



Bold Board Leadership

Say goodbye to the passive, insular, marginally informed health care board — or else.

The change required of hospitals and health systems in the transition to value-based care calls for a highly aware, forward-looking and inspirational collection of trustees, alternately leading and being led by an equally visionary chief executive officer.

“I’ve been in health care for 30 years, and there’s never been a more challenging time in health care, but also more opportunity right now for really bold and innovative leadership to positively impact the health care system that’s emerging,” says David Strand, CEO of health technology firm LifeNexus and previously an executive at Allina Hospitals and Clinics, Minneapolis, and the Cleveland Clinic.

“Moving a large health care system forward takes an enor-

mous amount of vision, willpower and resilience,” Strand emphasizes. “If you don’t have a great board of directors, a board that understands the challenge that is in front of us today and is ready to embrace that change, it’s going to be very difficult for the CEO of an organization to succeed.”

Conversely, a board predisposed to be bold might be stymied without an executive equipped with the right thinking and dynamic background to push beyond current or past strategies that no longer apply. A key trait to look for in such a CEO is “applied competence,” an ability to succeed in different environments, regions and circumstances, says Sherrie Barch, president of Furst Group, a health care executive search firm. “Has this executive been able to go into different markets and yield results?”

Barch points to Anthony Armada, CEO of Swedish Medi-

THE NEW CHANGE AGENTS IS A THREE-PART SERIES THAT EXAMINES LEADERSHIP IN THE CHANGING HEALTH CARE ENVIRONMENT. IT WILL EXPLORE C-SUITE COMPETENCIES, BOLD GOVERNANCE AND BRINGING PHYSICIANS INTO THE BOARDROOM.

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cal Center, Seattle, as an example. Armada joined Swedish in late 2013 after five years as president and CEO of Advocate Lutheran General Hospital, Park Ridge, Ill., five as president of Henry Ford Hospital and Health Network, Detroit, and five as a senior executive for Kaiser Permanente's Los Angeles region. In addition to his multifaceted career path, Armada says, Swedish trustees valued his experience with Advocate's accountable care organization "when all the activities and discussions were going on relative to what accountable care looks like or what it could be."

Different Expectations

Wealth of experience alone is not sufficient. The mantra that past performance connotes future success, especially if it involves tenure in the same place, "truly is no longer valid," says Bob Clarke, Furst Group's CEO. "Just because you've done this for 30 years, in fact, may be a negative," he adds, "because it no longer prepares that person to be in a much more dynamic market."

Boards also could fall prey to that competitive assertiveness if they don't step up and intelligently engage their administrators, says Bob Skandalaris, an authority on entrepreneurship

SWEDISH MEDICAL CENTER: Improvement Across the Board

Things were in flux when Anthony Armada came to Advocate Lutheran General in 2009. He was the fourth CEO in 15 months. Advocate was heavily into structural change surrounding the launch of an accountable care organization, for which Armada served on the board of the physician participant group.

Five years later, things are in flux at Swedish Medical Center. He's the fourth CEO in two years; accountable care is coming; the facility lost \$100 million two years ago. But lessons from Lutheran General and stints at Henry Ford and Kaiser are in hand, including a balanced-scorecard approach focusing on safety and quality, high-reliability performance, patient/physician/employee satisfaction, and growth — all at once. Systems "get caught up in only one or two of those things," and can achieve, say, a well-satisfied organization, "but if there's no operational discipline and everything's costing too much, you'll be out of business," Armada says.

From years at Kaiser as senior vice president for both provider and health plan performance in metro Los Angeles, Armada brought a concerted discipline to the Henry Ford business operation, which included the flagship hospital and an 18-site medical group. He improved the business intelligence of front-line staff and medical professionals to illuminate the drivers of costs and how they affect a given department. In 2006–2007, a \$39 million loss was reversed into a \$65 million gain.

Advocate Lutheran was a different challenge. Successful programs reduced a readmission rate from 19.7 percent in 2009 to 8.9 percent in 2012. But drops in hospitalizations and emergency visits reduced revenue. Armada introduced "backfill strategies" to increase market share with new programs, such as a cultural-responsiveness initiative aimed at Korean-Americans, and an expanded robotics institute.

Now comes the ticking timeline for ACOs in Seattle. "It's happening, and we need to get someone in here who understands it," Armada says.



HENRY FORD HEALTH SYSTEM: Betting On the Unconventional

"When you build a new hospital from the ground up, which is a rare occurrence in our industry, you don't build it like all the others; you want to have it be different," says Nancy Schlichting, CEO of Henry Ford Health System, recalling the launch of Henry Ford West Bloomfield Hospital in 2009. "And that was my thinking when I decided to hire Gerard van Grinsven to be the CEO."

Perfectly logical to her, but a head-scratcher for many in metro Detroit at the time, was that van Grinsven was a longtime executive with Ritz-Carlton, head of food and wine for the entire hotel chain, and master of execution in opening 22 Ritz hotels around the world. Hired three years before the hospital's debut, he helped with design and construction phases. That included a day spa; a demonstration kitchen with spectator seating for chefs to teach patients and families how to cook and change eating habits depending on medical conditions; and private rooms with sleeping space designed for family members.

Just as important, he knew how to open large enterprises, managing costs while hiring people when there were no customers to bill, says Schlichting. "He knew how to ramp up, he knew how to hire the talent, he knew how to orient them." He hired a lot of Ritz people in food service, housekeeping and valets in front. That was just one unanticipated dividend of Schlichting's executive gamble.

"People tell me this was the boldest move, but the minute I hired this guy, I could sleep at night about having this new hospital," she says. What he lacked in health care knowledge he asked about in regular meetings with Schlichting. Evidence of his health care uptake was conclusive: In 2013, he was hired away by Cancer Treatment Centers of America to be its president and CEO.



HOW BOARDS CAN BE BOLD: 5 Strategies

who is on two boards in Michigan: Crittenton Hospital in Rochester, and Barbara Ann Karmanos Cancer Institute in Detroit. Too many boards “tend to just want to do the same thing the same way — they get together, they have dinner, there’s a presentation, there are very few questions asked,” he says. “They take a secondary position, whether it’s to administration or the doctors. ... Maybe 25 years ago that was the right role. Today, I think the board is responsible for giving the best product to the market it serves, on a competitive-cost basis, with outstanding safety and quality.”

Continuous Development

A bold board first has to be constructed that way, says Clarke, with complementary skills and perspectives, from different industries as well as consumer and legal input — and not necessarily from the community. For example, patient safety knowledge may have to be recruited from elsewhere, as would someone with a more competitive market perspective than

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what the board currently has. So one trait in a bold CEO is the presence of mind to bring a bold and inquisitive board together, given that “the board’s readiness to adapt to change is paramount to the CEO’s success.”

Part of that readiness is constant enhancement of the board’s knowledge base, says Strand, so that trustees comprehend the changes facing the organization and the industry. “Understanding how those challenges translate in terms of the organization’s own ability to succeed, it’s easier for them to understand and grasp the boldness that’s going to be required to lead effectively in the future.”

The worst tactic for CEOs would be “trying to control their boards, keep them in the dark, give them only information that’s filtered through [management],” Barch says. That undermines the board’s ability to think creatively and formulate a strong, shared vision with administration.

“Anybody who needs to be encouraged to think creatively and innovatively probably hasn’t been paying much attention lately,” Strand says. “There’s really no choice right now. If an organization were to sit still and ignore the pace and velocity of change that’s confronting it, it won’t be here in five years.”

1 ROUND OUT THE BOARD FROM OUTSIDE THE COMMUNITY: Patient safety, quality improvement and digital health strategy are areas of acumen that may not exist in the service area, but need to be represented “to bring that learning into the board and to make sure the discussions reflect the knowledge base that comes from people who have that experience,” says LifeNexus CEO David Strand.

2 USE TRUSTEES TO INFORM TRUSTEES: “Instead of the whole board trying to get up to speed, we take board members based on their expertise and make smaller board ad hoc committees,” says CEO Nancy Schlichting of Henry Ford Health System. Examples: growth initiatives, affiliations and partnerships, and the enterprisewide information system. This approach can “tap the talent and channel it.”

3 REGARD BOARD MEMBERSHIP AS THE START, NOT THE FINISH: For many boards, selection of a board member “is the end of the work,” says Strand. But trustees need to think critically with management about organizational performance and strategy, which takes effort — “not their weekend thinking but their best thinking — and to make sure you have people willing to give the time and energy.”

4 STAY FUTURE-FOCUSED TO STAY CURRENT: “The time to be discussing new ventures is when you don’t need them,” says Furst Group CEO Bob Clarke. Play a five-year what-if game: What happens if (pick an example) comes to pass? It may never happen, but the scenario forces a discussion at an entirely different level.

5 ABOVE ALL, LEAVE THE PAST BEHIND: “This whole world is changing, and changing fast,” says entrepreneur Bob Skandalaris. The object is not to keep current operations humming, but to anticipate new moves in a new world. Most boards “aren’t composed of people who do that well” but they’d better learn. “If you’re planning more and more beds for open-heart surgery today, you’re probably in trouble.”

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