



Deloitte 2017 Survey of US Health System CEOs: Moving forward in an uncertain environment



How are we designing the health care delivery system, professions, and jobs to not only attract the brightest and best, but retain the best and brightest?

—CEO of a large children's hospital



Introduction

As a follow-up to our 2015 Deloitte Survey of US Health System CEOs, we interviewed 20 health system CEOs in May 2017. We found that, of all the issues that may keep hospital CEOs up at night, they are most concerned about:

- » The future of Medicaid
- » Moving towards population health
- » Declining margins
- » Recruiting and retaining forward-thinking and adaptable health care leaders
- » Keeping up with new technology
- » Adapting to evolving consumer expectations

In chapter 4 of our series, we explore why recruiting, retaining, and reworking relationships with skilled medical professionals—especially physicians and innovative leaders—is a top priority for health system CEOs.

About the survey

The Deloitte Center for Health Solutions interviewed 20 hospital and health system CEOs during May 2017. In 2016, their organizations collectively generated \$91 billion in annual operating revenue, with all generating more than \$1 billion annually.*

**Based on Deloitte analysis of DACBond, Hoovers, and organization websites*

The CEOs represent a wide range of organization types, including:

- » Seven nonprofit hospitals/health systems
- » Seven academic medical centers (AMCs)
- » Three faith-based, nonprofit hospitals/health systems
- » Three children's hospitals



CHAPTER 4

How do health systems invest in talent to create forward-looking leaders?

Many health system CEOs are concerned about talent issues: recruitment, retention, and performance management are focus areas, as well as working better with employed and affiliated physicians, referred to as physician activation. The CEOs we surveyed recognize that their businesses are changing and that they will need the right talent—now and in the future—to keep pace with the dynamic marketplace in which they operate.

Health care's fundamental business model is changing. Not only is the system moving away from a fee-for-service (FFS) model that rewards volume, hospitals are employing (versus affiliating with) more physicians,¹ nursing staff is aging,² margins are tighter, and technologies are altering health care delivery. Some new approaches include using more advanced-practice nurses, aligning physicians under various performance-based compensation models, and using technologies to perform certain administrative tasks so that clinical and non-clinical staff can focus on patient care and customer service. All of these trends can impact a health system's talent: physicians, nurses, administrative leaders, health information technology (IT) professionals, administrative staff, and others. CEOs surveyed, therefore, agree that their organizations require new and improved ways to recruit, retain, and engage with their physicians, clinical, and non-clinical staff.

Physician activation

"As we continue to employ more and more physicians, they've got to be the right ones. We're not used to huge turnover. They need to be brought in and aligned since it's a major component of the success of our overall care-model design, and their alignment of incentives as we employ them."

—CEO of a large faith-based health system

According to a survey by the Physicians Foundation, 54 percent of physicians rate their morale as somewhat/very negative. Eighty percent say they are overextended, and half state they often/always feel burnt out.³ Physicians feel this way for a variety of reasons: the loss of control of practicing medicine, increased performance measurement, greater complexity, inefficient electronic health records (EHRs), and practice environments.⁴ Combined with the shift to value-based care, this level of frustration shows why many health systems could benefit from transforming their relationships with physicians.

In our 2017 survey and interviews, 14 out of 20 CEOs say that recruiting and hiring the right staff is a major issue. This aligns with our findings from two years ago.⁵ However, as more health

systems employ physicians, many CEOs are increasingly concerned about relationship issues with both employed and affiliated doctors.

“Physician activation” (see sidebar) is an increasingly used term among hospital administrators, payers, thought leaders, and physicians themselves to describe the actions used to engage physicians and motivate behavior change.⁶ To transform the delivery system, CEOs are commonly working to involve physicians in improving quality and safety, and in redesigning care.

“Some of the hard work on physician integration or engagement [has been] done. A lot of the ground work was laid in bringing the academic physician practice into the health system through integration so [our organization] is truly the delivery network, the health system, and the physician practice as well. [Integration has] done a lot of really good things around alignment.”

—CEO of a large academic medical center

Many health system CEOs say activation begins with educating physicians about how to operate, lead, and transform health care organizations.

“A lot of our priorities are around physician engagement and leadership. Physician involvement has really increased dramatically. Making sure we have a good pipeline of leaders in the organization is very important.”

—CEO of a large nonprofit health system

When discussing desired qualities of their employed physicians, CEOs often emphasize adaptability. While leadership is important, many survey respondents and interviewees agree that physicians need to be continuously learning and adapting to a transforming industry and be able to effectively provide care in a new environment.

“You need to invest in your talents, invest in your staff, create leadership development programs, [and] develop succession leadership across the organization.”

—CEO of a large academic medical center

What is physician activation?

Many health system CEOs still use the term “aligning” when describing how they engage with physicians. However, this implies trying to get physicians to support a strategy that does not belong to them. Some health system CEOs, however, are talking about changing behavior through “activation” and partnership. Under these models, CEOs and physicians co-develop a strategy and work to change behavior together.



CEOs commonly say physicians still have misaligned incentives; however, new value-based reimbursement models that emphasize both cost and quality call for physicians to transform the way they practice health care. In our 2016 survey, 86 percent of surveyed physicians reported being compensated under FFS or salary arrangements. But in 2017, many CEOs agree that value-based care is a better approach. Many health systems are employing physicians to better align incentives around population health and value-based payment models. Many also are working more closely with their affiliated physicians on cost and quality improvement efforts.

Talent shortages and a changing workforce

“Talent in general ... continues to be an issue. We still see shortages in nurses, pharmacists, therapists, radiology technicians. And then you get into the physician realm, and there are still shortages there—not only in our market, but nationally—that I think are going to be exacerbated as we move into the future.”

—CEO of a large nonprofit health system

Many CEOs are concerned about the potential shortage and uneven distribution of medical professionals—physicians, nurses, technicians, and ancillary professionals. Although the Association of American Medical Colleges (AAMC) has long warned of an impending physician shortage,⁷ other research finds that health care workers are inefficiently distributed, rather than in short supply. The Institute of Medicine determined that the combination of more mid-level professionals (such as nurse practitioners) and advancements in technology and treatments could mitigate the impacts of a physician shortage.⁸ However, the distribution of physicians—including the mix of specialties—and other clinicians across geographic areas often continues to be an issue.

Surveyed health system CEOs also say that managing talent, especially the millennial generation, requires acknowledging and addressing different priorities. In some ways, this group can be easier to engage. Millennial physicians, for example, consider themselves to be more data-driven than their older counterparts, and 62 percent cite their reliance on EHRs as important in providing quality patient care.⁹

Understanding and accommodating what motivates millennials may be a challenge for some health system CEOs. Unlike older physicians, millennials tend to prioritize work-life balance: 92 percent of surveyed millennials say that it is important for them to strike a balance between work, personal, and family responsibilities.¹⁰ In an environment that often requires long hours and being on call, many CEOs are still learning how to meet millennial workforce expectations.

Preparing for the health care workforce of the future

With health care undergoing major transformation, CEOs often say they need forward-thinking, flexible, and innovative staff that can help their organization transform. To prepare for what may be a dramatically different future, CEOs and other health system executives should consider first identifying and understanding the many ways that health care is changing and determine how the results may shape their future workforce needs. What care can be shifted away from the hospital to outpatient and home settings? What technologies can be leveraged to better deliver care? From these answers, the health system should consider what type of clinical and non-clinical talent is required for a future delivery system.

Workforce planners then can use this knowledge to delineate roles and responsibilities, identify technology-support opportunities (e.g., task automation), activate physicians, and train the workforce. Training programs may extend beyond traditional clinical continuing education to include immersive, experiential, business, leadership, and technology topics. Training the workforce of the future can also mean empowering and engaging both clinical and non-clinical staff, as data show that an engaged workforce can lead to better patient experience and outcomes.¹¹

“Workforce recruitment and retention is probably the number-one issue that I lose the most sleep about. It’s not just nursing staff; it’s other support staff as well.

Frankly, from a recruitment standpoint, even more important is retention. We’re facing some pretty significant turnover numbers...and we are trying to figure out a better way of retaining [employees].”

—CEO of a large academic health system

With value-based care expected to greatly influence the way health systems engage with physicians and other talent, CEOs should consider using an evidence-based approach that includes:¹²

- » Activating physicians who are incented under different payment structures to transform the care delivery system
- » Using a variety of approaches to work with and incentivize employed and affiliated physicians
- » Partnering with both employed and affiliated physicians to lower costs and improve quality, patient experience, and staff experience
- » Reimagining the future of work and identifying ways to use technology to augment or automate tasks
- » Recruiting and retaining a workforce (physicians, nurses, staff, IT) that aligns with the health systems' current and future needs
- » Using data, metrics, and reporting to set and monitor performance goals for clinical and non-clinical staff
- » Investing in leadership development and recruiting more talent from outside the industry
- » Cultivating a workforce culture that supports and facilitates consumer empowerment
- » Communicating openly and honestly with employees, affiliates, and associates
- » Forming partnerships to develop innovative staffing ideas



Endnotes

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⁹ Robert Nagler Miller, “Millennial physicians sound off on state of medicine today,” *AMA Wire*, March 2017. Available at [<https://wire.ama-assn.org/life-career/millennial-physicians-sound-state-medicine-today>]

¹⁰ Robert Nagler Miller, “Millennial physicians sound off on state of medicine today,” *AMA Wire*, March 2017. Available at [<https://wire.ama-assn.org/life-career/millennial-physicians-sound-state-medicine-today>]

¹¹ David Betts, et al., “The value of patient experience: Hospitals with better patient-reported experience perform better financially,” Deloitte Center for Health Solutions, 2017. Available at [<https://www2.deloitte.com/us/en/pages/life-sciences-and-health-care/articles/hospitals-patient-experience.html>]

¹² Ken Abrams, et al., “Physicians in the driver’s seat: Activating the physician workforce in driving balanced clinical and financial success,” 2017. Available at [<https://www2.deloitte.com/us/en/pages/life-sciences-and-health-care/articles/physician-alignment-activation.html>]

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