

Leading Through Transformation: Top Healthcare CEOs' Perspectives on the Future of Healthcare

Insights from the
Huron Healthcare **CEO FORUM**



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Making crucial, necessary, and fundamental changes in an industry of critical importance to the country's economic health requires outstanding leadership. For healthcare CEOs, that challenge also represents a very exciting opportunity. That excitement was palpable at this year's Huron Healthcare CEO Forum.

At the Forum, CEOs interacted with each other and with guest speakers, collaborating to share their best thinking around the healthcare industry's toughest issues.

Huron was very pleased to contribute to the Forum discussions, and we are now pleased to provide highlights from those discussions. As a company, we look forward to supporting CEOs and their organizations as they envision the future and lead the healthcare enterprise through unprecedented change.



JAMES ROTH
President & CEO
Huron Consulting Group

EXECUTIVE ATTENDEES

See full attendee bios on pages 35-37

William K. Atkinson,
PhD, MPH, MPA
President & CEO
WakeMed Health & Hospitals

Marty Bonick, FACHE
Vice President of Operations
Community Health Systems

Marna P. Borgstrom
CEO Forum Co-Chair
President & CEO
Yale-New Haven Hospital and
Yale New Haven Health System

Steve Carlson
President & CEO
Community Medical Center

Michael S. Eesley
CEO
Centegra Health System

David T. Feinberg, MD, MBA
CEO, UCLA Hospital System
President, UCLA Health System
Associate Vice Chancellor,
UCLA Health Sciences

Nancy A. Formella
Former President
Mary Hitchcock Memorial
Hospital

Dean M. Harrison
CEO Forum Chair
President & CEO
Northwestern Memorial
HealthCare

Mark Laney, MD
President & CEO
Heartland Health

Barbara J. Martin,
MBA, FACHE, BSN
President & CEO
Vista Health System

Bryan Mills
President & CEO
Community Health Network

Christopher T. Olivia, MD
SVP, Strategic Planning and
New Venture Development
Highmark, Inc.

Alfred G. Stubblefield
President & CEO
Baptist Health Care

Ray Thompson
EVP & COO
Trinity Mother Frances
Health System

Kate Walsh
President & CEO
Boston Medical Center

Guy Wiebking
President & CEO
Provena Health

Dan Wolterman
President & CEO
Memorial Hermann
Healthcare System

EXECUTIVE SUMMARY

Relentless. This was the word that came up again and again throughout the two days of discussions among the nearly 20 top healthcare CEOs in the country who attended Huron Healthcare’s annual CEO Forum. The need for relentless communication with stakeholders, from employees to community partners; dealing with relentless change; and maintaining relentless, reality-based optimism about the future of the healthcare industry.

KEY OPPORTUNITIES AND CHALLENGES DISCUSSED:

- » [Moving From Volume to Value: Making the New Healthcare Business Model a Reality](#)
- » [Changing the Care Delivery Model: Re-imagining the Who, What, When, Where, and How of Delivering Care](#)
- » [Physician Relationships: Imperatives for Achieving Alignment](#)
- » [Cost Containment: Coping With Significantly Reduced Reimbursement Rates](#)

CEO attendees at the Forum represented a broad range of organizations, from larger multi-hospital systems to smaller community hospitals, across urban and rural communities. Each one is on its own unique path to achieving the imperatives of delivering high quality, affordable care, operating on different timelines with different strengths.

Drawing on their diverse experiences, CEO attendees shared their visions for the future of the industry—as well as the challenges they face in making those visions a reality. Frank discussions of what’s working and not working led to useful insights and new ideas.

Despite the pronounced variability in visions, methods and timing for moving their organizations forward, CEO attendees agreed: strong leadership will be essential to guide healthcare organizations through this time of deep uncertainty and tumultuous change.

For additional insights on effective leadership and making strategic visions real, CEO attendees heard from top executives who lead organizations in industries other than healthcare. The message from those executives was surprisingly consistent: intellectual honesty, organizational values, and communication form the bedrock of strong leadership. In their “back-to-basics” advice, these guest speakers shared what core leadership competencies look like in action. They also encouraged the CEO attendees to rethink what the future of leadership could look like for the healthcare industry.

Leadership imperatives the executives discussed included:

- » [Modeling Optimism and Energy: Protecting Stakeholders from “Future Shock”](#)
- » [Achieving Corporate Social Engagement: Communicating to Inspire and Engage](#)
- » [Accelerating Talent: Cultivating New Leaders](#)

Using the burning platform of federal and market reform as a catalyst to do the hard work that remains to be done provides the chance, as one CEO said, to “fix 99 percent of the dumb stuff we’ve done.” The prevailing mood among CEOs was one of renewed determination and resolve in their efforts to transform healthcare delivery at their organizations to the benefit of the communities they serve—and the country as a whole.

CEO Visions For the Future of Healthcare: Possibilities, Probabilities, and Preferences



GORDON MOUNTFORD
Executive Vice President
Huron Healthcare

“Providers are working hard to make progress on the kinds of fundamental quality and cost improvements that need to happen. Leadership skills to achieve this are going to be crucial. Keeping everyone energized around this core vision and making it real is a major challenge, but one that we’re seeing healthcare leaders stepping up to meet.”

At the Forum, CEOs shared their visions for the future of the healthcare industry and where they believe their organizations need to go.

They also shared the challenges they face in transitioning their organizations from the fee-for-service model they're working within now, to the future state of value-based healthcare in which they'll need to provide more affordable, higher quality care at lower reimbursement rates—probably under a fixed or bundled payment model.

Moving from the current state to this future state would be a big enough challenge for hospital CEOs. However, the burning platform that's driving the need for accelerated, fundamental change is the volatility and uncertainty of the current economic climate. In fact, the CEOs agreed the only certainties over the next five years will be the flat growth or decline of the U.S. economy, and the continued erosion of reimbursement for healthcare providers.

Making strategic decisions within this state of limbo—one business model going away and the other not yet here—is, as many CEOs noted, extremely difficult. In response, some CEOs are leading their organizations boldly into the uncharted territory of the new business model, while others are moving ahead at a more cautious pace. But there was no one at the event who thought that the current model would be sustainable in the future.



“We have no ability to predict the future. We have to be successful regardless of external forces. We want to be a market maker, not a reactor.”

– David Feinberg

“No one knows if the Accountable Care Act (ACA) will be thrown out. It probably will survive in some altered fashion. Reform is not going away.”

– Mark Laney

“Regardless of what happens with the ACA, we are facing decreased reimbursements over time. There will be definite reductions in Medicare and Medicaid because current rates are unsustainable with the growing number of elderly benefactors. Current policy is just kicking the budget can down the road.”

– Michael Eesley

Regardless of attitudes or predictions about the ACA, there was broad agreement that the goals of the federal and private sector healthcare reform efforts—driving down cost and improving quality—are creating a burning platform for change. And yet, CEOs are clearly troubled by the nation’s inability to properly fund these imperatives.

“If you look at the number of uninsured we have now, and the forecasted growth of Medicaid, plus those on state subsidies, it could be that nearly one-third of the population in the U.S. could be on some elevated level of support. That is an unsustainable budget line item for the federal government.”

– Kate Walsh

The healthcare insurance exchanges (HIE) that are part of the ACA were another key area of concern.

“We are not being intellectually honest about the new ‘covered lives’ under the healthcare insurance exchanges. If new patients come in at Medicaid rates, even primary care doctors will not open up their practices to them. We’ll have ‘covered lives’ with no place to go.”

– Mark Laney

“Adding more patient volume at Medicaid rates will not alleviate the shortfall caused by these rates not adequately covering the full cost associated with the services provided in most cases.”

– Guy Wiebking

Other CEOs expressed concern about the broader public policy and public health implications of decreased reimbursement to healthcare providers.

“I worry that as congressional and state elected leaders are trying to address immediate fiscal issues, too little attention is being paid to policy. Without understanding our policy and values about how, where, and how much healthcare is to be provided before cutting budgets, there may be great dissatisfaction with the resulting, unintended consequences.”

– Marna Borgstrom

Even with the troubling economic outlook and decline in reimbursement, many of the CEOs expressed optimism and excitement about the opportunity and catalyst for change this burning platform of financial distress and uncertainty presents.

“We have a lot of opportunity to fix 99 percent of the dumb stuff we’ve done. We have the chance to do it right. If it were easy, I wouldn’t want to do it. I signed on for heavy lifting.”

– William Atkinson

“People look at healthcare and see doom and gloom. Okay, let’s take a time out. If you don’t want to be in this industry, tell me what industry is more stable than healthcare. Let’s get past the pity party. It’s so easy to get into a rut of negative thinking—you have to build momentum for positive thought. We all have a stake in this. Every one of us and our family members are patients.”

– Bryan Mills

KEY TAKEAWAYS

- » The business model shift from volume to value is the most important and most challenging issue facing CEOs.
- » Figuring out how to provide more affordable, higher quality care at lower reimbursement rates—probably under a fixed or bundled payment model—is imperative for survival.
- » Decreasing federal reimbursement levels are a fundamental issue of concern, with broad implications for the quality of care providers are able to deliver.
- » Despite these significant and fundamental challenges, CEOs see a major opportunity to transform healthcare delivery for the better, and are excited about the opportunity to develop a next-generation framework to provide more affordable, higher quality care.

|| From Vision To Reality: Key Challenges and Opportunities

Making fundamental change to the healthcare delivery system presents a wide variety of short- and long-term challenges. This section presents the issues and themes to which CEO attendees are devoting a deep level of energy, leadership, and engagement to achieve success.



GORDON MOUNTFORD
Executive Vice President
Huron Healthcare

“Moving from a model that incentivizes hospitals for volume to one that incentivizes for value will require a new vision for care delivery, and a move toward new partnerships and relationships focused on wellness and preventative care. The business model shift will not only be an economic necessity for healthcare providers, but is also the right thing to do for patients, and for the country. This shift promises to achieve higher quality care, drive out waste, and make healthcare more affordable for payers and patients alike.”

MOVING FROM VOLUME TO VALUE: Making the New Healthcare Business Model a Reality

“Things that can’t go on forever will stop,” said economist Herb Stein. There was clear agreement that the current volume-based business model for delivering healthcare will become obsolete. If the United States’ national health expenditure (NHE) continues to grow at currently projected rates, it will account for 19.3 percent of gross domestic product (GDP) by 2019, according to the Centers for Medicare & Medicaid Services (CMS).



Health reform initiatives are meant to push, pull, and shove healthcare organizations toward delivering affordable, value-based care. But exactly how long it will take to transition to value-based reimbursement was a source of speculation and frustration.

“We are definitely moving toward fixed or bundled payment and away from making margin on volume. The old strategy is quickly becoming the high cost/low margin strategy. Unfortunately, we get to run these two opposing strategies simultaneously. You can live in two business models for a while, but not forever. How long can we do it?”
— Dan Wolterman

“Let’s face reality. The government is out of money and will no longer be able to go further into debt funding healthcare. We’re in a rate/volume business model today that will not survive. We’re not going to get to the ‘new normal’ by marginal changes. We need some big ideas. The measures of success today may become measures of

failure tomorrow. Hospitals may transition to cost centers. No one wants to be out in front of a major payment change. But consider this, what percent reduction in your present cost structure is necessary to be successful in that environment? 10 to 15 percent won’t be enough; 20 to 30 percent is more likely. That is not possible without radically restructuring our present system of care.”

— Christopher Olivia

“Right now, the unknown is killing us. We’ll pick up the pieces—just make the call.”
— William Atkinson

Operating in two business models is difficult for any hospital, but it’s especially risky for standalone community hospitals.

“Smaller organizations like mine have to watch more than react because they don’t have the capital or resources to invest—and the risk of investing in the wrong areas is huge. We’re self-insured and using our employee base to see what works and doesn’t in terms of driving them to certain

“The immense operational and financial shifts healthcare leaders are facing would be daunting for executives in any industry. And yet healthcare leaders across the country are stepping up to the challenge, carefully considering the way forward, and developing solutions that will shape the future of healthcare delivery in our country.”

Gordon Mountford
Executive Vice President
Huron Healthcare

plans, certain standardization, and ways to deliver care. But I am worried that we don't have the capabilities larger systems do."

– Steve Carlson

Part of making the shift to delivering high value, affordable care—optimal outcomes at a lower cost—is to create accountability at every level. However, if hospitals are expected to be accountable for delivering high value care and managing population health at fixed costs, they must be reimbursed in ways that make that model financially sustainable.

"Healthcare systems are currently working on the 'spoiled child' model—spend what you want and expect the best. We will have to move to an 'accountability model' with a focus on relevant levels of care and getting out in front of big expenses by taking responsibility for population health. At the end of the day, the hospital is accountable, but we are not reimbursed to support this model.

Plus, in spite of the promise of bringing more covered lives into the system, the rates likely paid by State Exchanges and Medicaid will leave us, at best, in a neutral economic situation. More lives don't translate to better economics for us. Operating at Medicaid margins is currently impossible for hospitals in the state of Illinois. In the future, Medicare margins might be doable as utilization strategies are applied."

– Michael Eesley

KEY TAKEAWAYS

- » It's clear that the current volume-based business model will become obsolete; it's unclear how soon the new value-based business model will take effect. Operating simultaneously under two business models is unsustainable.
- » To succeed under the future value-based model at likely payment rates will require a fundamentally different approach to the way healthcare is delivered in the U.S.
- » Expectations for value-based care and payment for that care must come into alignment for hospitals to be able to sustain their operations.

CHANGING THE CARE DELIVERY MODEL: Re-imagining the Who, What, When, Where and How of Delivering Care

The fundamental imperative for moving the healthcare business model from volume to value involves re-imagining the care delivery model in ways that make care more efficient and effective. CEOs discussed challenges and visions around several of the core capabilities needed to accomplish this transformation.

POPULATION HEALTH MANAGEMENT: BECOMING A PROVIDER OF WELLNESS

There was consensus among CEOs that the vast majority of hospitals are not currently configured to be providers of “wellness”—that is, focusing on keeping people healthy—and that developing the capabilities to manage population health will require significant time and capital investments.

“We’re good at getting sick people better. But we’re not a wellness organization right now. We fix people after they get hit by trucks. We don’t try to get the trucks to go more slowly.”

– David Feinberg

“We’re working on figuring out what roles we can play in keeping populations healthy, rather than just reacting to illness. But this requires a very different infrastructure than we’ve got today. The most critical piece of this is building the IT infrastructure to manage the sheer amount of data coming through our organization and using it to manage patient populations and outcomes. We don’t have the data analytics to be successful in a new type of delivery. Even though



we’ve made major investments for many years, we’re still not there yet.”

– Dan Wolterman

“We are asking how we can better address high users of care, managing the healthcare needs that are inevitable, and making them less intense and less frequent. But in the big picture, we, as a society, need to have a greater understanding of the impact investments in social infrastructure could have on public health. For instance, we need to start helping very young grade-school age children develop the capacity to manage their lives in healthy ways by investing in things like education and housing.”

– Marna Borgstrom

Many CEOs shared that they are using their own employees to understand their strengths and weaknesses relative to population health management and to identify the additional resources they’ll need to deliver this kind of care on a broader scale.

“Reimbursement cuts are inevitable, which means that providers must continue to aggressively explore and enact fundamental changes to make healthcare delivery more efficient. This requires approaches that are transformational across the healthcare enterprise, including reducing utilization, coordinating care, and minimizing care variance.”

John Tiscornia
Managing Director
Huron Healthcare

DELIVERING CARE OUTSIDE THE HOSPITAL SETTING

Another key aspect of changing the care delivery system is rethinking where care is provided. CEOs agreed that they must look closely and carefully at the right place to provide services, and have a clear rationale for that decision.

Delivering care in non-acute settings holds the promise of reducing the cost of care—and potentially improving care quality. However, this approach is not without its challenges, especially in relation to effective care coordination and information management between inpatient and outpatient settings.

“I think it’s easier to do patient-centered care in the hospital. It’s much harder to do in outpatient settings.”

– David Feinberg

“We need to move our organization, and the community, out of a hospital-centric model. Some of the current measures of success today, like bed occupancy percentages, will become measures of failure in tomorrow’s reality. There will be more attention to care outside of the hospital, such as links to the home environment. Consolidating electronic health records in inpatient and outpatient settings is a huge initiative for us. We are also using patient navigators and care managers.”

– Mark Laney

“One of the most difficult things about moving more care delivery outside the hospital will be effectively providing patients with access to information about themselves and their conditions. As patients move among new and disconnected care delivery settings, their information has to be made available to them.”

– Dean Harrison

Another challenge of moving more care outside the four walls of the hospital will be measuring market share—a key piece of information for effective strategic planning.

“If you get into providing more care delivery outside the hospital, how do you measure market share? You’ll have to develop new metrics to get there.”

– Marty Bonick

Many of the CEO attendees are already aggressively exploring ways to maximize revenue from non-acute settings. Dan Wolterman, the President and CEO of Memorial Hermann Healthcare System, is leading his organization in making strategic investments in non-acute care delivery by creating a \$300 million retail trade strategy as a “second curve” presumptive move. Wolterman shared that more than half of their revenue now comes from their retail arm. Anticipating that the census at his hospitals will continue to fall as they move patients into other care settings, Wolterman is also looking to use the excess capacity at certain hospitals in his system to leverage as post-acute care facilities.

“Hospitals need to provide many different access points throughout the community so that patients can seek care in more convenient locations at times that make sense for them. Once the patient presents at any access point, the system’s goal then becomes delivering the right care in the appropriate setting for each individual patient.”

– Dean Harrison

“We need to think of service lines from the perspective of the patient’s experience, not our experience.”

– Kate Walsh

EXPANDING ROLES OF CLINICIANS: MAXIMIZING LICENSES

Another core piece of evolving the care delivery system involves changing ideas around which clinicians deliver care and the resulting impact on the cost of each “unit” of care. One CEO noted that patients at her hospital are very accepting of getting care from nurse practitioners and physician assistants rather than physicians, if it means getting care more quickly.

“Where it’s appropriate, more and more care will be delivered by providers other than doctors. Nurse practitioners and physician assistants are well equipped to deliver care and are an excellent way to leverage our increasingly scarce physician workforce.”
— Dean Harrison

Several CEOs shared their current approaches for creating the right match between the kind of care needed and the right caregiver to provide it.

“If a registered nurse is licensed to do a procedure, we will not use a nurse practitioner. Additionally, we are planning two to three nurse practitioners to augment every employed doctor. We are maximizing the licenses of everyone on staff.”

— Mark Laney

“We anticipate using ‘observationalists’ under the supervision of the emergency department physician, which will allow patients to be cared for at the most effective point of care.”

— Michael Eesley

Another aim of maximizing licenses mentioned at the Forum was to increase the volume of patients that could be seen in a particular practice.

“We think we can take a physician practice that’s caring for 10,000 patients today and get them caring for 100,000 patients by taking a team approach, getting more people working up to their license level. We think this is the future of primary care.”

— David Feinberg

KEY TAKEAWAYS

- » The vast majority of hospitals are not currently configured to deliver “wellness.” Developing those capabilities will require significant time and capital investments, and new kinds of community partnerships.
- » Determining the best location for providing care—whether in an acute or non-acute setting within or outside the hospital—will be crucial in quality improvement and cost reduction efforts, but is not without its own challenges, especially related to care coordination.
- » Increasing revenue and margins from non-acute care settings is an area of intense exploration and investment for many CEOs.
- » Creating the most effective and efficient matches between caregivers and the kind of care needed helps maximize the licenses of everyone on staff, and holds the promise of reducing the cost of care.



CURT WHELAN
Managing Director
Huron Healthcare

“In the past, many healthcare organizations had primarily worked with a base of independent physicians. Now, more and more hospitals are placing bets on the need to own physician groups, mitigating the risk that they’ll lose physicians to competitors or other business interests. Hospital and physician alignment is crucial because it drives efficiency across the care delivery system, achieving core goals of a value-based business model, especially improved care coordination.”

PHYSICIAN RELATIONSHIPS: Imperatives for Achieving Alignment

Physicians play a crucial role in remaking the healthcare delivery system. The decisions they make affect care quality, cost, and outcomes.

Discussions about relationships with physicians were a part of nearly every session at the Forum. Conversations revealed that different organizations have very different strategies for structuring their relationships with physicians. There was general agreement, however, that creating healthy, sustainable, mutually beneficial relationships with physicians—relationships that drive positive, economical clinical outcomes—remains a complex, complicated, and sometimes elusive goal.

ALIGNMENT AROUND SHARED GOALS AND CLINICAL INTEGRATION

Achieving clinical alignment between hospitals and physicians—and achieving improved care, fewer readmissions, lower costs, etc.—is the core motivation for continuing to improve relationships with physicians. And yet, for many CEOs, establishing a relationship of trust with physicians—key to building strong alignment—remains an ongoing struggle.

“The best way I know to build better relationships with physicians is to have one-on-one personal relationships with them, and then live up to what you said you would do.”

— Guy Wiebking



“We’ve got to get new physician leadership on board that can think and manage differently.”

— Kate Walsh

For some organizations, physician employment has been the key to strengthening physician alignment.

“I feel strongly that one of our biggest challenges is focus. I don’t have the time, energy, or dollars to play nice with doctors who are not stakeholders. However, I’ve been really struck by the speed with which the doctors we’ve employed—without any real proof that we can help them in their lives—come to trust us. It didn’t take much.”

— William Atkinson

Other CEOs discussed other kinds of structures they have used in their business relationships with physicians to help achieve alignment. Many mentioned their

commitment to using the Mayo Clinic's "dyad model," in which practicing and administrative physicians are paired up to assure best practices in care delivery.

"We use the Mayo dyad model to create what I call 'healthy friction.' We have to emphasize in that pairing, it's not that one physician is solely looking at things operationally, and one looking at things solely clinically. They have to work together."

– Bryan Mills

STRUCTURING BUSINESS RELATIONSHIPS WITH PHYSICIANS

Several CEOs brought up the complications of structuring business relationships with physicians—employed or otherwise—and discussed ways they are protecting their organizations' interests within these structures. One CEO mentioned that their physicians' contracts now include a contingency clause that protects the hospital if a bundled payment model is put in place.

"We need to be careful not to make deals that physicians can bail out of."

– William Atkinson

"One of the concerns we should have if we don't own the doctors is an interloper coming in and buying them up. That just happened in California—2,300 physicians were purchased in a single transaction."

– Dan Wolterman

There was also an acknowledgement that IT must support better connections between hospitals, physicians, and patients.

"We can't assume that financial alignment with physicians is a cure-all by itself. It just sets the ground rules for the discussion. A seamless, data-driven delivery system is the way we will create long-term alignment and value. We've invested in an electronic health record that we use in both the hospital and in physician offices. We don't see any way to do what we're trying to do with data if hospitals aren't using the same platform as the physicians."

– Ray Thompson

PHYSICIAN TRAINING

Another part of the conversation focused on ensuring that future physicians will be ready, willing, and able to meet the imperatives of accountable care delivery.

"Younger doctors do work in groups. And they use a very different set of tools to communicate with each other—from iPads to texting to social media. They don't have to be in a meeting to communicate with their peers."

– William Atkinson

Additionally, CEOs of academic medical centers (AMCs) discussed the consequences of reduced AMC funding on physician training.

"I'm concerned about medical education and training—especially with graduate medical education and disproportionate share hospital payments on the chopping block. We're taking bites out of our academic medical centers and other teaching hospitals without understanding what it means. Historically, the government has funded some of the training of physicians. If that's going to change substantially, it may be more cost effective to use more hospitalists and intensivists and have fewer residents. The net effect will be that we won't be increasing the supply of physicians at a time when there are projections of a significant physician workforce shortage."

– Marna Borgstrom

KEY TAKEAWAYS

- » Many CEOs still struggle with the kinds of relationships with physicians that drive positive, economical clinical outcomes.
- » Hospitals are taking a wide variety of approaches to actualize physician alignment. The Mayo dyad model, in which practicing and administrative physicians are paired to make best-practice care delivery decisions, was in use by many of the CEOs at the Forum.
- » Getting clinical and financial alignment with physicians is important, but without a supporting framework of a coordinated, seamless care delivery structure enabled by robust IT, hospitals won't be able to achieve the fundamental changes they need to thrive in a value-based business model.
- » Nurturing the next generation of physicians will be essential—both through a new training paradigm, better funding, and an acknowledgement of the new communication tools and techniques physicians will need to use to succeed.

COST CONTAINMENT: Coping With Significantly Reduced Reimbursement Rates

Fundamental changes to the care delivery system, including reducing utilization and transforming the care delivery model, are unquestionably the path to pulling costs out of the healthcare system.

Most of the CEOs agreed on the need to get 20 to 40 percent of costs out of the system to operate at anticipated future reimbursement levels. The majority of CEOs are taking a two-pronged approach to cost containment: get every single non-value-added cost out of the system now, while working on implementing fundamental changes for the future.

“Healthcare costs are such a large part of GDP, we cannot get it wrong. UCLA needs to get 30 to 40 percent out of our cost structure. If we don’t do that, we won’t get breathing room to operate.”

– David Feinberg

“We need to use scale to reduce fixed expenses as a percentage of our total cost base, and reduce other expenses by changing the work of the caregivers and relating it to improved patient outcomes and higher satisfaction.”

– Marna Borgstrom



“Medicare rates: that’s where we believe we have to get to. Even if we’re going to have to get beyond Medicare rates, I have to have something tangible to move people to. We have to get 20 percent out. We’re down seven percent so far.”

– Bryan Mills

CEOs also shared areas of focus for getting costs out today that they think will make a big difference for the future.

“For us, I think there’s at least \$50 million in savings by standardizing care at the bedside. Evidence-driven care will reduce variation, unlocking a gigantic opportunity to control costs at discharge. Right now, there are too many wrong decisions made during the discharge process. I also see a similar opportunity to control costs of care in post-acute settings.”

– Ray Thompson

“The major reimbursement cuts—both in Medicare and Medicaid—have created the need for even high-performing organizations to reduce costs further. Alongside plans for moving the healthcare business model from volume to value, organizations must also revisit traditional areas of cost savings such as labor, supplies, and HR benefits, re-exploring optimization and savings opportunities with renewed urgency and focus.”

Gordon Mountford
Executive Vice President
Huron Healthcare

“Getting more throughput from current assets is going to be key. Why should MRI machines, operating rooms, and other core assets sit idle and empty on evenings and weekends? Some of the doctors I’m hiring are signing up to work off-hour shifts to better utilize our sunk costs of infrastructure. It’s a shame to have this expensive technology laying idle on evenings and weekends.”

– Dan Wolterman

KEY TAKEAWAYS

- » Reducing the costs of healthcare delivery will undoubtedly require changing utilization patterns, and a rethinking of the entire care delivery model.
- » Cost containment is not only an imperative for individual organizations, but also for the country, as healthcare spending is a growing and imminent threat to the health of the U.S. economy.
- » Looking at every opportunity to change utilization, get more use of current assets, and optimizing care delivery is the path for achieving the elusive goal of providing higher quality, lower-cost care.

||| Leading Through Transformation: Evolving Leadership Roles

To deal with the new realities of leading healthcare organizations through rapid and fundamental change, CEOs acknowledged that their roles and strategies must evolve and change as well.

Protecting stakeholders from future shock and “initiative fatigue” will be an important part of the effort and will help ensure that teams have the energy and drive to achieve top performance.



JEFF JONES
Managing Director
Huron Healthcare

“Healthcare leaders are exploring new ways of thinking about persistent healthcare industry challenges, and coming up with new and innovative solutions. This visionary, transformative approach to leadership will be imperative to lead their organizations and the industry in this era of unprecedented change.”

MODELING OPTIMISM AND ENERGY: Protecting Stakeholders from “Future Shock”

In his classic book “Future Shock,” Alvin Toffler described the critical problem individuals and organizations face when there is “too much change in too short a period of time.” He predicted that groups overwhelmed by change could become paralyzed and unable to innovate or address new realities.

Several CEOs referenced this book and expressed concern about their staff’s ability to deal with the rapid pace of change in their organizations. Consequently, CEOs feel that a significant part of their job is to model hope, optimism, and energy during a time when many of their employees are absorbing much of the “doom and gloom” about healthcare so prevalent in politics and the media.

“What our employees are inundated with every day in their lives in terms of the bleak economy—they bring that to the workplace. It would be easy for them to think, ‘Boy, the world is falling apart!’ The only way I know to fight that is to purposely take a glass is half full mentality—based in fact—and speak with optimism again and again.”

– Guy Wiebking

“Many folks think the sky is falling because we told them it is, not because it is.”

– William Atkinson



“It’s important when you are changing a lot of things to monitor employees to make sure they get the ‘why’ about the need for change. If they’re not getting it, the best approach is more education. Then you can go back to your change schedule.”

– Dan Wolterman

“I believe that the biggest challenge is to change at the right speed while getting all the political alignments that are necessary for success. Sometimes that is the bigger factor in the rate of the pace of change.”

– Barbara Martin

“We need to be asking ourselves how we can give our people winnable goals.”

– Al Stubblefield

“CEOs are in the position to create a culture of change, and empower their employees to achieve that change. The rate of internal change must equal the rate of external change—and this is an era of great external change.”

John Tiscornia
 Managing Director
 Huron Healthcare

“To get a full picture of how leadership is doing, you’ve got to be measuring patient, physician, and employee satisfaction and asking yourself if there is correlation between those things.”

– Guy Wiebking

**KEY
TAKEAWAYS**

- » CEOs play an indispensable role in keeping the mission and vision of their organizations at the forefront through what they say, how they say it, and the quality and frequency of their interactions with their staff.
- » Creating a burning platform for change—and helping move staff rapidly along the change curve—is imperative.
- » Keeping a holistic view of leadership teams’ capacity for change, and setting the right pace and scope for that change, will create a culture in which transformation can happen.

ACHIEVING CORPORATE SOCIAL ENGAGEMENT: Communicating to Inspire and Engage

Engaging key stakeholders through multiple channels with clear, compelling, and consistent messages is even more important during times of dramatic change, and is a major role for CEOs and their senior leadership teams.

Achieving excellence in “back-to-basics” communication principles will help foster the kind of trust and credibility CEOs need in order to lead, while establishing a strong shared vision and clarity of purpose among stakeholders.

“Getting credible information from one source is crucial for getting everyone to a consensus point. If we don’t do that, we’re going to be trying to lead with no one behind us.”

– Bryan Mills

“We need to get all the key players telling the same story and working from the same game plan.”

– David Feinberg

“If I’m just some nameless, faceless CEO guy, why would someone in my organization trust me? I think people are looking for structure and consistency from us. Consistent communication helps provide that.”

– William Atkinson

ENGAGING MULTIPLE GENERATIONS

Meeting the different needs of different generations in the workplace—from Baby Boomers to Gen-Xers to Millennials—was a significant area of discussion among the CEO attendees.



“We spend a tremendous amount of time focused on how best to accommodate generational differences. Each generation of workers is so different, and they’re motivated for different reasons in very different ways.”

– Mark Laney

“We need to better understand what motivates the younger generations so that we can create a spark that connects them to our mission. Our longer term employees tend to intrinsically ‘live the mission’ and we need to move our younger employees in that direction.”

– Dean Harrison

“Younger generations tend to think of work as shift work. There are concerns about their commitment to ‘putting in their time.’ They’re less interested in long hours and being on call.”

– Michael Eesley

“The power of senior executives demonstrating their engagement, involvement, and enthusiasm for their organization’s mission in regular communications to employees cannot be overstated. It is one of the key predictors of success in executing a successful change initiative.”

Curt Whelan
Managing Director
Huron Healthcare

One of the keys to engaging younger generations, several CEOs shared, is to provide them with clear context for their roles within the organization and make sure they understand not just the “what” they’re being asked to do, but the “why.”

“Really driven people—if you can identify and engage them by sharing both ‘what’ and ‘why’—will be very high performers that help drive high performance throughout your organization.”

– Mark Laney

LEVERAGING NEW COMMUNICATION CHANNELS

Use of “new media”—including social media (Twitter, Facebook, etc.), texting, applications for mobile devices, webinars, and webcasts—is on the rise for many CEOs at the Forum. Several acknowledged that while they don’t always feel entirely comfortable using these new tools, they have found them to be extremely effective, particularly in engaging younger employees.

“We have a webcast every month where I talk about what we’re doing as an organization and answer questions

people send in. For the first one, we had 1,000 employees watching. For the second one, we had 2,500.”

– Bryan Mills

“Using multiple media to continuously communicate and keep people on the same wavelength is an opportunity we can’t afford to pass up. There can be a certain discomfort in using new technologies. But we do virtual meetings, and one of the biggest benefits is that your message isn’t getting filtered. There’s one source of information: here’s the direction we’re going. It’s not the right venue for everything, but for critical matters, it’s great to have no dilution of your message.”

– Guy Wiebking

“It can be a challenge when a lot of your communication is one-way. In our organization, we had to get better at listening to and learning from multiple constituents. So yes, you have to get the word out, but you also have to listen and learn from your people. Some of the new technologies can help you do that.”

– Al Stubblefield

“Social media is crucial to an effective communications strategy. I use Facebook, Twitter and a personal blog to engage in discussions with team members and our community. Today’s generation expects this level of communication and transparency from the companies they interact with.”

– Marty Bonick

KEY TAKEAWAYS

- » Clear, consistent communications with stakeholders is never more crucial than during times of dramatic change.
- » Understanding generational differences in communication styles will vastly improve the effectiveness of communications, and more deeply engage employees from Baby Boomers to Millennials.
- » CEOs have found that leveraging “new media,” (such as Twitter and Facebook) and newer communication technologies (such as webcasts and mobile applications), is an extremely effective way of keeping employees more deeply engaged in fulfilling the mission and vision of their organizations.

ACCELERATING TALENT: Cultivating New Leaders

Having the right teams with the right skills on board is crucial for achieving success in the rapidly changing healthcare environment.

IDENTIFYING CURRENT LEADERS

CEOs discussed many methods they use for identifying current leaders—including innovation awards, recognition, and identifying team leaders.

“Every year for about five years, our senior management team has engaged in a talent review process which helps us think about how to best leverage our top talent. Together we categorize managers and directors as either generalist, specialist, too new to move, well placed, needs to develop or maximize potential, or needing performance or values alignment. The results of this exercise focus our development activities over the following year.”

– Dean Harrison

RECRUITING, EDUCATION, AND TRAINING

CEOs cited strong recruiting requirements and robust education and training programs for current employees as crucial components of effective leadership development.

“One of the questions we want our recruiters and managers to ask themselves during the interviewing process is, ‘Does this person have a servant’s heart?’ Those are the people we want as leaders in our organization.”

– Mark Laney



“We need to get our employees, physicians, nurses, business leaders, and anyone else who will listen to understand the macroeconomics of healthcare. We created a curriculum and hold regular classes. Attendance—including physician attendance—has been amazing. It seems that there are still very few people who truly understand the economic realities of how you pay for healthcare today.”

– Bryan Mills

“We have redone our employee training and linked it to an incentive plan. We focus every individual on their unique responsibilities for patient quality and safety, customer service, and cost and efficiency. This has gotten all 22,000 of our employees marching to the same tune and in the same direction. We also use the Hartman Value Profile to assure that all leaders fit the internal values of our culture. This has been an amazing predictor of performance in our organization.”

– Dan Wolterman

“Building the right teams—both internally and through strategic partnerships—has never been more important. The ability to identify the talents needed to move an organization forward and the vision to see and cultivate the potential in employees and partners are core competencies for CEOs and senior leadership teams.”

Jeff Jones
Managing Director
Huron Healthcare

DEVELOPING PHYSICIAN LEADERS

Given that an increasing portion of providers' reimbursement will be based on the quality of care they provide, there was a special focus throughout the CEOs' discussions around the challenge of identifying and developing physicians who can provide direction and leadership in the way care is delivered.

“Right now, physician leadership is our biggest challenge. We are putting a lot of time and effort to get physician leaders developed in our organization.”

— Guy Wiebking

“Among your physicians, you've got natural leaders, you've got political leaders, and you've got those folks you've got to tap on the shoulder. The political leaders might not be the best leaders, but you need them because they'll bring others along. And the leaders you think are going to be good don't always turn out to be.”

— Bryan Mills

“Through our internal leadership program, we encourage high-potential physicians to complete locally-designed MBA programs.”

— Dan Wolterman

“It's more competitive and challenging to be successful in medical school and training than ever before. The newer generation of physicians has a more diverse set of values and needs than that to which administrators, and even established physicians, are accustomed. We need to be testing different ways to connect with these individuals and then identify and foster the leadership talent in this group.”

— Dean Harrison

“For our organization, we have to dramatically change the way we leverage physicians.”

— Al Stubblefield

DEFINING FUTURE LEADERSHIP NEEDS

Several CEOs led a discussion around a “wish list” for future C-level positions. The line of thinking was that for healthcare organizations to be transformed, leadership must also be transformed. That should include a reassessment of what talent and roles exist in the organization today, and a determination of the talent and roles that will lead an organization successfully in the future.

“The key is not to assume that the leadership skills of today are relevant for tomorrow. Then, you must focus on what you think those skill sets will be. In our organization, we've shifted to hiring MBA-trained people over MHA-trained individuals.”

— Dan Wolterman

Notable new C-level positions mentioned were Chief Talent Officer and Chief Wellness Officer. The Chief Talent Officer's role would be to embody and cultivate passion among employees, working alongside the head of HR, but operating at a higher leadership level. The Chief Wellness Officer's role would be to connect the dots between various service lines, focusing on opportunities to improve prevention and wellness capabilities. While these C-level positions are not currently common, executives believe they may be crucial for the successful healthcare organization of the future.

KEY TAKEAWAYS

- » Refining and, if needed, rethinking the recruitment and training process will help ensure the right people are on board—an absolute necessity during this time of intense uncertainty.
- » Developing physician leadership that will support the value-based care delivery of the future is imperative and, for many organizations, will require a very different approach to physician recruitment and leadership development.
- » Bold, innovative thinking about new kinds of roles that will support new care delivery and business model imperatives will help accelerate change, and support transformation from the top down, as well as the bottom up.

IV Insights From Outside Healthcare: Lessons in Leadership From Top Executives

One key aspect of the CEO Forum is to bring in expertise, opinions, and insights from business leaders working in industries outside of healthcare to provide a fresh perspective and cross-industry insights to the CEO attendees. Captured here are highlights from top executives that became key topics of conversation throughout the event.



GREG BROWN
Chairman & CEO
Motorola Solutions, Inc.

Greg Brown is Chairman and Chief Executive Officer of Motorola Solutions, Inc. Mr. Brown joined Motorola in 2003 and was elected to the company's board of directors in 2007. He became President and CEO of Motorola in January 2008. Since that time, he has served as CEO or co-CEO of Motorola. Previously, he headed four different businesses at Motorola, including the government and public safety, networks, enterprise and automotive businesses. In addition to his responsibilities at Motorola, Mr. Brown was recently appointed by President Obama to the President's Management Advisory Board. He is a member of the Business Council, Business Roundtable, Technology CEO Council, Commercial Club of Chicago and the Northwestern Memorial HealthCare board. He is also on the executive committee of the US-China Business Council (USCBC).



BOB PARKINSON
Chairman & CEO
Baxter International Inc.

Robert L. Parkinson, Jr. is Chairman and Chief Executive Officer of Baxter International Inc. Prior to joining Baxter in April 2004, Mr. Parkinson was Dean of Loyola University Chicago's School of Business Administration and Graduate School of Business. Previously, Mr. Parkinson had a distinguished 25-year career at Abbott Laboratories, serving in a variety of domestic and international management and leadership positions, including President and Chief Operating Officer. He serves on a variety of industry boards and community organizations, including the board of directors for Chicago-based Northwestern Memorial HealthCare and chair of Northwestern Lake Forest Hospital. Mr. Parkinson serves on Loyola University Chicago's board of trustees and is currently chairman of the board of Junior Achievement of Chicago. He previously served as chair of the Executives' Club of Chicago.



DON THOMPSON
President & COO
McDonald's Corporation

As President and Chief Operating Officer, Don Thompson directs global strategy and operations for the 32,000 McDonald's restaurants in 117 countries to create value for McDonald's and its shareholders. Previously, Mr. Thompson was President of McDonald's USA. In this role, he was responsible for the strategic direction and overall business results of the nearly 14,000 restaurants in the U.S. Mr. Thompson began his career at McDonald's as an electrical engineer in 1990, and has since held a variety of leadership positions including U.S. Chief Operating Officer, Executive Vice President and Division President. As a business leader, Thompson serves on the board of directors for the McDonald's Corporation, the Exelon Corporation—one of the nation's largest electric utilities—and Northwestern Memorial HealthCare. He also serves on the board of trustees for Purdue University and is a member of the Executive Leadership Council.

Insights From Leaders at Motorola Solutions, Baxter International, and McDonald's Corporation

Greg Brown, Chairman and CEO of Motorola Solutions, Inc., Bob Parkinson, Chairman and CEO of Baxter International Inc., and Don Thompson, President and COO of McDonald's Corporation were part of a panel moderated by Sally Blount, Dean of the Kellogg School of Management at Northwestern University.

"Never waste a good crisis." Blount was quoting Chicago Mayor Rahm Emanuel, but each of the executives on the panel echoed the sentiment throughout their presentations, sharing how crises in each of their organizations have prompted the transformation of their businesses and enabled their current success. As Brown, Parkinson, and Thompson shared how they had led their companies through major transformations, three keys to high-performance leadership emerged.

INTELLECTUAL HONESTY

The risk of leaders not being intellectually honest with themselves about the performance of their companies was noted by each of the three panel members as a serious threat to the viability of an organization.

"It's very important to see how things are, not how you'd like them to be," said Parkinson.

"It's human nature. When you've been successful, you tell yourself that your success is continuing. An organization can only change if their leaders are able to wrap their minds around reality. You've got to create techniques to protect yourself from yourself."

Parkinson added that empowering executive teams to share their unedited opinions is crucial. To make this a reality at Motorola, Brown holds regular meetings with top leaders with no set agenda. During these sessions, Brown asks senior management to share their observations and opinions about high-level trends related to talent development, competitors, customers, and market trends. This approach fosters an environment of intellectual honesty and trust amongst the executive team and contributes to arriving at a "pristine clarity" about what to do—and what not to do—to move the business in the right direction.

Unless it cultivates intellectual honesty, an organization can miss finding the path forward. Another pitfall, as Parkinson pointed out, is that it can lead to a misalignment among executive teams. "If you don't have alignment among your senior managers, you're kidding yourself," said Parkinson. "You'll never get where you need to be."

TENACIOUS FOCUS ON VALUES

Creating strong, clear values, and weaving them into the operational fabric of an organization is a core component of success, according to Brown, Parkinson, and Thompson.

Thompson shared that when McDonald's moved away from its core business at the turn of the decade, it floundered. Not only did the company fail to respond to consumer trends, but it made money-saving decisions that sent the wrong message to employees, franchisees and suppliers. To turn things around, McDonald's built a strategy called

MOTOROLA SOLUTIONS' "OUTSIDE IN" APPROACH

Motorola Solutions has named their approach to cultivating intellectual honesty "Outside In." Their continual process of looking at their firm and measuring success by external, rather than internal standards, using the perspectives of investors, competitors, and other key stakeholders as their lens, has made a big difference in their performance. "We don't want to have to have a burning platform to make crucial course corrections in our business," said Brown. "We want to create our own burning platforms. Arrogance kills business."

“The Plan To Win” that drove the company back to its core business and reinforced its values, particularly in focusing on the customer experience. Supported by the company’s renewed energy around operational excellence, its commitment to employees, franchisees and suppliers, giving back to local communities, growing the business profitably, and a focus on continuous improvement, the net result of the “Plan to Win” has been a rebound in business performance that continues to this day.

Brown also underscored the importance of a corporate commitment to focusing on values. “We do all we can to ensure that the values and behaviors of our employees are consistent. We build it into the reward system at Motorola. But we also think it’s important to exercise core values in an informal, lightweight way. That’s part of making sure those values are entrenched,” said Brown.

Parkinson described Baxter’s three “Leadership Expectations” as their bedrock for ensuring saturation of corporate values through his organization. (See next page.)

RELENTLESS COMMUNICATION

The panel of CEOs agreed: in a rapidly changing environment, leaders have to overcommunicate with stakeholders. Communication must be constant, relentless, and precise, flooding the airwaves with the same themes in all available media. Brown calls these “mission-critical” communications.

“During times of change, people want to know two things: where are we going, and how does it affect me,” said Brown. “True leaders will be sure that everyone in their organization knows the answers to those two questions.”

Thompson noted that this period of intense economic, global uncertainty brings forward a lot of complications and opportunities, and that communication can help mitigate that uncertainty internally.

NOTABLE QUOTES

GREG BROWN

- » “Always give customers storytelling opportunities. If all you’re talking about is ‘we’re the best’—well, so what?”
- » “Listen, learn, and lead. Be authentic.”
- » “Sometimes, the strategy that’s most important is what you’re not going to do.”
- » “People will only change when they viscerally see and feel the need for it.”
- » “The two crucial roles for a CEO are deploying capital and developing talent.”

BOB PARKINSON

- » “It’s essential to institutionalize those things that affect your culture.”
- » “You’ve got to pay attention to driving your cost position down, but you’ve also got to look at cutting those places you’re spending time and effort that aren’t adding value.”
- » “A core component of success is being able to see with clarity and honesty where your organization is at. You have to be able to wrap your mind around the realities of your position. Don’t allow denial to sneak in.”

DON THOMPSON

- » “Our critics tell us that the reason they talk about us so much is that they believe we can change the world.”
- » “It’s important to know your customer... who they really are. It’s easy to get caught up listening to the loudest voice. But the customer voice is often not as loud as other voices that are out there, despite being the most critical driver of your business success.”
- » “As an organization, we are very focused on building teams with complementary skills. No one person possesses all of the things we need to succeed.”

BAXTER INTERNATIONAL'S "LEADERSHIP EXPECTATIONS"

Baxter's Leadership Expectations—a list of shared values, competencies, and personal attributes that reflect the company's values—are made clear to every employee during the recruiting and hiring process, as well as during performance reviews and in an "everyday" manner. Baxter's mantra around this set of expectations is, "The Baxter Leadership Expectations are for every employee, every day, everywhere at Baxter. They provide clarity about leadership at Baxter, while inspiring and motivating everyone to achieve results." These expectations are:

SHARED VALUES

- » Passion to innovate and drive for solutions
- » Personal accountability for results and integrity
- » Eagerness to learn and continuously improve
- » Uncompromising dedication to quality
- » Relentless focus on rapid and disciplined action
- » Respect for individuals and the diverse contributions of all

COMPETENCIES

- » Critical thinking and problem solving
- » Business acumen
- » Motivating and developing others
- » Customer focus
- » Communication
- » Collaboration and teamwork
- » Dealing with ambiguity
- » Technical/functional

PERSONAL ATTRIBUTES

- » Integrity and trust
- » Intellectual honesty
- » Humility
- » Work ethic
- » Optimism
- » Courage and conviction
- » Sound judgment
- » Pragmatism
- » Sense of purpose



RON WILLIAMS
Retired Chairman & CEO
Aetna Inc.

Ronald A. Williams is the former Chairman and CEO of Aetna Inc. Mr. Williams served as both Chairman and CEO of Aetna from 2006 to 2010, and as Chairman from November 2010 to April 2011.

He currently serves on the President's Management Advisory Board, which was assembled by President Obama, the board of directors of American Express Company, The Boeing Company, Johnson & Johnson and as a Trustee of Save the Children. Mr. Williams previously served as Vice Chairman of The Business Council from 2008 to 2010, Vice Chairman of the Health Leadership Council and Chairman of the Council for Affordable Quality Healthcare. He is an advisor to the Wall Street Journal CEO Council and GE Healthymagination Advisory Committee. He is also an advisor to the private equity firm, Clayton, Dubilier & Rice, LLC, and serves as Chairman of the Board of Emergency Medical Services Corporation, a leading provider of facility-based physician services and medical transportation services in the U.S. Prior to joining Aetna, Mr. Williams was a member of the Office of the Chairman at WellPoint Health Networks Inc. where he served as Group President, and President of the company's Blue Cross of California subsidiary.

Insights From Aetna Inc. Retired Chairman and CEO Ron Williams

When Ron Williams took the operating reins at Aetna, he was an unlikely candidate. The company was in trouble and had become, as he put it, “a poster child for bad managed care behavior—we’d lost our way.” Williams shared leadership lessons learned during his transformation of that organization.

ON COMMUNICATING WELL

“When I joined the company, I knew we needed to turn things around internally. I began the process of communicating with our employee base. I had quarterly management meetings and town halls, giving people a sense of our burning platform and starting to create a shared vision. We needed to let our people know that they were playing a key role in transforming healthcare and help them rally around a clear and elevated vision.”

“When you’ve delivered a message more than you can stand, you’ve reached about 20 percent of your people. Your communications must be consistent, unrelenting and tenacious.”

ON EMPLOYEE ENGAGEMENT AND TALENT DEVELOPMENT

“We made use of learning maps, a business literacy tool that makes business strategy and fundamentals visual and real. We made four learning maps: 1) Strategy, 2) Customer Expectations, 3) Products & Services, and 4) Financial Understanding and put them in front of 40,000 people through a one day training course.”

“Under my watch, our employees became much more engaged and focused on carrying out the values of our company. On an employee survey question, ‘Are you proud

to work at Aetna?’ the numbers went from 38 percent to 86 percent.”

“At the end of the day, everything begins and ends on talent. My biggest regrets are waiting to move on poor performers and waiting to move on employees who were qualified for their current job, but not qualified to help evolve that job into what it needed to be for the future.”

ON LEADERSHIP

“What’s a leading indication of failure? Success.”

“At Aetna, leaders’ performance is scored in two dimensions—one score for leadership and the other for results. This system is important for creating clear expectations and for fostering a strong corporate culture and separating producing great results only from great results and great leadership.”

“It’s important to deliver bad news early and personally.”

“Think meaningfully and deeply about expectations for leaders. They are a powerful, powerful force in your organization. New executives often think more about the rewards of leadership than the expectations they must meet as leaders.”

ON HEALTHCARE EXECUTIVES’ KEY CHALLENGES

“Healthcare executives are faced with figuring out how to go from the business model that pays the bills today to one that may not pay the bills tomorrow. We’ve got to make it so that your business does better when you deliver high quality care in your community. No business is going to do something that’s bad for its financial health.”



ERIC FRAIT
Vice President of
Strategic Planning
Chicago Board Options
Exchange, Inc.

Eric Frait is Vice President of Strategic Planning for Chicago Board Options Exchange, Incorporated, a subsidiary of CBOE Holdings, Inc. He is responsible for identifying and monitoring key competitive trends, coordinating corporate initiatives across departments and developing recommendations to further the long-term goals of the Company, as well as serving as an aide to the CEO and Office of the Chairman.

Mr. Frait began his career in the industry with Harris Bank in the Futures and Securities Division in 1994, moving from there to Hull Trading Company, LLC in 1995, where he was an Assistant Trader on the Chicago Mercantile Exchange, Chicago Board of Trade and CBOE trading floors. He joined CBOE in 1996 as an Investigator in the Regulatory Division, leaving that department as a Senior Investigator in 1998 to join the Options Institute, the educational arm of the CBOE. In 2000, he assumed his current role and was promoted to Vice President in 2004. He has been a key figure in the development and implementation of several CBOE initiatives, including C2, the Company's new all-electronic exchange, the Hybrid 2.0 and 4.0 market models, and the post-demutualization business model.

Insights From Chicago Board Options Exchange Vice President of Strategic Planning Eric Frait

CEOs toured the Chicago Board Options Exchange (CBOE) where Vice President of Strategic Planning Eric Frait shared a bit about the CBOE business model and his take on the current state of the economy. The parallels that emerged from the challenges and pressures the CBOE has faced sparked new connections for CEOs and prompted a fair amount of discussion.

ON CBOE'S BUSINESS APPROACH

"The Volatility Index (VIX) is for CBOE what the iPad was for Apple: our totally innovative flagship product. It measures implied volatility in the market and is referred to as the 'fear index.' If the S&P Index is the pulse of the market, the VIX is the blood pressure."

"It used to be that all our trades were made on the 'open outcry' system. Most other exchanges have converted to all electronic. We decided that there would be value in developing a hybrid trading system, so we invented one. It allows us to give people a choice on what they want to do. Almost one-third of our business is still done through open outcry."

"Bottom line: money needs yield. The entire global economy is built on the need for yield. It used to be that you could get yield on money by investing in treasuries and equities. You can't get it there anymore, and the markets where you can get yield right now include a lot of uncertainty."

CBOE & THE HEALTHCARE INDUSTRY: CROSS-INDUSTRY INSIGHTS & TAKEAWAYS

The CBOE's business model and approach to transformation parallels healthcare leaders' challenges and operating environment in several key ways. These connection points created several new ideas and conversations for Forum attendees. CBOE's business model and the healthcare industry are both:

Capital intensive: the need for capital prompts transformational business decisions.

Selling intangibles: CBOE sells "options," healthcare sells "value" and "health."

Heavily reliant on technology, products, and innovation: continuous evolution and innovation are crucial for meeting the needs of stakeholders.

Regularly executing extremely complex transactions: deep understanding and skilled execution of complex transactions are foundational to success.

Developing more advanced virtual models for conducting business: both are exploring new ways of thinking about the who, where, and when of service delivery.

Challenged to thrive in an environment of significant volatility: The CBOE's VIX index reflects the major uncertainty and volatility in the global economic marketplace. Likewise, if there were a measure for volatility in the healthcare industry, the "healthcare VIX" would certainly be at record high levels.



RICHARD MELMAN
Founder & Chairman
Lettuce Entertain
You Enterprises

Richard Melman is Founder and Chairman of Lettuce Entertain You Enterprises, a Chicago-based corporation that owns over 80 restaurants nationwide. He opened his first restaurant in 1971 with his business partner Jerry A. Orzoff. The restaurant business has been Melman's life work, beginning with his early days in a family-owned restaurant, and later as a teenager working in fast food eateries, at a soda fountain, and selling restaurant supplies. His guiding philosophy is that he is not interested in being the biggest, the richest or the most well-known restaurateur. He has always just wanted to be the best he can be. Melman places enormous value on the approximately 6,000 people who work for Lettuce Entertain You Enterprises, and feels tremendous responsibility for their continued success.

Insights From Lettuce Entertain You Enterprises Founder and Chairman Richard Melman

Rich Melman is the founder and chairman of Chicago-based Lettuce Entertain You Enterprises, which owns over 80 restaurants nationwide. He shared his thoughts on leadership with Forum attendees:

ON STRATEGIC PLANNING

“One of the hardest things for me to determine in business is what I want the end result to be.”

“I am always thinking of what I need to do to make sure we are in business for the next 40 years—not just the next five.”

“People always tell me I’m so creative. But I’d say creativity is 80 percent discipline and 20 percent art. My creativity comes from paying a lot of attention to what people have to say. If you’re listening, your customers will tell you what they want.”

ON RESPONSIBLE LEADERSHIP

“When the leaders of an organization get cavalier with their decisions, who does it impact? Employees. When the economy was down, my partners and I had a meeting. We didn’t want to let people go. So the partners took a reduction in pay that day. We benefit when things are good, and we should absorb the impact when things are bad.”

ON WISE RECRUITMENT AND TAKING CARE OF EMPLOYEES

“I am always looking for aggressive, bright, confident, hard-working people. I have lots of conversations with my management teams about finding the right people. If they’re in doubt about someone, I tell them to pass. We only hire people everyone thinks are terrific. Finding the right people and keeping them happy has been one of our great strengths as a business.”

“My best friend Jerry and I started this business. Coincidentally, our mothers had both been waitresses. He and I knew that we wanted to open a restaurant where our mothers would have loved to work. We did that by caring. Caring deeply about customers, employees, food, and service is foundational to our success. We are in the service business, and we are servants.”

“We don’t say the customer is always right. The customer is *usually* right. We are very protective of our employees. The better we treat our people, the better they treat our guests.”

CONCLUSION

The leadership challenge of achieving intellectual honesty and reality-based optimism about the future will continue to be a crucial balancing act for CEOs. This chance to step outside their daily workflow to focus and collaborate on best practices and share new ideas was valuable to Forum attendees in helping meet that challenge. The exchange of ideas created an appetite for CEOs to have more such interactions with the executive teams at their organizations.

In addition, the reinforcement of the idea—further highlighted by guest speakers—that C-level executives must rethink their leadership teams and how they engage with them was a major takeaway for many of the Forum attendees.

In sum, opportunities for making transformative changes to the healthcare industry continue to grow. As one guest speaker noted, “Building new systems for delivering healthcare is incredibly important: what better group of people to be doing it than you?”

The excitement, optimism, and energy exhibited by this year’s CEO Forum attendees demonstrated that they’re more than up to the difficult task of leading through transformation.

EXECUTIVE ATTENDEES



William K. Atkinson,
PhD, MPH, MPA
President & CEO
WakeMed Health & Hospitals
Raleigh, NC

Dr. Atkinson is a Fellow of the American College of Healthcare Executives and holds adjunct faculty positions in the School of Global Public Health at the University of North Carolina at Chapel Hill. He is a member of the North Carolina State University's Kenan Fellows board of advisors. He is recognized nationally for his leadership in disaster preparedness and response, emergency medical services, workforce development, and for his work in reducing gang activity. He lectures frequently on innovation diffusion in healthcare, science, education, and public policy.



Marty Bonick, FACHE
Vice President of Operations
Community Health Systems
Franklin, TN

Marty joined CHS in 2011 with more than 16 years of for-profit and non-profit healthcare leadership experience. Prior to this post, he served as the President and Chief Executive Officer of 535-bed Jewish Hospital Medical Center in Louisville, KY. Bonick is a Fellow of the American College of Healthcare Executives and was named an "Up and Comer" by Modern Healthcare magazine in 2008. He holds dual Master's degrees from Washington University in St. Louis and earned his Bachelor degree from the University of Illinois.



Marna P. Borgstrom*
CEO Forum Co-Chair
President & CEO
Yale-New Haven Hospital and
Yale New Haven Health System
New Haven, CT

Marna P. Borgstrom is the President and Chief Executive Officer of Yale-New Haven Hospital and the Yale New Haven Health System, based in New Haven, Connecticut. She joined Yale-New Haven Hospital nearly 32 years ago and has held her current position since 2005. Ms. Borgstrom is on the boards of the Connecticut Hospital Association, VHA, and the AAMC.



Steve Carlson
President & CEO
Community Medical Center
Missoula, MT

Steve Carlson is the President and Chief Executive Officer of Community Medical Center in Missoula, Montana. His experience includes nine years heading Flagstaff Medical Center in Flagstaff, Arizona. He was also a Senior Executive Officer for Northern Arizona Healthcare.



Michael S. Eesley
CEO
Centegra Health System
Crystal Lake, IL

Mr. Eesley joined Centegra Health System in 1999 and fulfilled the role of Chief Operating Officer until his appointment to CEO in 2002. He is also a board member for the Centegra Health System board and the Centegra Insurance Company, the Illinois Hospital Association board (IHA) and the Secretary Treasurer of the IHA/AVC, the Metropolitan Chicago Healthcare Council (MCHC) board, and the Past Chairman/Founder of Leadership Greater McHenry County.



David T. Feinberg, MD, MBA*
CEO, UCLA Hospital System
President, UCLA Health System
Associate Vice Chancellor,
UCLA Health Sciences
Los Angeles, CA

David T. Feinberg, MD, MBA is the President of the UCLA Health System, Chief Executive Officer and Associate Vice Chancellor of the UCLA Hospital System and Health Sciences in Los Angeles, California. Previously, he served as Medical Director of the Resnick Neuropsychiatric Hospital (NPH) and head of the NPH Faculty Practice Group. Dr. Feinberg is also a Clinical Professor of Psychiatry on the faculty of the David Geffen School of Medicine at UCLA.



Nancy A. Formella
Former President
Mary Hitchcock Memorial Hospital
Lebanon, NH

Nancy A. Formella was the President of Mary Hitchcock Memorial Hospital at Dartmouth-Hitchcock Medical Center in Lebanon, New Hampshire, from April 2006 until November 2011 when she became the Executive Advisor to the Dartmouth-Hitchcock Trustees. She joined Dartmouth-Hitchcock as the Senior Nurse Executive in 1999. Prior to that, she worked as a Senior Clinical Consultant at CSC Healthcare and held various positions in the Mayo System over a 14-year period in both MN and FL. She is currently serving as Board Chair for the NH Hospital Association and is a member of AHA's Performance Improvement Committee.



Dean M. Harrison*
CEO Forum Chair
President & CEO
Northwestern Memorial HealthCare
Chicago, IL

Dean M. Harrison, CEO Forum Chair, is the President and Chief Executive Officer of Northwestern Memorial HealthCare in Chicago, Illinois. Prior to joining Northwestern Memorial, he was President and Chief Operating Officer of the University of Chicago Health System. Mr. Harrison currently serves on the Member Board of Directors of the University HealthSystem Consortium, Board of Directors of United Way Metropolitan Chicago, Board of Directors and the Executive Committee of the Illinois Hospital Association, and is a special advisor to Merrick Ventures.



Mark Laney, MD
President & CEO
Heartland Health
St. Joseph, MO

Mark Laney, MD has served as St. Joseph, Missouri-based Heartland Health President and CEO since 2009. Prior to Heartland, Dr. Laney served for twenty years at Cook Children's Health Care System in Fort Worth, Texas. For the first thirteen years he was a pediatric neurologist, and from 2001 until 2009 he was the President of Cook Children's Physician Network, one of the largest pediatric multi-specialty groups in America.



Barbara J. Martin, MBA, FACHE, BSN
President & CEO
Vista Health System
Waukegan, IL

Barbara J. Martin, MBA, FACHE, BSN has served as President and CEO of Vista Health System in Waukegan, Illinois, since 2006. Barbara's extensive healthcare experience includes: Vista Health/Victory Health Services as Chief Operating Officer, then President and CEO; Temple University Health System as Vice President/Patient Service Operations; Provena Health as System Vice President/Clinical Operations; Provena Saint Joseph Medical Center as Vice President, Hospital Operations and Ambulatory Services; Saint Margaret and Mercy Health Centers as Vice President, Patient Services/Chief Nursing Officer; and Ingalls Memorial Hospital, beginning as a staff nurse and moving into several leadership positions culminating as Director of Nursing.



Bryan Mills
President & CEO
Community Health Network
Indianapolis, IN

Bryan Mills was appointed President and CEO of Community Health Network in Indianapolis, Indiana, on May 1, 2009. He had served as CEO of Visionary Enterprises Inc. (VEI), a for-profit affiliate within Community, from 1992 to 2009. Mills began his career with Community Health Network in 1985 as controller for Community Hospital North, and his VEI career started shortly thereafter.



Christopher T. Olivia, MD
SVP, Strategic Planning and New
Venture Development
Highmark, Inc.
Pittsburgh, PA

Christopher T. Olivia, MD is Senior Vice President for Strategic Planning and New Venture Development at Pittsburgh, Pennsylvania-based Highmark. Dr. Olivia has extensive experience in healthcare start-ups having served on the board of nine such entities. In his current role, he assists the CEO with provider division strategy and the completion of the West Penn Allegheny Health System merger. Prior to this role, Dr. Olivia was appointed as President and Chief Executive Officer of West Penn Allegheny (WPA) in March of 2008. There he led the turnaround of the health delivery system by consolidating six hospitals and 700 physicians into a system of care.



Alfred G. Stubblefield*
President & CEO
Baptist Health Care
Pensacola, FL

Alfred G. Stubblefield is the President and Chief Executive Officer of Pensacola, Florida-based Baptist Health Care Corporation. He joined Baptist nearly 25 years ago and has been in his current position since 1999. Mr. Stubblefield is currently serving on the VHA & FHA Board of Trustees and is a fellow of the American College of Healthcare Executives.



Ray Thompson
EVP & COO
Trinity Mother Frances
Health System
Tyler, TX

Mr. Thompson joined Mother Frances Hospital in November 1981. He serves as Executive Vice President and COO of Trinity Mother Frances Health System in Tyler, Texas. He has been instrumental in the growth and continued improvements of this region's healthcare services. He was a leading proponent of creating regional clinics to increase the availability of quality healthcare in outlying areas, an effort which increased the Hospital's market share. Under Mr. Thompson's guidance, other significant programs were developed to enhance the Hospital's services and image.



Kate Walsh*
President & CEO
Boston Medical Center
Boston, MA

Kate Walsh became the President and CEO of Boston Medical Center (BMC) on March 1, 2010. Prior to her appointment at BMC, Ms. Walsh served as Executive Vice President and Chief Operating Officer of Brigham and Women's Hospital for five years. She served previously as the Chief Operating Officer for Novartis Institutes for Biomedical Research.



Guy Wiebking
President & CEO
Provena Health
Mokena, IL

Guy Wiebking is President and Chief Executive Officer of Provena Health. His involvement with Provena Health began more than 15 years ago at the invitation of a sponsoring congregation of one of Provena's predecessor organizations, the former Franciscan Sisters Healthcare Corporation. When Provena Health was formed in 1997, Mr. Wiebking became a charter member of the Provena Health Board of Directors. Throughout his tenure, Mr. Wiebking has served the Board in a variety of capacities and committee assignments including, but not limited to, his position as Chairman of the Board in 2002-2006.



Dan Wolterman*
President & CEO
Memorial Hermann
Healthcare System
Houston, TX

Dan Wolterman joined Houston, Texas-based Memorial Hermann Healthcare 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. In addition to his role as President and CEO of Memorial Hermann, 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.

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Our thanks also go to each of the CEO Forum cabinet members for their input and guidance on the Forum structure and content, and for leading the rich discussions during the breakout sessions.

For their review and important insights on this report, we’d also like to thank the members of the CEO Forum Report Review Board. Unable to attend this year’s forum, these CEOs provided their valuable perspectives. Those executives were: Michael Covert, President and CEO of Palomar Pomerado Health, Gary Kaplan, Chairman and CEO of Virginia Mason Health System, Michael Murphy, President and CEO of Sharp HealthCare and Kevin Schoeplein, CEO of OSF HealthCare System.

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FOR MORE INFORMATION

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ABOUT HURON HEALTHCARE

Huron Healthcare is the premier provider of performance improvement solutions for hospitals and health systems. By partnering with clients, we deliver solutions that improve quality, increase revenue, reduce expenses, and increase physician, patient, and employee satisfaction across the healthcare enterprise.

