

EVALUATING A SYSTEM CHIEF EXECUTIVE

Eight Questions Trustees Should Ask Themselves About CEOs and CEO Candidates

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In today's complex healthcare systems, CEOs must have sound business sense, an understanding of the healthcare environment, an ability to balance constituents' demands for more services with increasing fiscal constraints, and a commitment to the organization's traditional service to its community. Whether searching for a new CEO or evaluating one already on the job, system trustees should be prepared to ask themselves certain questions.

EVALUATING A CEO CANDIDATE

In picking a new system CEO, trustees will want to keep in mind the "merger mania" today roiling U.S. healthcare. It is likely that the new CEO will, while seeking to enhance revenues and reduce expenses, lead the system into partnerships of some sort with other organizations. That being so, the successful candidate will need to possess certain characteristics.

Can the CEO Candidate Establish Vital Objectives? A CEO must—with the support of the community, governing boards, executive teams, and physicians—outline the system's overall objectives, as well as those of its subsidiaries. In doing this, the CEO must be sensitive to the needs of the various cultures that, through mergers or acquisitions, often become part of a system.

This is especially true in restructuring—closing redundant facilities or consolidating services to achieve significant fiscal savings and improving quality of care. Unfortunately, restructuring can also cause serious morale problems among employees, physicians, and area residents. Such measures usually require great skill in reconciling diverse interests and cultures.

Does the Candidate Possess the Needed Personal Attributes?

An effective CEO will be decisive, open to diverse points of view, patient in working for consensus, and able to take pride in the accomplishments of

others. He or she will work for the community, rather than for narrow personal rewards. The effective CEO will base his or her actions on fundamental principles, thereby helping to build an institutionally fair culture, one where pay is equitable, reputation matters, and employees have the courage to voice their opinions.

An effective CEO will also value trust, recognizing it as a kind of glue holding together trustees, executives, physicians, and employees. The effective CEO will understand that, in this world of complex adversarial relationships, trust can give an organization an advantage over its competitors.

Can the Candidate Interact Effectively with Physicians? A system CEO must never underestimate the importance of physician input and advice, especially when making big decisions (e.g., restructuring, downsizing, launching a new venture). In such situations—particularly those involving other organizations—a wise CEO will in fact provide the system's medical staffs with progress reports.

Achieving physician consensus is often a laborious task requiring compromises by all interested parties. The medical staffs within a system all have their own, sometimes competing interests. It is especially vital that the CEO bring concerned physicians into discussions involving specific fiscal savings and any improvements in patient care such cost reductions might make possible.

Does the Candidate's Thinking on Operational Strategies Fit the System's Mission? The public expects certain things from a system that has achieved significant market penetration in its region—namely, higher quality care and enhanced access, at a lower cost to the community. Given such expectations, the trustees should question the CEO candidate closely about his or her ideas concerning operating strategies.

• **Horizontal Integration.** Trustees will certainly want to know whether the candidate views

controlling costs through horizontal integration (e.g., hospital mergers) as, primarily, a way to improve healthcare in the community or as merely a way to enhance the system's position in negotiating reimbursement rates with managed care plans. A system that dominates its market should provide community benefit services, of course. It should do so, first, because the community needs them

and, second, because if it does not, the government might seek to regulate it as a monopoly or eventually take away its tax exemption.

For better or worse, increased regulation of some sort is likely in any case. Recent hearings in Congress and state legislatures are evidence of a growing movement to protect patients' rights vis-à-vis managed care. This movement could result in the regulation of large providers as well. Unfortunately, history suggests that regulation will be no more successful than competition in improving access, increasing quality, or reducing costs in healthcare. A wise CEO candidate must, nevertheless, be prepared to deal with it.

• **Vertical Diversification.** Trustees will also want to know the candidate's views on vertical diversification (i.e., expanding into related healthcare businesses). Although many systems have sought additional patient referrals and market penetration by acquiring physician practices, few have done so successfully. Often purchasers not only pay too much for the practices, they also lock themselves into long-term contracts without productivity incentives. As a result, some systems have seen declining cash flows; a few have been forced to divest themselves of such acquisitions.

EVALUATING A CURRENT CEO

Experts believe that the biggest threats facing healthcare systems in the coming decade will be:

- Political barriers to effective integration with acquired partners (e.g., antitrust laws, "patients' rights" legislation)

- Fiscal cutbacks resulting from the Balanced Budget Act of 1997 and other cost-containment measures

- An inability to respond appropriately to incentives inherent in managed care

- An economic recession

Trustees will want to ask if the CEO can build consensus.

- An inability of system trustees, management teams, and medical staffs to sort out their problems

- A growing public annoyance with institutions that seem more interested in making money than in delivering healthcare

Given these threats, the following are questions that trustees might ask themselves when evaluating the current CEO's work.

Does the CEO Demonstrate

Effective Leadership in a Dynamic Environment? The CEO must possess a practical, achievable vision for strengthening the region's healthcare. To do this, he or she must know the inner workings of the healthcare system, including legislation affecting it, and be able to predict how various healthcare trends might affect the system's organization, management, and financing. In addition, a capable CEO will build on the organization's strengths, address its shortcomings, and build bridges to its community.

Trustees must determine whether the CEO pursues projects to improve the delivery of healthcare or simply for self-aggrandizement.

Is the CEO Talented in Building Consensus? The CEO must be able to build consensus—which requires seeking out promising opportunities in terms of shared values; carefully evaluating possible alternatives; involving all interested parties in the decision-making process; analyzing the fiscal, operational, and political risks; determining which options have a reasonable chance of success; and implementing those options.

It is not unusual for a CEO to have to address several complex, interconnected problems at the same time. Trustees should evaluate his or her ability to do so successfully.

Does the CEO Want to Improve Healthcare throughout the Region? It is natural for a CEO to dream of making his or her system the dominant one in its region—or even the only one in the region. Some experts believe that, by 2005, healthcare in the United States will be provided by fewer than 850 systems functioning as oligopolies or cartels, most free-standing providers having been squeezed out of the market. The surviving systems will have a good deal of leverage with patients, physicians, and insurers.

Continued on page 32

EVALUATING A SYSTEM CEO

Continued from page 25

But a truly first-rate CEO will want the system to prosper not simply to attain market leverage, but to be in a position to use that leverage to increase access to high-quality, cost-effective healthcare in the region.

Has the CEO Been Skillful in Developing an Executive Staff and Mentoring the System's Future Leaders? A genuinely successful CEO will spend time on leadership development. First, the CEO will recruit a strong executive staff to carry out the system's current operations. Second, he or she will mentor junior executives, sharing expertise and wisdom with them, preparing them to lead the system in the future.

Unfortunately, many healthcare CEOs today are so caught up in the daily demands of running a competitive organization that they think they have little time for building staff and training future leaders. They are mistaken. Indeed, in failing to prepare new leaders they endanger their system's future.

THE QUALITIES OF TRUE LEADERS

Although the current "merger mania" is often disconcerting, in the long run it should result in stronger healthcare systems. Those strengthened systems will be in a better position to meet their regions' health needs.

Such systems will need true leaders—men and women who speak from the heart; solicit ideas, opinions, and criticisms from all layers of the organization; are candid, respectful, and responsible even in difficult circumstances; and are team players when choosing among competing options and strategies. The challenge for trustees lies in finding—and keeping—CEOs with these qualities. □



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MEDICAL WASTE AND HEALTHCARE ETHICS

Continued from page 28

many members of the public are not yet focused on the health risks associated with the disposal of medical waste is not a reason to be hesitant. Much recent research is available, and the principles discussed above are helpful for thinking about environmental responsibility when the evidence is not yet fully understood by everyone.

Addressing this issue well (including the reduction of waste that needs to be disposed of as hazardous waste) might be one of those win-win situations in which the institution saves money at the same time it reduces risks to health. Although this might be the case, the decision to proceed should not be made on the basis of cost reduction alone. The issue is how to reduce waste and find healthier ways of disposing of hazardous materials in a cost-effective manner.

Safe alternatives exist for many medical uses of PVC and mercury. One of the most important responses to the health risks caused by healthcare is to begin to move as quickly as possible to these alternatives and to put pressure, if necessary, on suppliers and producers for a full range of alternatives. This is an example of addressing the problem as much "upstream" as possible.

In the process of addressing this issue, attention may need to be paid to issues of institutional culture. It may be important, for example, to resist an organization's temptation to do the least amount of change and preserve the status quo as much as possible in responding to the need for new ways of dealing with waste. Although making the least possible change is understandable because it is the least disruptive of work patterns, it may also be the least effective and the least cost-effective in achieving health-protection goals.

Another danger to be avoided is minimizing the nature of the problem. It may be tempting to present a public image of not contributing to toxic pollution, but this is likely to be counterproductive in a public relations sense. As the public becomes increasingly

aware of the problem, the institutions that will be looked upon most favorably may well be those which involve the public in finding solutions, not those which minimize the problem or the need to address it.

Medical waste raises concerns that need to be taken seriously as concerns central to the work of healthcare. They are not luxury considerations that can be put off until other, more pressing issues in the organization are attended to. What makes this concern so central is that the healthcare organization is part of the problem; it is contributing to the undermining of public health—and will continue to do so until it has reduced the use of mercury and PVC to the greatest extent possible and is using the most environmentally safe technologies for the treatment of infectious waste. □

NOTES

1. "Health Care Without Harm: The Campaign for Environmentally Responsible Health Care," Health Care Without Harm, Falls Church, VA, 1998.
2. T. Colborn, D. Dumanoski, and J. P. Myers, *Our Stolen Future*, Dutton, New York City, 1996, p. 113.
3. U.S. Environmental Protection Agency, *The Inventory of Sources of Dioxin in the United States*, USEPA Office of Research and Development, Washington, DC, 1998.
4. T. L. Beauchamp and J. F. Childress, *Principles of Biomedical Ethics*, 4th ed., Oxford University Press, New York City, 1994, p. 33.
5. J. M. Mann, "Society and Public Health: Crisis and Rebirth," *Western Journal of Medicine*, no. 169, p. 119.
6. P. Hawken, *The Ecology of Commerce*, Harper, New York City, 1994, p. 38.
7. "The Wingspread Statement," quoted in S. Steingraber, *Living Downstream*, Vintage, New York City, 1998, p. 284. The statement was the result of deliberations by an international group of scientists, urban planners, farmers, union leaders, physicians, politicians, and others that gathered in Wisconsin in 1998 to discuss the precautionary principle.
8. Steingraber, pp. 270-271.