



# Transforming system leadership to implement and sustain a new operating model

## Bringing it all together



### What's at stake?

#### Bringing together the right team

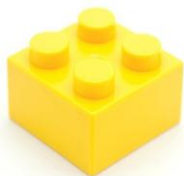
The implementation of a future state operating model focused on increased systemness and clinical integration demands strong leaders capable of bringing together separate teams from individual facilities or entities, changing their mindset about sharing services and talent,

and linking their disparate acute and ambulatory sites to a single strategy. As such, the traditional hospital CEO and siloed executive roles must be transformed to engage with the system with a new, integrated and market facing focus.

Additionally, as healthcare reform continues to take shape and providers are expected to be even more accountable for producing quality outcomes, the demand for strong physician leadership in a variety of capacities will intensify.

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In order for our CEO to drive success in the new operating model, he needs a strong leadership team of operators and physicians to drive clinical integration and lead from the front.



### Instant insights

Part of the success equation is the ability to provide leaders with an understanding of the unique viewpoints of their constituents (Doctors, Nurses, etc.) to help inspire their people to act in a more unified fashion.

## Our take

### A broader market view

The “Hospital CEO” agenda has shifted from the single facility to a broader market view and evaluating the leadership structure and roles to determine who can lead the operating model transformation, and then establishing an executive structure to enable sustained success, is critically important. A new operating model will require a revision in decision rights as certain accountabilities shift from local to regional or central. This in turn will impact the roles and responsibilities of leaders within the Health System as well as at regional or local sites of care. For example, the role of the “Hospital CEO” is changing (See sidebar **What are the impacts to the role of the “Hospital CEO?”**).

As the industry continues to transform, acute care facilities may face decreased utilization and increased cost pressures. For a health care system to survive and thrive, the existing facility CEO role should be transformed into one responsible for making tough decisions that cut through complexity without losing sight of the patient in order to deliver high quality and efficient clinical operations, drive revenue and foster innovation and growth.<sup>1</sup> Moreover, provider organizations are awakening to the realization that tracking and addressing patient satisfaction is no longer enough. Organizations should consider adopting a long-term or “lifetime value” approach to patient engagement similar to its application in other industries, whereby the organization earns the loyalty and repeat business of its customers over a range of reliable,

respected, and/or innovative products or services. The savvy executive who understands these changes can play an important role in shaping the organization’s trajectory: rather than behaving as local facility managers, these CEOs can forge new ground with innovative approaches to quality outcomes at lower costs and sustainable patient engagement.

## The path forward

### Choosing the right partners

**Physician Leaders are mission critical for future success.** In the traditional hospital-physician relationship, hospitals provided physicians with modern equipment and qualified staff, and in return, physicians volunteered ER coverage, medical staff leadership and so on. The leaders of health systems (generally non-physicians) tended to view physician leaders as necessary intermediaries to “deal with the doctors”, and these physicians’ leadership roles often ended up being simply advisory in nature.<sup>2</sup> Nowadays, as health care providers are expected to be even more accountable for producing quality outcomes, there is an increasing demand for physician leadership, and physician integration into the system operating model and shared decision making is critical.

### What are the impacts to the role of the “Hospital CEO”?

There are several notable role changes that, in sum, shift focus from the individual facility to coordinating the system’s clinical and operational assets to serve patient populations within a broader market, geography, and/or line of business.

**Then:** Set and drive strategy for hospital, manage operations, control local financials, appease physicians, develop and foster local brand, deliver care based on hospital and physician preferences, support community relations.

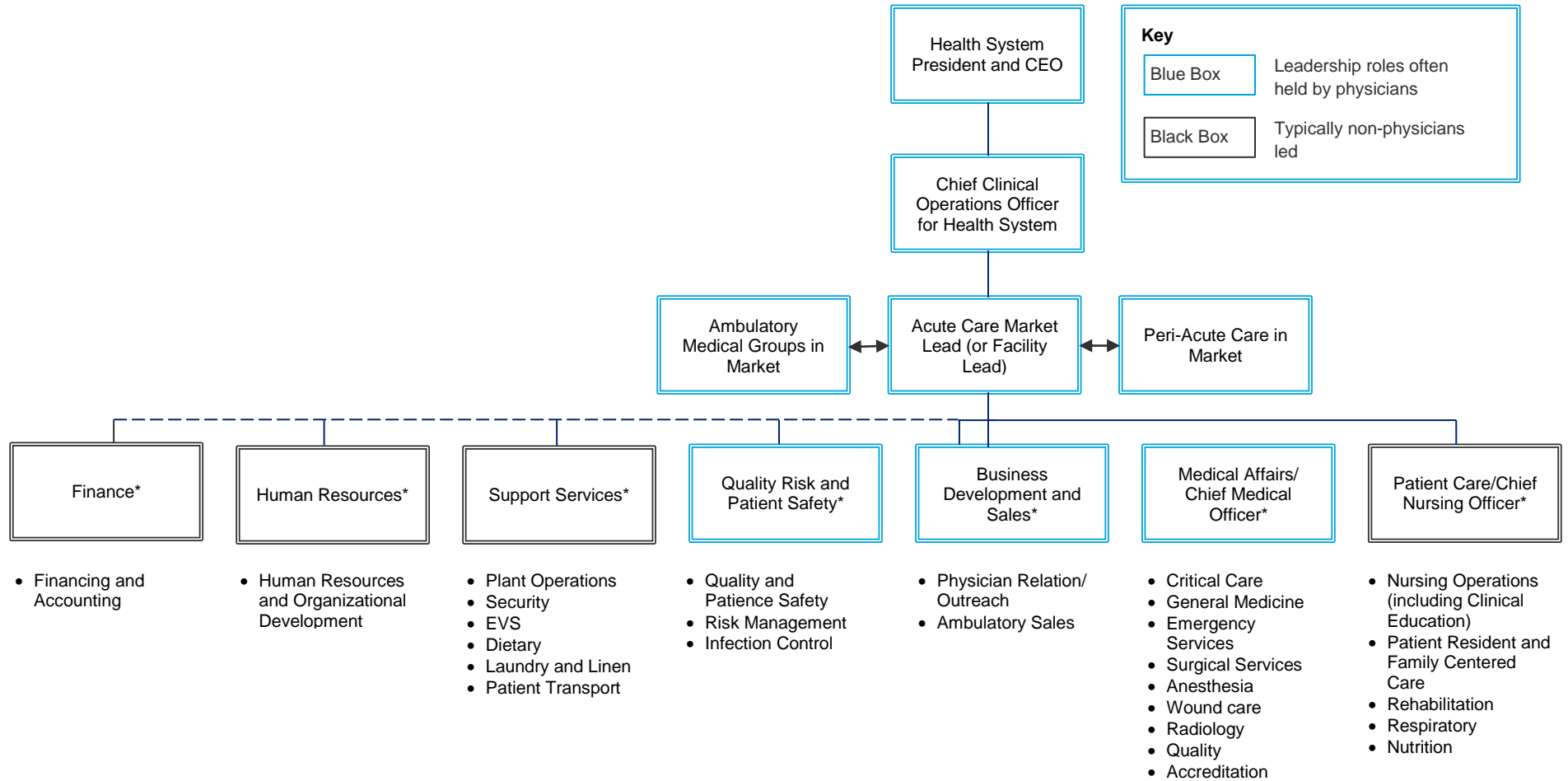
**Now:** Provide input on strategy for system/region/facilities, innovate, serve as a steward of system funds leading clinical operations, partner with physicians/deliver accountable care, manage system brand with local nuances, analyze and deliver unique care for individuals/population health, lead community relations and patient engagement efforts.

Today's physician leaders perform many key roles. For example, they play a vital role in clinical integration efforts, providing insights about standards, processes, and decision-making. Equally significant, they influence and shape the opinions of their colleagues with respect to the system's strategic priorities, goals, and decisions. Therefore, engagement and alignment pathways should be identified and implemented early on in the integration process. While some organizations will have clear physician leaders to engage from the beginning, others may need to spend more time in the selection of physicians to integrate into the leadership structure. Building physician leadership capabilities is another key component to success.<sup>3</sup>

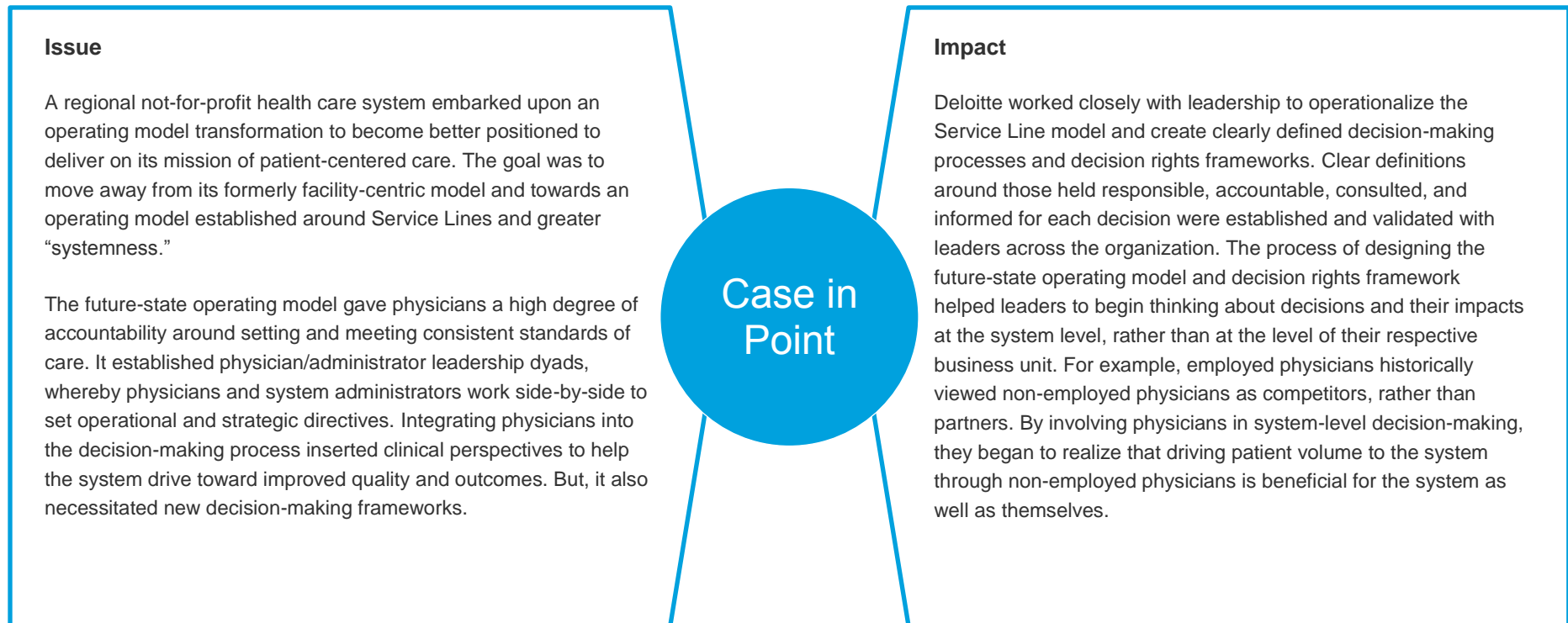
Part of the success equation in this transition is a system's ability to provide leaders with an understanding of the unique viewpoints of their constituents (Physicians, Nurses, Administrators, etc.) to enable them to lead their organizations to act in a more unified fashion. Facility and system leaders who choose to integrate physician leaders into their new operating model (a necessary step for long term viability) will need to master the art of choosing partners wisely, building relationships and managing the paradoxes inherent in an organization they do not always control.<sup>4</sup> See Figure 1 for an illustrative example of a local health system with integrated physician leadership roles.



# Illustrative Health System Local/Regional Structure



## Strengthening physician leadership to support future-state operating model



### Additional Lessons Learned

1. Incorporate a certain level of granularity into the decisions that are included in the decision rights frameworks. Roles and responsibilities should be well understood for operational or tactical, on-the-hospital-floor decisions as well strategic, system-level decisions.
2. While the integration of physicians into administrative decision-making is critical, consider their level of administrative experience. While some clinicians are well versed in administrative roles and responsibilities, others are not. These clinicians will require additional support as they transition into their new role as key decision makers for the system overall.

## Bottom line

From traditionally-held roles and responsibilities to the vital inclusion of physicians, expectations of healthcare system leadership are changing. When assembling the leadership team to begin evaluation of various future state operating models, current leaders must be willing to take a broader market view and physician leaders should be put in a position to influence and impact the clinical integration strategy.

Our CEO has identified strong physician leaders with a deep understanding of clinical outcomes and population management to become more integrated with operations, financial, quality, utilization, informatics, and talent management. *Now how should he change the structure and flow of information so that the organization can start to function as a single integrated system?*

Find out by reading “Aligning the organization through reporting structure and decision rights,” the final chapter in this three part series.

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## Acknowledgements

We would also like to thank Jordan Kim, Roma Khanna, Aparupa Bhattacharya, Brittany Dobosz, Faatin Chaudhury and the many others who contributed to the preparation of this report.

## References

- <sup>1</sup> Melinda Merino, "You Can't Be a Wimp; Make the Tough Calls," *Harvard Business Review*, November 2013, 3-4.
- <sup>2</sup> Andrew M. Wiesenhal, MD, Joseph Kaplan, Jennifer Radin, Tiffany McDowell, Thomas Eskew, "The New Physician Leaders: Leadership for a Dynamic Health Care Industry," Deloitte Consulting, 2014.
- <sup>3</sup> *Ibid.*, 7-8.
- <sup>4</sup> B. Bader, "Time for a New Model for Hospital Physician Collaboration," reprinted from **Great Boards** ([www.GreatBoards.org](http://www.GreatBoards.org)).