

ST. LOUIS METROPOLITAN  
**MEDICINE**

VOLUME 42, NUMBER 6

DECEMBER 2020 / JANUARY 2021

# Physician Alternative Careers



## Inside

- 10 ➤ Finding Fulfillment, Developing New Skills
- 12 ➤ Hospitals Increasingly Seek Physicians as CEOs
- 14 ➤ Special Jacket for Hospital Patients
- 16 ➤ New Guidance on Speaker Programs

# Hospitals Increasingly Seek Physicians as CEOs

## Experience is showing that the quality of physician-run hospitals may be higher

By Todd Zigrang, MBA, MHA, FACHE, CVA, ASA and Jessica Bailey-Wheaton, Esq.

A 2019 *Modern Healthcare* survey found a rapidly increasing shift in hospitals seeking physicians for their chief executive officer (CEO) positions.<sup>1</sup> The management shift to physician executives has been ongoing for the past several years. As of 2014, only about 5% of all hospitals were physician-led,<sup>2</sup> starting first with academic medical centers and subsequently expanding to community health systems and large integrated delivery systems.<sup>1</sup> This shift may be due to a number of reasons as discussed below.

First, empirical evidence indicates that the quality of physician-run hospitals may be higher. Thirteen of the 21 hospitals on the 2019 *U.S. News & World Report's* Best Hospitals list were physician-led, and all of the top six were physician-led.<sup>3</sup> Similarly, a 2011 study found that physician-run hospitals scored approximately 25% higher on *U.S. News & World Report's* assessment of hospital quality in the cancer, digestive disorders and cardiovascular care categories than non-physician-led hospitals.<sup>4,5</sup> Additionally, a 2019 study found that large, physician-led hospital systems achieved higher quality ratings across all specialties and inpatient days per hospital bed in 2015 than non-physician-led hospitals, with no differences in total revenue or profit margins.<sup>6</sup> Notably, of the top 115 hospitals reviewed in that study, almost 30% were physician-led.

Second, having been in the trenches, so to speak, may enhance a physician executive's credibility with their peers, as they were previously part of the care that they are now leading; in fact, research has found that physicians wish to be led by fellow physicians.<sup>4,7</sup> The virtues of having an **expert leader**, i.e., an expert in the core business at the helm has been established

generally in a number of industries. A 2016 study indicated that, in general, businesses with **expert leaders** had higher rates of employee job satisfaction (with low intentions of quitting).<sup>5</sup>

This finding corroborates studies conducted in other, specific industries such as universities, professional basketball and Formula One racing. Those studies found enhanced organizational performance by those teams or enterprises run by **expert leaders**.<sup>5</sup> As related to health care, this **expert leader** credibility may also extend to outside of the health care organization (e.g., to patients, donors, prospective employees), as it may signal intentionally or unintentionally, a hospital's patient-first focus.<sup>5</sup>

➔ The virtues of having an expert leader, i.e., an expert in the core business at the helm has been established generally in a number of industries.



Third, the current state of the U.S. health care delivery system, which increasingly requires better care at lower costs, seemingly demands a leader with an acute knowledge of the clinical side of health care who also understands the financial limitations necessitating efficient patient care that exceeds set quality metrics.<sup>7</sup> Further, the particular skill sets of physicians are being increasingly sought by hospitals,<sup>1</sup> as they may well-position physician executives to tackle the top challenges in their hospitals, including financial challenges, personnel shortages, behavioral health/addiction issues, governmental mandates and patient safety and quality.<sup>8</sup>

Fourth, the stigma that physicians are not good business people, or that their training turns them into **heroic lone healers**, who are unable to work as part of a team, has abated, due in part to the shift in the U.S. health care delivery system toward value-based care—a byproduct of which is an added emphasis on multi-disciplinary teamwork and the preparation of physicians for leadership roles.<sup>5</sup> Further, physicians have a number of



Todd A. Zigrang



Jessica Bailey-Wheaton

Todd A. Zigrang, MBA, MHA, FACHE, ASA, is president of Health Capital Consultants, where he focuses on the areas of valuation and financial analysis for hospitals, physician practices and other

health care enterprises. Jessica Bailey-Wheaton is vice president and general counsel. They can be reached at 314-994-7641. Their website is <https://www.healthcapital.com>.

options through which they can receive business, leadership or management training, e.g., through the American Association of Physician Leadership (AAPL), which offers a Certified Physician Executive (CPE) credential.<sup>9</sup>



➔ The current state of the U.S. health care delivery system, seemingly demands a leader with an acute knowledge of the clinical side of health care.

This increasing demand for physician leaders is being met by a growing number of physicians who are interested in such leadership roles.<sup>2</sup> Motivations for physicians to move to an executive position may include:

- ➔ **High hospital CEO turnover rate.** Turnover has held at 17-18% for the last five years, likely due to organizational restructuring, intra-organizational job change and retirement.<sup>10</sup> This may lead to more opportunities for physicians to become involved in hospital C-suite positions.
- ➔ **Higher pay.** Between 2005 and 2015, CEO compensation at non-profit health care systems rose much faster than those of surgeons and physicians. As of 2015, CEOs made five times more than orthopedic surgeons.<sup>11</sup>
- ➔ **Physician burnout.** This condition, in which physicians lose satisfaction and a sense of efficacy in their work, has become sufficiently widespread to be designated a public health crisis by a number of industry leaders.<sup>12</sup> This may lead to physicians seeking to exit clinical care for a lower-pressure role with the ability to stay in the health care industry and effect change.<sup>13</sup>

Hospitals must be creative in their efforts to stay financially viable in the midst of this rapid industry sea change, resulting in large part from the shift toward value-based care. In addition, the demand for health care services is anticipated to increase in the coming years due to an aging U.S. population and a greater number of insured individuals.<sup>14</sup> Meanwhile, the supply of physicians is anticipated to decrease due to an imbalance between the number of these physicians who are moving toward retirement and the number of residents that are entering these fields.<sup>15</sup>

In most industries, any shortage may lead to rising prices. However, in the health care industry, the federal government has some power to set prices through the Medicare program. Therefore, even if there is a shortage of health care services in the next several years, prices (i.e., reimbursement) may not rise to reflect this shortage.

These obstacles have already created a challenging environment that hospitals are seeking to remedy through the appointment of expert leaders, in the hope that they are in the best position to improve a hospital's quality measures and patient satisfaction, leading to increased value-based payments and credibility with industry stakeholders. ➔

#### References

1. Caruso M. Executive search firms see shift toward physicians as CEOs. *Modern Healthcare*, August 10, 2019. <https://www.modernhealthcare.com/physicians/executive-search-firms-see-shift-toward-physicians-ceos> (Accessed 10/22/20).
2. Robeznieks A. Hospitals hire more doctors as CEOs as focus on quality grows. *Modern Healthcare*, May 10, 2014. <https://www.modernhealthcare.com/article/20140510/MAGAZINE/305109988/hospitals-hire-more-doctors-as-ceos-as-focus-on-quality-grows> (Accessed 10/22/20).
3. Gupta A. Physician versus non-physician CEOs: The effect of a leader's professional background on the quality of hospital management and health care. *Journal of Hospital Administration*, Vol. 8, No. 5 (September 10, 2019). <https://doi.org/10.5430/jha.v8n5p47> (Accessed 10/22/20).
4. Goodall A, Physician-Leaders and Hospital Performance: Is There an Association? IZA Discussion Paper No. 5830, July 2011. <http://ftp.iza.org/dp5830.pdf> (Accessed 10/22/20);
5. Stoller J, Goodall A, Baker A. Why the Best Hospitals Are Managed by Doctors. *Harvard Business Review*, December 27, 2016. <https://hbr.org/2016/12/why-the-best-hospitals-are-managed-by-doctors> (Accessed 10/22/20).
6. Tasi M, Keswani A, Bozic K. Does physician leadership affect hospital quality, operational efficiency, and financial performance? *Health Care Management Review*, Vol. 44, No. 3, July-September 2019, p. 256-262.
7. Perry J, Mobley F, Brubaker M. Most Doctors Have Little or No Management Training, and That's a Problem. *Harvard Business Review*, December 15, 2017. <https://hbr.org/2017/12/most-doctors-have-little-or-no-management-training-and-thats-a-problem> (Accessed 10/22/20).
8. Top Issues Confronting Hospitals in 2019. American College of Health Care Executives. <https://www.ache.org/learning-center/research/about-the-field/top-issues-confronting-hospitals/top-issues-confronting-hospitals-in-2019> (Accessed 10/22/20).
9. Certified Physician Executive (CPE). American Association of Physician Leadership, <https://www.physicianleaders.org/education/physicians/certified-physician-executive> (Accessed 10/22/20).
10. Hospital CEO Turnover Rate Shows Small Decrease. American College of Healthcare Executives. <https://www.ache.org/about-ache/news-and-awards/news-releases/hospital-ceo-turnover-2020> (Accessed 10/22/20).
11. Du J, Rascoe A, Marcus R. The Growing Executive-Physician Wage Gap in Major US Nonprofit Hospitals and Burden of Nonclinical Workers on the US Healthcare System. *Clinical Orthopaedics and Related Research*, Vol. 476, Issue 10 (October 2018). [https://journals.lww.com/clinorthop/Fulltext/2018/10000/The\\_Growing\\_Executive\\_Physician\\_Wage\\_Gap\\_in\\_Major.4.aspx](https://journals.lww.com/clinorthop/Fulltext/2018/10000/The_Growing_Executive_Physician_Wage_Gap_in_Major.4.aspx) (Accessed 10/22/20).
12. A Crisis in Health Care: A Call to Action on Physician Burnout. Partnership with the Massachusetts Medical Society, Massachusetts Health and Hospital Association, Harvard T.H. Chan School of Public Health, and Harvard Global Health Institute. <http://www.massmed.org/News-and-Publications/MMS-News-Releases/Physician-Burnout-Report-2018/> (Accessed 10/22/20), p. 1, 6.
13. American Association of Physician Leadership.
14. Since Obamacare Became Law, 20 Million More Americans Have Gained Health Insurance. *Fortune*, November 15, 2018, <http://fortune.com/2018/11/15/obamacare-americans-with-health-insurance-uninsured/> (Accessed 10/22/20).
15. The Complexities of Physician Supply and Demand: Projections from 2018 to 2033: 2020 Update. Submitted by IHS Markit Limited for the Association of American Medical Colleges, June 2020. <https://www.aamc.org/system/files/2020-06/stratcomm-aamc-physician-workforce-projections-june-2020.pdf> (Accessed 10/22/20).