INTERVIEW WITH KEVIN E. LOFTON

Umbrella of Approaches Keeps Focus on Growth

By MARY ANN STEINER

Kevi1n E. Lofton, CEO of Catholic Health Initiatives since 2003, shared his vision of planning and partnering for regional growth, his style of effective leadership and his enthusiasm for Pope Francis’ recent encyclical on the environment. Lofton is a Fellow of the American College of Healthcare Executives and former president of the National Association of Health Services Executives. He has been ranked among Modern Healthcare magazine’s “100 Most Influential People in Healthcare” every year since 2005. This is an edited transcript of his interview.

Health Progress: You have been recognized as a visionary and effective leader in health care for many years. Is there a particular experience when your own certainty about how to lead really came together?

Lofton: I’ll keep the response fairly contemporary and talk about circa 2009-2010, when CHI was formulating its update of our strategic plan. The Affordable Care Act was just being finalized, but it was before the rules and regulations had really been promulgated. There were more questions about the future than there were answers.

Our board and management leadership decided this situation was an opportunity the country hasn’t had since the ’60s, when Medicare and Medicaid came into being. We really felt we had a moment — an opportunity — that would allow us to repurpose the future of CHI so that 100 years from now, people would look back and know the leadership of this ministry was able to make the right turn at the right time to position ourselves as a viable Catholic ministry for the future.

My leadership approach was to get information from people — the board, the sponsors, management and others — about where health care was going. We then took all that information and developed new strategic directions for CHI, which included what we call destination metrics out to the year 2020. We have been on that path now for the past six years.

HP: Your collaborative leadership style must require a lot more patience than other leader-
ship styles. Was that ever difficult for you?

Lofton: It was. Patience wasn’t historically one of my strong suits. It’s been an acquired skill. And that really means allowing conversations to happen and listening to what people are talking about. It takes longer to get to an end, but it is really in keeping with how I see my role at CHI, which is to make sure we’re preparing for the future. My overarching goal is to get the job done in today’s world, but always prepare for the future.

To be successful, I had to step back and gather a lot of different points of view. From a management standpoint, I’m not saying that just because you involve a lot of people, the decisions will be made in a more democratic fashion. But I do think the best decisions come out of the opportunity to seek people’s input, and I think the people around my management team table are very comfortable expressing different points of view, even when those don’t resonate with the way the group is headed.

Could you explain how that experience of the strategic plan plays into leadership and decision-making now?

Lofton: We’ve developed a formal process and built it into the structure of major discernments and decision-making so that we always take a step back. As part of that collaborative approach, I designate someone at each meeting to serve as “devil’s advocate.” That person is responsible for putting things on the table like “Have we thought of this?” or “What have we not thought about?” or “Remember, the last time we did something like this, here’s what happened.”

It’s just part of the process for the way decisions are made at CHI.

HP: CHI has been quite ambitious in terms of growth over the last years. What is your process evaluating any kind of new partnership or acquisition? Who is part of that conversation, and how does it play out?

Lofton: We start by asking whether it really fits into our mission, vision and values. And then we overlay that with our long-term strategy. Our growth strategy was there to help align us with other Catholic providers, or individual hospitals within that ministry, to see if there are things we could do to support their local ministries and, at the same time, help CHI. There’s the diversification aspect of it, where, going back to that 2009 strategic plan, we set out to initiate a diversification strategy that would be in keeping with the way health care was going to be delivered in the future.

So we set a marker, and we set the year 2020 as a destination metric. We assumed that by then, inpatient revenue would constitute only 35 percent of our total operating budget. That, for us, was a major visionary approach to growth.

It’s really the component parts that got us through the top line growth which, in just the last five years, allowed us to actually double our revenue. And that’s net of any divestitures.

The approach has been strategic, and it’s been systematic. For example, we have a lot of facilities in the Midwest, where communities have low population growth. We decided we need to grow in more urban markets, because even though CHI is as large as it is, it is also, I think, more diversified than any other Catholic system, or almost any other system in the country for that matter, in that we have very large facilities in large population centers, but we also operate more than 30 critical access hospitals. So we felt it was important to do a bit of balancing with some urban environments.
Also, one of the major strategic approaches we’ve taken over the last five or six years is to grow regional health systems. Previously, each of our individual markets, what we call market-based organizations, stood on its own.

I’ll use Kentucky as an example. We were in seven different cities in Kentucky, and each location operated its own board, its own management team, its own services, and the like. We began to realize that some of the scale needed in health care wasn’t so much to grow large as a national organization as it was to grow regional health systems within their own geography. Sometimes the geography is a town, sometimes it’s a city, sometimes it’s a region, sometimes it’s the whole state.

At the end of the day, health care is local. Consolidation is taking place at the national level, but more importantly, the local health systems are growing. If you don’t have the relevant size of scale from a delivery system standpoint, you’ll be eliminated or excluded from managed-care contracts. The way scale comes in at the regional level is important, because you have to be able to be relevant. That’s a simple word, but we use it a lot at CHI. We talk about how what we do helps us to be more relevant. We have defined the word “relevance” as people wanting to come to us for their health care services.

In many cases, if you don’t have sufficient scale as a regional delivery system, you’re not going to be relevant. And we continue to grow across the entire continuum of care. We acquired a home care company and consolidated all of our home care operations into a single entity, so it could be managed and run by people who know that business line and know how to do those things.

Recently, when the Sylvania Franciscan Health System, based in Ohio, joined CHI, one of the things that we were really excited about is their senior living operation, because it was already organized, functioning and operating better than what we were doing in CHI. By having another system in CHI that is so good at that capability, we think all of our senior living operations and the people we take care of will benefit.

The final category of CHI’s overall strategy was around business lines. The way health care is delivered and paid for is changing, and we have to make that transition for the future. That meant diversifying the organization to ensure we could generate revenue from sources other than inpatient care, strengthen our ministry across the continuum of care and guarantee that we would be able to continue to take care of CHI’s historical mission, which is to create, sustain and nurture healthy communities.

On several occasions, we were able to negotiate equity stakes in the companies with which we are collaborating or partnering. For example, CHI now owns more than 20 percent of Conifer Health Solutions, a national provider of revenue-cycle services that has the expertise and experience in the whole range of revenue-cycle operations, and we were comfortable that they would do this work more effectively than we could at CHI. And we also will be generating revenue that comes back to CHI as an equity owner of Conifer. That money, of course, will help us pursue our historical mission.

So, the way we focus on growth at CHI is to use a comprehensive umbrella of approaches.

HP: What about communities that have to go through transitions as health systems merge? Some small local hospitals are closing, some are being repurposed, and some are being absorbed. What is CHI doing for the people in those communities to figure out how they can get the care they need?

Lofton: Great question, because in some of those communities, over time, it would be very difficult to maintain the same state of delivery of care they may have enjoyed in the past. I’ll use Great Bend in Kansas as an example. We have historical ministries in Great Bend, but physicians opened a competing hospital about two blocks away. Over time it was clear that the community was not large enough to sustain two full-service hospital systems. Gradually, we transitioned our ministry into an ambulatory setting. We didn’t leave the community altogether, but transitioned...
so that we still serve the community, but in a different way.

Sometimes we have to make tough assessments that result in the decision that we can’t compete or contribute in the ways we thought we would. Instead, we try to fill in the gaps of the service needs in the community.

Another example is in Albuquerque, where we started off doing parish nursing and providing free care out of Catholic and other churches. Things changed, and now we focus on early childhood development. We literally go inside 600 homes a week throughout the greater Albuquerque community, offering developmental-needs assessments and social services to low-income families. We know that if we can impact the lives of these children during the first three years of their life, it will give them a better running start on being healthy for the rest of their lives.

There are a lot of things you can do outside the walls of the hospitals. For example, CHI has a nationwide initiative focused on violence prevention in all the communities that we serve. We could say, “Well, you know, when you’re a health care organization, you should be providing care inside the walls of your hospital.” But that’s not what we’re all about. Our mission itself calls us to go outside the walls of our hospitals, to work across communities to improve overall health and well-being.

**HP:** Would you talk about CHI’s approach to succession planning and the ongoing formation of emerging leaders? I’d especially like you to address that in cases of collaboration or mergers with other-than-Catholic entities.

**Lofton:** I’ll start with our talent management process. We’ve had a formal process for about seven years now. We started off the first year with just the senior leadership of about 20-25 people and have evolved to where we use a Web-based tool and have an annual talent summit that looks at several thousand individuals — in fact, it was about 3,500 men and women last year. So, that’s how much we’ve grown.

Our database is not a performance system, but a talent management resource. Part of the process is that every year, each leader and manager should be talking to the people who report to them. We ask people where they see themselves next year and then longer term, maybe three to five years. We get career goals and aspirations and information that speaks to potential.

During the talent summit, we have all of our regional operational leaders across our big markets across the country and all of their human resource experts in one room. We also incorporated into the process a step in which each of the regional leaders identifies a rising star. We invite them all to come to Denver and sit in on some of our management meetings.

In the end, you wind up with two areas that are important to us, and sometimes they wind up conflicting with each other. One is promoting, retaining and recruiting people to the organization and then making sure that they have a chance to succeed in the organization. At the same time, we also are putting a strong focus on diversity in our organization.

If you’re not diverse already, then when a local position is open, those two things can conflict, in terms of trying to accomplish one or the other. We try hard to manage and challenge ourselves to ensure we have the right talent inside the organization. But when we go outside, we make sure there are diverse pools to review when we consider bringing someone into the organization. The succession/diversity equation is important for us to figure out.

Another thing that we’ve been able to do as a national, diverse organization is to identify people we want to cultivate as high-performance leaders and offer them opportunities. An exam-
already knew CHI to help with the integration, and it gave a person with COO standing but who had never been a CEO the opportunity to get CEO experience inside CHI. Then, when Alegent Creighton Health joined CHI and was looking for a new CEO, they could consider Dr. Robertson as perhaps a stronger candidate because he had now gone six months as interim CEO in addition to his other accomplishments and experience. Dr. Robertson ultimately was selected as the head of our CHI Health operation in Nebraska. That’s an example of how the succession process and the acquisition process come together.

**HP: How will Pope Francis’ recent encyclical on the environment influence CHI’s approach to its operations and its environmental commitments?**

**Lofton:** This is actually connected to your original question about what the priorities and strategies are, and why something like this really resonates with my vision for CHI. I have an opportunity not only to act as a health care leader, but also to give evidence of what a faith-based industry, a Catholic ministry, can do. The environment is something that has been front and center for CHI as an advocacy initiative for a long time.

We’ve pursued a number of green initiatives over the years. Practice Greenhealth, which has been active for about 12 years, is a national program that recognizes and provides awards to hospitals that achieve certain proficiencies in eco-friendly practices, sustainable energy, green recyclables and other environmental efforts. Another program, Healthier Hospital Initiatives, focuses on specific ways to reduce the footprint of hospitals in terms of waste, air and water pollutants, and energy reduction.

The pope’s encyclical is truly significant. It’s not just that it fits the way we’ve tried to do things at CHI, but it’s amazing, it’s bold that he has weighed in so heavily on the side of ecology and the sacredness of the environment. It’s getting worldwide attention, which it deserves. He has influence beyond what heads of state, even the President of the United States, have. It’s clear the pope knows what he’s talking about, and that he’s been thinking and talking about it for some time.

We feel good that the Catholic Church is weighing in on this and that the pope is leading the effort. It’s a way to demonstrate how faith-based ministries can help be good stewards of the earth. Stewardship is one of the values and core tenets of CHI. We applaud the pope for taking another bold initiative in calling attention to the vulnerabilities of our precious resources — and how we are called to heal and care for it.

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