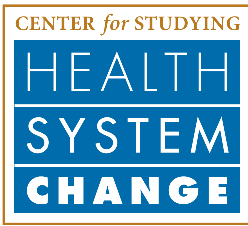

Issue Brief

600 MARYLAND AVENUE SW, SUITE 550, WASHINGTON, DC 20024-2512 TEL: 202 554-7549 FAX: 202 484-9258

THE CENTER, SUPPORTED BY THE ROBERT WOOD JOHNSON FOUNDATION AS PART OF ITS HEALTH TRACKING INITIATIVE, IS AFFILIATED WITH MATHEMATICA POLICY RESEARCH, INC.

An Inadequate Supply of Qualified People Will Slow the Pace of Health System Change

Executive recruiters bring a unique perspective on changes in the health system. By knowing the hiring needs of health care organizations, recruiters understand how the organizations are reacting to changes that have already occurred and how their strategies for dealing with the changes set the direction for future trends in the health system. This Issue Brief reports on a roundtable discussion during which a group of executive recruiters considered how health system changes are reflected in recruitment efforts in health care, and what the shifts in recruitment priorities indicate for the future direction and pace of health system change. The roundtable was sponsored by the Center for Studying Health System Change.

SHIFTS IN LEADERSHIP AND SKILL NEEDS

The composition of the leadership team of health care organizations—and the skills it needs to lead—is shifting dramatically. Considerable attention is focusing on senior management and clinical leaders with expertise in finance and information technology. These shifts provide a glimpse into several aspects of further health system change.

First, there is an inadequate supply of qualified people who have the breadth and depth of skills needed for a changing health system that demands the ability not only to manage costs, but to manage care as well. As a result, there will continue to be much turmoil in the health system, and real changes in the delivery of health care are expected to be slow. Much of the effort today is focused on market positioning and less on re-engineering processes of care to reduce costs and improve outcomes.

Second, it is exceedingly difficult to introduce innovation. Health care organizations are limited in their ability to recruit people from other fields because health care is so different from most other industries. This also constrains health care organizations from importing expertise, even in areas where other industries are more advanced, such as information technology. Recruitment primarily from competitors results in strategies being duplicated among organizations.

MANAGING COSTS AND MANAGING CARE

Change is endemic across all sectors of the U.S. health care system. One of the most significant changes taking place is the general movement from a fragmented fee-for-service system toward one that integrates financing and delivery systems. Both public and private purchasers are more aggressively demanding price concessions, seeking competitive bids and working with insurers to change coverage options to save money—all of which places an increased emphasis on price and costs.

Managed care, in all its forms, is growing nationally and is influencing every aspect of the health system. In many parts of the country, an increasing number of providers are being paid through capitation, demanding that providers manage the cost and quality of care delivered and that they be held accountable for those outcomes.

As health care organizations assume and manage risk for enrolled populations, there are pressing needs to manage costs as well as care. As a result, health care organizations are seeking leaders who are fluent in both the business and clinical aspects of health care. According to one recruiter, the need for "people who can balance cost and quality may sound trite, but it's true."

One of the manifestations of this is the pursuit of physicians for administrative positions by a wide range of organizations,

Number 7
April 1997

The participants at a roundtable discussion, held by the Center for Studying Health System Change in July 1996 in Chicago, brought their expertise in recruiting CEOs, physician executives and other leaders for hospitals, insurers, managed care organizations, integrated delivery systems, health care networks and disease management companies, as well as in helping displaced health care executives make the transition into new careers. They came from large and small firms with offices across the country, and brought the broad perspective of many different markets.

including health plans and insurers, hospitals, physician organizations, disease management companies and private employers that provide health benefits to a large work force. The ideal physician executive has the clinical and analytic skills needed to evaluate and guide changes in practice patterns, medical outcomes and quality of care, and the management skills that will help the organization get a better bottom line.

According to the executive recruiters, there is a shortage of physicians who have all these skills and an interest in assuming positions of administrative leadership. They reported a small pool of candidates for many open positions. One reason cited for the shortage of physician executives is a general ambivalence among physicians to assume administrative positions, believing that to do so is a "betrayal of their field."

There also is a relatively high level of turnover among physician leadership. This is attributed in part to organizations not knowing how to use physician executives after they are hired. For example, a hospital or health plan may recruit a physician executive to be heavily involved in strategic decisions and managing a whole system of care, only to turn around and "dump a pile of charts" onto his or her desk for review.

The limited supply of physician executives, plus organizations that do not know how to use them effectively, does not bode well for organizations that want to develop more cutting-edge aspects of care management, such as programs and services that can change practice patterns and be linked to outcomes of care for enrolled populations.

Other new developments in managed care could be shortchanged because of a lack of qualified people. For example, disease management programs generally are data driven. They depend on continuous data collection and evaluation[1] and on strong information systems as a way to track costs and care.

[1] "DSM: A Concept Coming into Focus," *Medicine and Health, Perspectives*, Aug. 12, 1996.

There is, however, a severe shortage of people with the clinical, management and analytic skills necessary for these jobs. And, according to the recruiters, an inadequate supply of personnel to design and oversee disease management programs is likely to slow their capacity for affecting the delivery and cost of care. "People don't realize how few [people] are around," stated one recruiter.

There is an inadequate supply of qualified people who have the breadth and depth of skills needed for a changing health system that demands not only the ability to manage costs, but to manage care as well.... According to one recruiter, the need for "people who can balance cost and quality may sound trite, but it's true."

INFORMATION TECHNOLOGY: AN AGENT FOR CHANGE

Information technology is another area in which health system changes have resulted in new job requirements. The analysis of financial and quality outcomes requires sophisticated information systems and staff with the ability to analyze the data and work with physicians and other caregivers to use the information to improve processes of care.

A management information system (MIS) is a major investment for an organization, not only in terms of buying expensive hardware, but also hiring a staff with the necessary technical knowledge. The hardware alone will not do the job, and an organization could spend millions of dollars on hardware and not be able to use it optimally because it did not have the right people trained or recruited to do the work.

According to the recruiters, there is a shortage of people with adequate experience and sufficient skills in MIS for health care to support the changes that health care organizations would like to implement. The management of costs, care and risk all depend on strong a MIS; it is seen as the glue that holds together the many different and sometimes

dispersed parties in the health system.

Other industries are facing the need for large MIS investments—even those that are far more advanced in the uses of information technology than health. However, health care organizations are at an additional disadvantage. Because of the clinical applications and specialization within health care, much of the technology and needed talent will have to be developed within the health system, and health care organizations may not be able to take advantage of advances in other industries.

The pace at which new, larger and more encompassing health care organizations can develop is linked to the available leadership to do the job. Chief executive officers need negotiating skills to get former competitors to work together in new arrangements and community organizing skills to encourage local groups to buy into the new organizations.

NEW PARTNERS IN CARE

Integrated systems of care demand that health care organizations provide directly or arrange for a continuum of care. This requires leaders with the skills and ability to forge and maintain new partnerships, alliances and other arrangements with many similar as well as dissimilar organizations. The various arrangements can be large and complex, with a single organization being involved in multiple arrangements simultaneously at local, regional and national levels. Greater outreach into the community may involve working with churches, schools and community agencies that can help an organization assess needs, manage risk and improve health.

The pace at which new, larger and more encompassing health care organizations can develop is linked to the available leadership to do the job. Chief executive officers need negotiating skills to get former competitors to work together in new arrangements and community organizing skills to encourage local groups to buy into the new organizations. To meet management goals, secure a market presence and respond to the needs of the community, the alternative arrangements also could require a sharing of power and joint decision-making.

One stumbling block to building long-term relationships is the high turnover among the leadership of health care organizations. The instability brought on by high turnover could interfere with the ability of an organization to build trust among its various partners, define and pursue a strategic plan and develop the kind of long-term relationships that can benefit the community.

The executive recruiters expressed particular concern about turnover in academic medical centers (AMCs). AMCs have to satisfy missions related to patient care, teaching and research, and this three-pronged mandate can make it difficult for them to determine clear strategies in a competitive marketplace. These facilities are faced with what one recruiter termed a "silo effect." They have strong individual pockets of knowledge, but the multiple parties and interests do not always communicate with each other. There also is a built-in conflict in the demand for their physician leaders to have "a long C.V., lots of publishing and still do patient care some percent of time," which leaves little time to deal with the demands of the marketplace and managed care.

One recruiter spoke of candidates who turned down chief executive officer positions in AMCs because they were concerned about working in an institution where the priorities and leadership were not worked out. The recruiter did not see this as an isolated incident and noted the many vacant slots in AMCs.

IT'S A RISKY WORLD

As health care organizations take on more risk for enrolled populations, the organizations' leaders are being asked to take on more personal risk. This is reflected in compensation packages that increasingly are incentive-based. Said one recruiter, "The average incentive award has really

The participants were:

John Lloyd
Witt/Kieffer, Ford, Hadelman and Lloyd
Chicago

Abby Mayes
Lee Calhoon & Co.
Philadelphia

John Pufahl
Avalon Health Group, Inc.
New York City

Barbara Runyen
Right/Jannotta Bray
Chicago

Anne Zenzer
Witt/Kieffer, Ford, Hadelman and Lloyd
Chicago

Moderators

Paul B. Ginsburg
Linda T. Kohn
Center for Studying Health System Change

moved up. Salary has moved up some, but what's at risk has moved up a lot." This increased risk may be one way to attract leaders who are more willing to embrace change rather than maintain the status quo. It also increases the possibility of failure. According to the recruiters, nonprofit organizations, especially public hospitals, are constrained in their ability to incorporate incentives into compensation and are likely to have difficulty competing against for-profit firms on these terms.

Additional evidence of personal risk is the frequency with which some skills become redundant. There are too many traditional line administrators, particularly in hospitals, and in any function that can be outsourced at lesser cost, such as human resources administration. Such individuals are seen by recruiters as lacking the skills needed in health care organizations today because they do not have a sufficient understanding of managed care, capitation and other risk-sharing arrangements and information technology.

IMPLICATIONS FOR HEALTH SYSTEM CHANGE

The pace of health system change and the response by health care organizations varies from community to community. But no matter what the pace and the response to it, it is clear that health care organizations are taking the changes seriously. However, from the perspective of executive recruiters, few organizations have developed coherent strategies to deal with change and most appear to be pursuing multiple avenues simultaneously to hedge their bets.

In general, efforts to manage costs are moving faster than efforts to manage care. There are a couple of reasons for this:

- The mechanisms and systems that can effectively change how care is delivered are still being developed.
- There is a lag between the time it takes to implement a change and seeing its effects.
- There are not enough of people with the experience and skill to implement such changes on a broad scale.

The evolving direction of change, the pursuit of multiple concurrent strategies and an imbalance between available and needed skills suggest slow progress toward changes that ultimately will alter the delivery and cost of care.

As one recruiter said, "There is reorganization, but nothing is really changing. Very few companies have made a radical shift and redefined themselves."

Despite shortages of people with selected skills, there is little receptivity to recruiting people from outside the health care field and, in some cases, even from outside the local market. According to the recruiters, health care is viewed as being highly specialized. Hospitals tend to look for talent from insurance companies and managed care organizations; health plans are more likely to hire from their competitors. The result is that many organizations in a market end up with very similar services, products and processes of care.

Furthermore, the often-heard comment that executives with California experience are in demand throughout the country was not evident to the recruiters at the roundtable. Because health care markets differ by community, they noted that experience in California may not even be the most relevant. This further illustrates how exceedingly difficult it is to introduce innovation into the system.

The evolving direction of change, the pursuit of multiple concurrent strategies and an imbalance between available and needed skills suggest slow progress toward changes that ultimately will alter the delivery and cost of care. Also, it is not clear which of the many alternative strategies being pursued today will have any long-term impact. For example, reduction in staff is an immediate way to affect an organization's bottom line, but it is not likely to change fundamentally how care is delivered.

Some strategies may have to be compromised and altered along the way, at least in part because the people needed to implement the changes are not readily available. And as long as the strategies and responses of health care organizations are evolving, the ultimate outcome remains unclear. ■

Issue Briefs are published by the Center for Studying Health System Change

President: Paul B. Ginsburg
Editor: The Stein Group
Design: Levine & Associates

Writer of this Issue Brief:
Linda T. Kohn, Center for Studying Health System Change

For additional copies or to be added to the mailing list, contact the Center at:
600 Maryland Avenue SW
Suite 550
Washington, DC 20024-2512
Tel: (202) 554-7549
Fax: (202) 484-9258