The presentation will begin shortly.
Spencer Stuart/AHA Healthcare Leadership Team Survey

April 1, 2014

Presented by: Jack Schosser, FACHE – Senior Director, Spencer Stuart
Dan Wolterman, FACHE – CEO, Memorial Herrmann Healthcare System
Inspired by the American Hospital Association 2011 report, “Hospitals and Care Systems of the Future”, Spencer Stuart and AHA decided to explore the talent, leadership and organizational implications of healthcare reform, specifically:

- What leadership capabilities will become more important for healthcare organizations transitioning to population health management models?
- How are traditional roles, such as the chief financial officer, chief medical officer and chief nursing officer, evolving in response to changing business needs?
- How might physician leaders be tapped to play a larger role in the future?
- What new roles and titles are emerging?
- Do boards have the expertise needed to provide valuable guidance and perspective to management teams?

- Survey fielded April 2013 to 1,140 healthcare executives — 9% response rate
- Supplemented with more than 25 interviews of senior healthcare executives including CEO, HR, CMO and CNO
Key Strategic Priorities and Challenges

Top Priorities for 2014 – 2017

- Improving efficiency through productivity and financial management
- Aligning with other institutions along the continuum of care
- Integrating provider networks and care systems
- Adapting evidence-based practices to improve quality and patient safety
- Managing and improving health of defined populations
- Integrating information systems
- Establishing partnerships
- Strengthening finances to facilitate reinvestment and innovation
- Improving employee and physician training, engagement and leadership skills
- Other
- Improving strategic planning processes
Key Strategic Priorities and Challenges

Primary hurdles to achieving organizations’ strategic priorities

- Physician buy-in and engagement
- Financial constraints
- Organizational barriers to collaboration (e.g., operational challenges, working with others)
- Lack of talent expertise or key roles
- Cultural impediments within organization
- Other
- Employee buy-in and engagement
Percentage of respondents who feel their current senior management team has members with the right experience, skill-sets and talent needed to achieve their strategic priorities.
Critical Talent Requirements and Gap Assessment

Some of the most critical requirements have large talent gaps
While organizations are trying to close the skills gap through training options, many critical skill gaps are being supplemented with external hiring.
## Traditional Roles Evolving

<table>
<thead>
<tr>
<th>Historical</th>
<th>Today</th>
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<tr>
<td><strong>Chief Medical Officer</strong></td>
<td>More operational and strategic focusing on quality targets and efficiency, strategic planning, long-range forecasting and decision analysis</td>
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<tr>
<td>• Medical staff management</td>
<td><strong>Broader and more operational role – integral member of mgmt team in many orgs</strong></td>
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<tr>
<td><strong>Chief Nursing Officer</strong></td>
<td><strong>Business partner to the enterprise, help advise on risk, insurance and strategic decisions</strong></td>
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<tr>
<td>• Advocate for nursing/patient care</td>
<td><strong>“Integrator in Chief” overseeing range of operational activities across continuum, e.g. population outcomes, coordinating inpatient care with physician offices and non-acute services</strong></td>
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<tr>
<td><strong>Chief Financial Officer</strong></td>
<td></td>
</tr>
<tr>
<td>• Scorekeeper/ financial gatekeeper</td>
<td></td>
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<tr>
<td><strong>Chief Operating Officer</strong></td>
<td></td>
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<tr>
<td>• Focused internally</td>
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Roles and Decision Making Across Senior Management Teams

Traditional C-suite has expanded as organizations evaluate clinical design and reorganize into service lines.
Training Focused on Leadership Development and Functional Skills

Senior management training options established over the past three years

- In-house customized programs: 80.00%
- Industry-based conferences: 70.00%
- Specific job-skill courses: 40.00%
- Access to an executive coach: 30.00%
- Other: 0.00%

Training program focus

- Developing leadership skills: 80.00%
- Building knowledge in specific functional areas: 60.00%
- Staying abreast of industry developments: 50.00%
- Other: 0.00%
Hospital and health system boards have a reputation for being large, regionally focused and, sometimes, unwieldy.

Amid so much change, does the board have the diversity of expertise in strategic areas to truly be a valuable resource?

Boards should be evaluating their composition with an eye to the expertise and skills the organization will need in the evolving healthcare environment such as:

- Health insurance and risk management
- Information technology or innovation
- Diversity of the populations and the health of the communities that the system is serving

Drawbacks to not having the right expertise on board.
Jack Schlosser is a member of the Life Sciences and Healthcare Services practices, as well as the Education, Nonprofit & Government Practice. With more than 20 years of executive search experience, Jack specializes in chief executive officer, board and other senior-level executive assignments in the dynamic healthcare services industry. To date, Jack has conducted more than 400 CEO, board director, COO, CFO, CMO and other top management searches for clients, including healthcare providers, physician organizations, academic medical centers, payors, associations and professional services firms.

Prior to entering the executive search profession, Jack’s career spanned several segments of healthcare, including management positions with Healthwest, an integrated healthcare system, where he held senior roles at the flagship hospital and other entities. Earlier in his career, Jack was a consultant and manager with the healthcare practice of Coopers & Lybrand.

Jack is active in the industry and is a fellow and former regent of the American College of Healthcare Executives. A noted expert on leadership, governance and career success, Jack’s expertise has been featured in articles on career management and corporate governance in leading trade publications such as *Trustee, Modern Healthcare* and *Healthcare Executive*. He regularly speaks at industry events and in university settings.

A graduate of the University of California, Los Angeles, Jack received a Master of Public Health and was inducted into the Upsilon Phi Delta Honor Society in recognition of his efforts to promote strong leadership in the industry. He has received both the Leadership Award and the Ira Alpert Service Award from the UCLA Health Policy and Management Alumni Association.
Dan Wolterman joined Memorial Hermann Health System in 1999 and was named President and CEO in 2002. Before joining Memorial Hermann, he was Senior Vice President of the Sisters of Charity of the Incarnate Word Health Care System. Mr. Wolterman earned a B.S. degree in Business Administration in 1979 and a M.B.A. in Finance in 1980 from the University of Cincinnati and a Masters Degree in Healthcare Administration from Xavier University in 1982. He has over 30 years experience in the healthcare industry and a long history of community involvement. Mr. Wolterman has served as chairman of numerous organizations, including: the Greater Houston Partnership, Texas Hospital Association Board of Directors, Voluntary Hospitals of America – Texas Board of Directors, and the 2011 National Senior Olympic Games.Presently, he serves as immediate past chairman of the American Heart Association, Houston Region. He also serves on the Joint Commission's Center for Transforming Healthcare Leadership Advisory Council and he continues to serve on the Greater Houston Partnership, the Texas Hospital Association, and Voluntary Hospitals of America Boards of Directors.

In addition to his role as President and CEO of Memorial Hermann and serving on numerous city, state and national committees, Mr. Wolterman is also an Adjunct Professor at The University of Texas School of Public Health and serves on the University of Houston – Clear Lake Healthcare Administration Program Advisory Council. He is a Fellow of the American College of Healthcare Executives.

Mr. Wolterman has received numerous recognitions. Those received most recently include: Texas Hospital Association's 2012 Earl M. Collier Award; AHA Grassroots Champion Award – American Hospital Association, presented in Washington, D.C.; Health Access Texas Public Health Award, for a leader who has a strong belief in prevention and better access to healthcare; the InterFaith Care Partners Sustaining Presence Award, for activities that constitute an exemplary contribution to the creation of caring communities; Xavier University Distinguished Alumni Award and a recipient of Community Partner’s Father of the Year Award. In addition, he was named one of the 100 Most Influential People in Healthcare by Modern Healthcare magazine every year since 2007.
Demographics of Survey Responses

1) What is your title or role with your company?

2) How would you characterize your organization?
List of Interviewee Organizations

> Advocate Home Health Services – Advocate Healthcare
> Advocate Physician Partners – Advocate Health Care
> Aroostook Medical Center
> Baptist Health South Florida
> Beth Israel Deaconess
> Carolinas HealthCare System
> Cedars-Sinai Medical Center
> Cincinnati Children’s Hospital
> Desert Regional Medical Center
> Eaton Rapids Medical Center
> Franciscan Health System
> Intermountain Medical Group
> Lakeland Regional Medical Center
> Medical University Hospital Authority
> Memorial Hermann Health Center
> Mercy Hospital Springfield
> Northwestern Memorial Hospital
> Ochsner Clinic Foundation
> Providence Health & Services
> St Mary’s Health System
> Texas Health Resources
> UCLA Health System
> University Hospitals Health System
> University of Wisconsin Hospital & Clinics
> Wyoming Medical Center
Perspectives from the Front Line

Dan Wolterman
President & CEO
Memorial Hermann Health System

April 1, 2014
Leadership Competencies Needed

• Change Management
• Managing Ambiguity
• Population Health
• Finance/Cost Management
• Mergers & Acquisitions
• Risk/Actuarial Expertise
• Innovation
• Risk Taking
• Bias for Action
• Systemic Thinking
Top Priorities

• Pacing Change
• Building the Full Continuum of Care
• Integration of Services
• Access to Capital
• Executive Team Skills
• Restructure the System
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