transformational mindset, lean experience and the talent to teach Scripps new skill sets.”
Buzachero’s passion for executive development is shared by Allison of Baylor Scott & White. Allison advises HCOs to pinpoint emerging leaders and perform regular assessments of professionals who are likely to occupy executive positions in one-to-three years. For example, Baylor requires each emerging executive to prepare a performance development plan complete with goals for improvement.

“Developing leadership talent is the best way for an HCO to get ready for situations that call for someone to step in to develop or run a program,” says Allison. “And the premium strategy for doing that is to assess and develop talent faster than your competitors.”

Executive assessment and development are vital to succession planning and management, according to Lucas. These programs typically start with a succession management plan that delineates targeted roles and assessment and development of high-potential executives. By relying on succession planning, HCOs can ensure leadership continuity and avoid disruptions that come with crisis and turnover.

Experts agree. Succession planning ensures the survival of any business, according to a 2014 Harvard Business Review blog. The author recommends that C-Suites and boards sustain their focus on succession planning—even when a CEO’s retirement is two-to-three years out. Equally important: Observe how candidates interact with the outgoing CEO and set clear expectations on the new CEO’s roles and responsibilities.

Strategy E: Create a Model for C-Suite and Board Transformation

InveniasPartners’ model for C-Suite and board transformation focuses on development and alignment of collaborative, interdisciplinary teams and ongoing assessment and talent management of c-suite executives and board members. Just as vital, says InveniasPartners, is integration of fresh, diverse points of view and creation of an environment that supports innovation and change.
Teams: Implement collaborative teams aligned on common goals.

“Care delivery calls for clinical, financial and operational expertise, which demands full collaboration and goal alignment by clinicians, executives, managers and employees,” says Lucas. “C-Suites and boards must leverage technology to enhance clinical performance balanced by financial and operational performance.”

HCO success hinges on the ability of C-Suite and board members to engage and align clinicians, employees and managers with strategic objectives and goals, not on the ability to recruit, hire and reward people for competency or tenure.

Adds Lucas: “We need to recognize executives who are willing to move the bar on performance outcomes in measurable areas like patient satisfaction, quality, safety, efficiency and cost, not just those who stick with the organization for years.”

Industry changes have sold Baylor, Scott and White’s Allison on the concept of team-based care and a team-based C-Suite and board development. “Surround yourself with people who can develop and execute on new ideas and sustain a spirit of innovation and entrepreneurship that surges throughout the enterprise,” he says. “If you’re committed to team-based collaboration, the last thing you want is a C-Suite or board controlled by one or two executives.”

FMOLHS’ Finan leads interactive dialogues on assumptions that underlie FMOLHS’ plans for care delivery. “If these are the reigning assumptions, what’s the strategy?” he asks. “How do we develop a clinical network and delivery system that gets us predictable cost and quality? And where do we find the talent to lead the surge?”
Talent: Transform the HCO via talent management for C-Suite and board members.

Will hospitals and health systems identify leaders from within or continue to rely on executive search? The answer depends on how much HCOs are willing to invest in ongoing executive development and succession planning programs.

HCOs that commit to developing existing executives for higher, more expansive roles may be less likely to conduct exhaustive searches of external candidates. The answers will surface in research that evaluates the following:

- **Pre-employment assessment**: What’s the impact of pre-employment assessment on executive performance and tenure? What types of pre-employment assessment work best?

- **Evidence-based selection**: How does evidence-based search and selection contribute to clinical, operational and financial performance—for C-Suite executives and HCOs?

- **Executive on-boarding**: What are the functions, features and advantages of executive on-boarding?

- **Executive development**: Which types of executive development programs generate the highest levels of individual and organizational performance? How are executive development programs implemented, managed and evaluated over time?

- **Succession planning**: How does succession planning contribute to leadership continuity within HCOs? How does lack of succession planning generate disruption and crisis within HCOs?

Finan has introduced an assessment process to confirm the quality of existing talent and identify executives who would participate in accelerated development programs and then serve in expanded or emerging executive roles.
Adds Finan: “FMOLHS will go outside of healthcare or our organization if we have to, but we believe that we build a stronger organization by promoting executives within the organization. The key is developing a strong mix of executives who complement each other’s strengths, while compensating for areas that need enhancement.”
“HCOs need professionals with the knowledge, skill and experience to envision the next wave of innovation and forge a path to enterprise-wide transformation,” says Lucas. As an alternative to quick termination and turnover, he advises C-Suite and board members to work with search, assessment and talent management firms to evaluate the performance of existing executives along with the HCO’s overarching needs for fresh skill sets, knowledge, experience and competencies.

HCOs can then develop position specifications based on clinical, financial and operational needs, including demographic needs, rather than on the popularity or trendiness of a specific C-Suite position.

Equally important is revamping incentive programs. “While almost all HCOs now offer incentive and bonus programs for senior executives, the programs often typically aren’t strong enough to incentivize or differentiate between short or long term leadership performance,” says Lucas.

Short-term incentives, which typically come in the form of an annual bonus, reward executives for “moving the needle” on variables like patient satisfaction, reduced morality or healthcare-associated infections. However, few programs hone in on the clinical outcomes goals, strategic organizational priorities and long-term financial performance.

Another priority is physician development. “The majority of physicians who completed medical school focused on solving clinical problems, not on business management,” says Popko. Other executives who never went to medical school missed the clinical perspective but grew up on business, finance and operations. “The key”, he says, “is to build dual competencies within clinicians and executives and integrate and share expertise via team-based collaboration.”

FMOLHS’ Finan believes that many physicians falsely assume that completion of an MBA program is a fast track to the C-Suite. He counsels physicians to consider alternatives such as serving as examiners for the Baldrige program or attending programs similar to those offered by the Harvard School of Public Health or the American Association of Physician Leadership.
Ostrowsky’s approach also surfaces in his interactions with members of the medical staff, who typically want an inside track on strategy, implementation, results, benefits and roadblocks. Among the questions Ostrowsky prepares to answer: Where is Barnabas headed? How can physicians participate? How can we better align physicians with Barnabas’ strategic goals and objectives?

“Do everything you can to see that the C-Suite is an extension of the enterprise,” says Ostrowsky. “It’s a mistake to connect the enterprise to a C-Suite that no longer fits the HCO’s strategy.”

**Integration: Remove boundaries; reach out.**

“No single executive or board member can address healthcare’s looming challenges,” says Lucas. “HCOs need external expertise and the perspectives of multiple stakeholders.”

He believes reaching out embraces the recruitment of board members who are prepared to enforce C-Suite accountability, represent or reflect other industries and ensure clinical, financial and operational performance.

“C-Suite and executive team members also need to get out from behind their desks to conduct rounds throughout the enterprise,” counsels Lucas. “They should listen and seek answers to core questions: What’s working? What isn’t working? What should be changed—now and in the short-term future? Which innovations should be introduced and launched?”

“CEOs need a truthful evaluation of facts, opinions and implications of new and emerging trends,” says Ostrowsky. He recommends using panels of experts to deliver advice on diverse enterprise functions, including talent management and human resources, as well as emerging healthcare trends.

Lucas advises C-Suite and board members to pursue standard professional development opportunities, including relevant reading, continuing education, seminars and conferences, while also deriving insights from slightly offbeat media sources like Wired, Mashable and VentureBeat.
“Network with C-Suite executives and board members within the provider, payer, government and retail healthcare communities, but also reach for inspiration from entertainment, sports, technology, retail and consumer products,” says Lucas. “If you insist on staying in your own back yard, you may get fenced in.”

Innovation: Orchestrate innovation; manage change.

Our mission is to deliver care to the next person who comes through the door or across our computer or phone,” says FMOLHS’ Finan. “The challenge for HCOs is to assess community and patient needs and then connect individuals to the resources that can meet those needs.”

He recommends that C-Suite and board members move through these steps:

- Define the business.
- Ensure accountability for determination and implementation of strategy.
- Transform everyone and everything else into a supportive resource. For example, FMOLHS’ e-health technology group is identifying patient care systems that support clinicians in their efforts to deliver, and improves care for patients.

And what happens if an HCO responds to the call for accountable care and integrates enough to assume insurance risk? It should at least consider going at risk and sponsoring a health plan. “Providers need not allow insurance companies to do what they could do themselves: wholesale or group contract services to self-insured employers,” advises Popko.

HCOs should also select service lines to grow market share or covered lives. They might, for example, market an at-risk product for orthopedics to employers or insurance companies, or sell services such as vascular grafts for a specific price. “The key,” says Eckersley, “is acting on the assumption that large employers will use health plan products to improve quality and outcomes.”
“Innovation flourishes when clinicians, executives, managers and employees are aligned and collaborate across the enterprise,” says Lucas. “Collaboration should reach beyond the enterprise to embrace think tanks, associations, vendors, government and media.”

Hospitals and health systems are already involved in community-wide partnerships that “bring a wide range of stakeholders—healthcare providers, educators, business leaders, social service providers, community organizations, and clergy—together to promote healthy behavior, improve access to primary and preventive care, and reduce health disparities,” according to the Commonwealth Fund.

Funded by the Robert Wood Johnson Foundation (RWJF) and the Kresge Foundation, the Hilltop Institute’s Community Benefit Programs foster collaboration between multiple hospitals and local health agencies, according to Partnerships for Community Health.

Change also beckons executives and board members to broaden the concept of engagement to include former competitors and diverse fields and disciplines like sports, entertainment, politics, media and religion.

- St. Joseph Health teamed up with the Los Angeles Angels to mark Cancer Survivorship Day, while recognizing community heroes through its St Joseph Health Heroes campaign and Halo Moments Web site.

- Boston Children’s Hospital joined forces with television personality and producer Ryan Seacrest to launch Seacrest Studios. The studios operate under the closed-circuit hospital television station channel, broadcast entertainment programming throughout the hospital and complement the hospital’s commitment to clinical innovation and pediatric health.

- Massachusetts General Hospital has partnered with the Boston Red Sox to establish Home Base, a provider of healthcare services to deliver care for Iraq and Afghanistan veterans who have combat or deployment-related stress or traumatic brain injury (TBI). Home Base also provides counseling and support for veteran’s families and those who are closest to the veteran.
Executives must also take a fresh look at former competitors that could easily morph into partners. St. Joseph Health, which once competed with Hoag Memorial Hospital, is now part of an alliance called St. Joseph Hoag Health. In 2014, St Joseph joined with Children’s Hospital of Orange County (CHOC) to form an accountable care organization.

“As HCOs become larger and more complex, C-Suites and boards must also change,” says Lucas. For example, one hospital CEO who managed 150 employees for five years faced an organization that grew to 1,500 employees in just one year. While the CEO struggled to maintain his existing C-Suite team, he eventually realized that he needed a new team to meet changing requirements in human resources, marketing and information systems.

“C-Suite executives often fall into a pattern of passivity and the mentality of don’t rock the boat,” says Popko. “The search for collaboration can easily evolve into a relentless pursuit of consensus. The CEO and members of the board and C-Suite must lead and take ownership.”
Forward to the Future: Predictions for C-Suite and Board Members

Industry Trends

Health industry trends C-Suites and board members can look forward to in the coming years include the following:

**Physicians will increase their influence.** “Hospitals, not physicians or insurance companies, will drive physician partnerships thanks to their retained capital and interdependence with physicians,” predicts Popko. “HCOs can never control or employ every entity, but they can function as partners and integrate to the degree that they’re able to assume insurance risk.”

**Small independent hospitals may continue to falter without integration:** Mergers and acquisitions could lead to nothing more than a collection of hospitals that operate under a single umbrella. “What’s needed,” says Lucas, “is integration and alignment driven by C-Suite and board leaders who envision the HCO’s evolution over the next three-to-five years and forge strategies around margin, revenue, quality of care and satisfaction.”

**The future will hinge on care management, making physician and nurse leadership indispensable,** Healthcare’s future is about improving the management of care and the best people to lead that change are often clinicians,” says Finan. “The CEO must view the HCO through the lens of what is needed to provide complete care of the patient.”

That means the HCO must evaluate clinical process and improve care teams to deliver predictable outcomes and costs. For example, one FMOLHS organization established a joint program in which physicians, nurse leaders and team members redesigned orthopedics processes that start with an office visit for knee pain and conclude with the final visit following a surgical procedure and rehab.
Consumers will come into their own. Baylor Scott & White’s Allison is convinced that healthcare will reach beyond conversations about patients to conversations about consumers as the industry expands population health management and embraces the evolving continuum of care. Authentic population health management will blend prevention, wellness and patient management in the best, most appropriate settings across the continuum, he predicts.

C-Suite and Board Trends

The “ideal” C-Suite executive will evolve: “The ideal C-Suite executive is someone who can integrate an agenda that embraces quality of care, patient satisfaction and financial management,” says Lucas. While some executives assumed that mergers and larger systems of care would build scale and slash overhead, these initiatives sometimes failed to address quality, safety, efficiency, cost and value-based reimbursement.

Innovation superstars will stay on HCOs’ radar. Healthcare C-Suites and boards will likely search for colleagues with characteristics often found among increasingly popular chief innovation officers (CINOs). Many organizations struggle to innovate because they don’t know how to lead the process, according to Collective Genius: The Art and Practice of Leading Innovation. Top-notch innovators can unleash and harness the “collective genius” of everyone in the organization, says the book’s author.

Equally important, healthcare C-Suites and boards are likely to diversify their portfolio of candidates to include professionals who have already pushed the envelope on innovation. Innovation superstars are increasingly likely to come from service industries like retail, financial services or consulting. Or they might emerge through sharing of talent management best practices at companies like Medisafe, Foundation Medicine, SetPoint Medical, Ginger.io or Medivation.
Accountability will increase: “HCOs will increasingly insist on board performance and accountability,” forecasts Popko. Board members, in turn, will hold C-Suites accountable, insisting that executives adhere to strategic goals and priorities. The trend could mean recruitment of board members with fresh, outside-the-industry perspectives and extensive business experience.

Talent management will surge. HCOs will need internal and external performance management expertise to evaluate and enhance leadership capabilities that improve care processes. That, in turn, requires measuring how well clinicians, employees and executives fulfill enterprise goals and objectives. Adds Eckersley; “Human capital management is the selection, development, management and alignment of talent and human capital with business and clinical strategies and tactics.”

C-Suite turnover and retooling will continue: “As healthcare shifts from fee-for-service to accountable care, C-Suite turnover may be inevitable,” predicts Lucas. “Half of C-Suite executives will need to re-learn healthcare, re-tool skills and operate within new and emerging clinical and business models.” That could mean ongoing turnover within the C-Suite as documented within American College of Healthcare Executives (ACHE) turnover studies and the growing emphasis on investment in enterprise-wide assessment and talent management.

New positions will surface on C-Suites and boards. Not every new and emerging C-Suite position will survive or become commonplace. That being said, Lucas envisions growing roles for population health managers within hospitals, health plans and medical groups, as well as accountable care managers within hospitals and health plans. Also gaining in popularity is the chief ambulatory care officer—especially within hospitals that rely on an expanded care continuum for revenues.
Other areas with new development include the following:

- **Quality and innovation:** “HCOs will continue to rely on chief quality officers, while adding chief transformation or innovation officers,” says Popko. “These executives will guide the C-Suite on how to function under previous models while evolving new models based on ambulatory care, disruptive technologies, consumer engagement and the continuum of care.”

- **Medicine:** “Chief medical officers (CMOs) and chief medical information officers (CMIOs) will continue to focus more closely on operations,” says Lucas. “The CMO, in particular, will work to ensure compliance with clinical protocols and quality guidelines.”

- **Technology:** Chief technology officers (CTOs) will review the capacity of new and emerging technologies to improve care quality, efficiency, safety, cost management, engagement and service: Among the issues identified by Lucas: “How could enterprise robots measure blood pressure? And how might GPS technologies aid in tracking patients in nursing homes?”

Baylor Scott & White’s Allison envisions a healthcare C-Suite composed of physician and nurse executives, along with chief officers devoted to population health, integration and experience and physicians and nurse executives who lead clinical enterprises. Baylor’s Office of Patient Centeredness, which aims to create positive experiences for providers, patients and family members, relies on the expertise of a chief safety officer, chief information officer and chief patient experience officer.

“The key,” says Allison, “is to embrace trends like consolidation, value-based payment and population health while sustaining a focus on patient experience, engagement and care.”

St. Joseph Health’s Proctor envisions a strategy and business development executive with customer engagement experience who could come from outside of healthcare. She’s already staffed senior marketing positions with professionals from other industries, following the lead of C-Suite and boards that increasingly recruit talent from hospitality, financial services and other consumer-facing sectors.
Adds Proctor: “As we move from acute care to care across an ever-expanding continuum, we need C-Suite executives who understand customers—who they are, how they behave, why they get sick and what they’re willing to do to stay healthy.”

“The key,” she says, “is making the transition from selling sick healthcare to selling partnerships in enhanced health and well-being” through “an open model where people can go anywhere they want for a healthcare experience.”

**Patient experience will grow as a C-Suite function.** Fewer than 100 hospitals have chief experience officers (CXOs), according to Catalyst Healthcare Research. However, analysts like the Beryl Institute view the CXO as an emerging role “that encompasses and leads a broad portfolio of resources and services fundamental to the patient and family experience—from advocacy to service and, in some cases, broadening to lead or significantly influence people, quality and safety issues.”

**The next round of CEOs will likely be physician executives.** Insurance companies that employ physician executives have already set a precedent for recruiting executives to head up healthcare systems that will either function like insurance companies or act in partnership with insurance companies.

“Physicians understand hospital and health system culture and the intersection of clinical, financial and operational strategy, along with population health, insurance and technology,” says Eckersley. “With backgrounds in insurance and clinical care, they know how to manage large groups, analyze data, strike premiums and manage costs.”

“HCOs will embrace physicians, nurses and other clinicians as future C-Suite and board members,” predicts Lucas. “Candidates will include nurses who evolved into human resources, technology or operational positions or became presidents of hospitals. Or, board members will emerge from the ranks of physicians with specialized expertise in technology, government, public policy, clinical management or insurance.”
Physicians, including a growing number of hospitalists, represent 14 percent of C-Suite hires, according to a Billian’s HealthDATA and Porter Research study of 384 executives from January to July of 2014. Twenty-eight percent of new hires at the C-Suite or director level were women, including 38 percent who were named CEOs, 26 percent who were named chief nursing officers (CNOs) and 13 percent who were named COOs. CNOs accounted for 17 percent of the transitions to COOs.

“Physicians feel more confident and secure when they’re included in decisions that affect them and have representation from physician leader,” says FMOLHS’ Finan. “Often a physician leader can help physicians connect care decisions to quality, satisfaction, and cost outcomes. It’s a different perspective and mindset that we need within C-Suites, boards and throughout the enterprise.”

When FMOLHS launched its population health program, Finan found its leader in a pediatric emergency physician who had been its chief medical information officer. When FMOLHS created a clinical network to improve quality and assume financial risk, it turned to a physician executive at its Baton Rouge hospital. Ultimately, the physician emerged as the leader of a clinical network. A physician serving as FMOLHS’ Vice-President of Performance Excellence and Technology was selected to unify multiple practices across the system.
Conclusion

Healthcare is changing. HCOs must act in the context of trends that include accountable care, consolidation, population health management, retail competition and the burgeoning role of consumers. The preferred approach is for C-Suite and board members to rely on external expertise and a disciplined process to find and develop talent with the right mix of knowledge, skill, experience and leadership insight. HCOs must also create structures that ensure C-Suite and board success, including a process through which they can assess and develop executives. HCOs can look forward to a future where C-Suite and board members will need to demonstrate knowledge, skill and competence in diverse areas, including innovation, accountable care, population health, consumer behavior, digital health, patient engagement and experience, and predictive analytics.
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InveniasPartners

With decades of combined healthcare executive experience, InveniasPartners search consultants have placed more than 750 professionals in top-tier executive and board positions. We identify, assess, recruit and develop executives and board members for America’s leading providers and payers—from Scripps Health, Mercy Health, St Joseph Health and BJC HealthCare.

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