REPRINT August 2014

hfm
healthcare financial management association hfma.org

Karen Wagner

CORE COMPETENCIES FOR A CHANGING HEALTHCARE ENVIRONMENT

Although good leadership is grounded in a fundamental set of skills, the evolution of the healthcare industry has prompted the need for new competencies that can help an organization deliver value-based care.

Leading, driving, and managing a healthcare organization today requires competencies that can address profound changes and numerous challenges. New technologies, payment models, competitors, business models, and care delivery systems—and even influxes of new patients—are changing the way healthcare organizations operate, requiring a revamping of established skills and fresh skills that perhaps were not essential five or 10 years ago.

As new competencies come into play, healthcare organizations face the question of how to obtain these attributes. Internal development—such as mentoring programs—can be very effective, but organizations may also want to consider outside industries as sources of expertise that can meet increasing demands in areas such as data management and customer service.

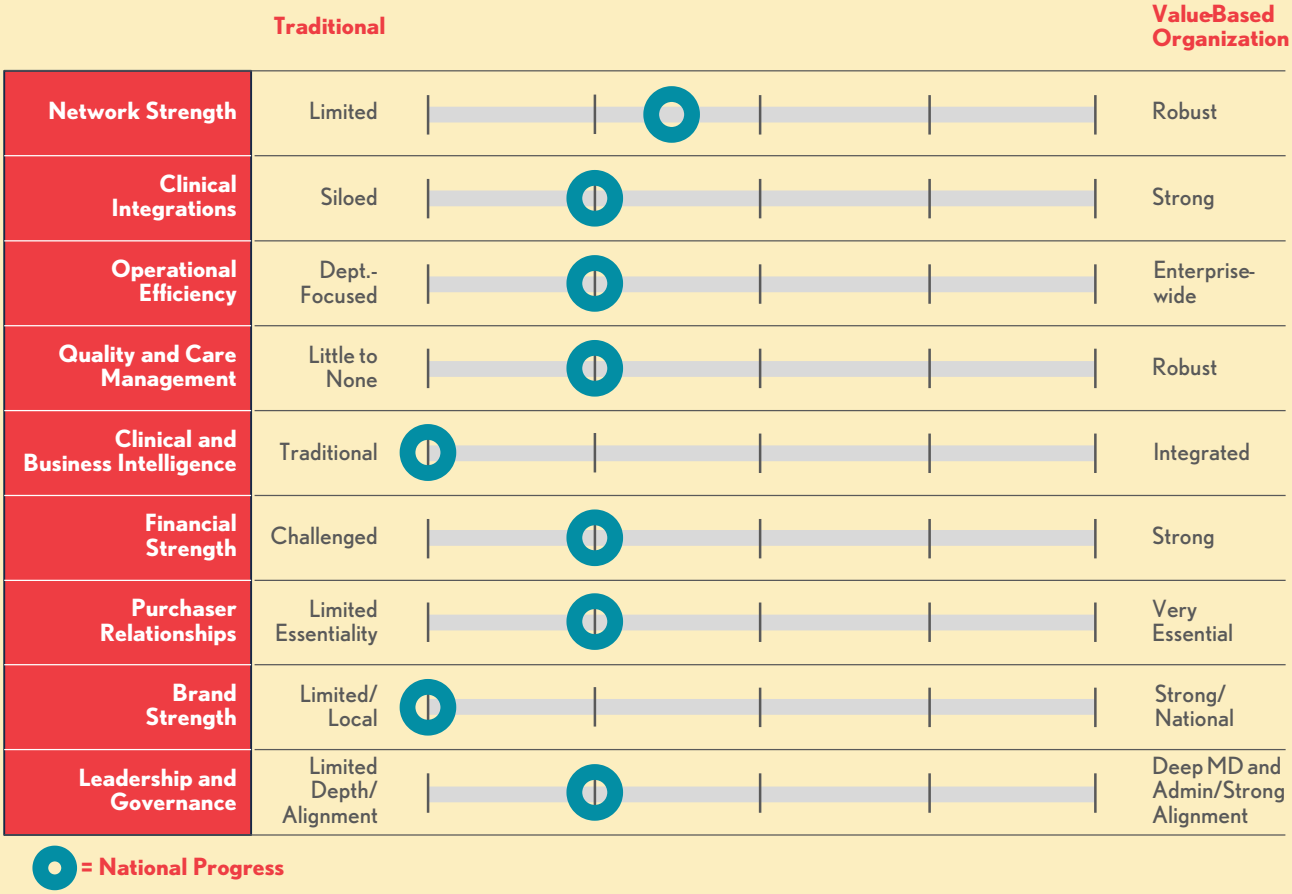
This special feature explores the competencies required of healthcare executives, directors, and managers to address current and future needs as the industry makes the transition from volume to value.

NEW CHALLENGES, NEW COMPETENCIES

A core set of competencies always will be essential for leaders at every level. Interpersonal skills such as communication, collaboration, and relationship management, for instance, are fundamental to running a department, division, or organization. Even these skills, however, take on different nuances in the reconfigured environment of collaborative care.

Some skills have become more prominent, and new requirements for skills are emerging in a more data-driven, results-oriented industry that is evolving around quality, efficiency, and safety. Value-based health care has placed new demands on areas such as clinical integration, care management, business intelligence, and purchaser relationships, says Charles Kim, senior vice president of Kaufman Hall, a Skokie, Ill.-based healthcare consulting firm (see the exhibit on page 2). "At a broader level, value-based health care also has increased the need for executives to be able to drive significant organizational change."

ORGANIZATIONAL READINESS FOR VALUE-BASED HEALTH CARE



Source: Kaufman Hall

Carson F. Dye, a leadership author and senior partner with Witt/Kieffer, an Oak Brook, Ill.-based healthcare consulting firm, draws a distinction between leadership competencies and functional competencies. Leadership competencies are tied to individuals and have not changed, whereas functional competencies are tied to roles and have changed significantly. The need to understand readmissions data, for example, is a functional competency for many roles, Dye says.

"Three years ago, we didn't care about readmissions from a financial perspective," he says. "Today, we do."

Following are several competencies—both well-established and newly in-demand—that experts say will put organizations in position to succeed in a value-based world.

Communication. The ability to communicate effectively has always been essential to any leadership role. However, as care delivery shifts from inpatient to outpatient settings and as the care continuum stretches from the hospital to primary care practices, specialists' offices, skilled nursing facilities, and long-term care centers, communication among these settings and among people in many different roles requires more robust and influential skills.

"If you're working within an inpatient unit, you kind of develop shortcuts in communicating because you're all in the same structure," says

Mark Henrichs, assistant CFO for University of Iowa Health Care, Iowa City, an organization that consists of an academic medical center, physician practice, and medical school. "But as you're coordinating care of the patient across a variety of units or services, it is imperative that you recognize this involves reaching out to other disciplines and specialties, which requires you to frame your message accordingly."

As hospitals merge and health systems grow larger, what was once a message confined to a single hospital has become spread out across facilities. C-suite leaders in particular must be able to communicate their vision effectively across multiple hospitals within a system or throughout an integrated delivery network. A leader's message must resonate and provide clear direction during a time of many challenges and unknowns.

"Health care right now, it's like you're walking into a dark room and nobody knows where the light switch is," says Mark Madden, senior vice president of executive search for B. E. Smith, Lenexa, Kan., a healthcare leadership solutions firm. "Are you a leader that's going to be influential enough to be able to create a group of individuals that will follow you in the dark because they know you will be able to find the light switch?"

Collaboration and holistic thinking. As the silos within health care break down and coordinated delivery becomes a primary mechanism for improving quality, collaboration between caregivers and among various care settings is paramount. "Clinical staff are being asked to do a lot more with less, and still provide quality care," says Terri Houchen, associate vice president of executive search for B. E. Smith. "So a CFO who's visible and collaborates with the clinical leaders is also going to be someone who is very valuable."

Goal setting, strategic planning, and implementation must take place within the context of an entire system of care, whether across multiple facilities in a network or among partners in an accountable care organization.

For example, Kim notes that demand for low cost and high quality is leading providers to confront the need to reconfigure the facilities, people, equipment, and processes involved in each major service line across the organization. In addition to a strong service-distribution system, the re-engineering process requires collaboration among care settings. "That's a transformational challenge," he says.

The result is that decisions are formed within a team, not by a single individual. "It's hard for any individual or function to answer all the questions," says Chuck Taylor, a principal with advisory firm GE Healthcare Partners.

University of Iowa Health Care, for example, has a heart and vascular center in which coordination of patient care takes place across several departments. Henrichs says this level of coordination requires various roles to interact in making decisions regarding physician needs, staffing, and costs of procedures and supplies to most effectively deliver patient care that meets the goals of the entire organization.

Data analytics. A key competency in this age of at-your-fingertips electronic information is the ability to analyze and use data to drive quality, safety, and efficiency. Organizations will have to move beyond merely warehousing data to analyzing it to uncover trends, pinpoint problem areas, and identify potential revenue streams or opportunities for cost savings. Leaders at all levels must be capable of engaging in discussions using data, particularly with physicians, who are generally persuaded by numbers, Taylor says.

"There's definitely a need for analytical skill sets—for people to feel more comfortable with information and data," Taylor says. "Clearly, moving forward, information will be readily available and the volumes of information will only go up."

Meaningful use dollars are driving investments in electronic health records, many of which involve highly sophisticated systems. The key to getting

value from these systems is understanding how to gather and extract data for optimal use. "There will be a need for more people to be able to not only operate those systems, but react to the information that comes out of those systems," Taylor says.

The advent of accountable care organizations (ACOs) also has changed the nature of data. Previous analysis involved only inpatient data. In an ACO, typically at least 40 percent of spend happens outside the ACO providers' settings, Henrichs says. Figuring out how to provide cost-efficient care requires understanding how all the components of care fit together, which in turn requires analyzing data from various sources.

Change management. Going hand in hand with strong skills in data analytics is the ability to make decisions quickly in a changing environment. Leaders should be nimble decision makers who can react to market demands and governmental directives.

"This isn't about setting up a three-year and five-year plan anymore," Madden says. "You've got to have that. But you've got to be monitoring that as a working, breathing document every day."

Madden says leaders need to be constantly asking, "'Are we going in the right direction?' If not, you've got to be agile enough to make the change quickly."

Change management in today's environment is more strategic than it has been. "Usually, it's been focused around operations—we want to be changing in our efficiency," Madden says. "Change now has to be considered at a strategic level. It can't be just at the operational level. We have to have leaders willing to lead change. They've got to have the courage to make the change and show they can take action."

A C-suite leader, for example, should work to eliminate the "us-versus-them" mentality that historically has existed between administrators and clinicians and instead foster a willingness to align with physicians to meet quality and cost goals. Likewise, as payment models change to reward outcomes rather than volume, leaders should transform revenue strategies from "heads in the beds" to "keeping heads out of the beds," Madden says.

The need for change management is transforming roles as well. For example, the CFO traditionally was a reporter of financial information about the organization. Hospitals these days "want those creative problem solvers who aren't afraid to go in front of a board and give their input and work with their CEO and the board and make decisions to move their organization toward its goals," Houchen says. "These are more dynamic personalities than we've seen in the past."

Risk management. Along with being change agents and sophisticated users of data, leaders of today's healthcare organizations should be calculated risk takers. As health systems acquire community hospitals or merge with like organizations, the changing structures call for independent thinkers who can deftly assess business opportunities and take action.

Such business decisions may have taken longer to analyze in the past, Henrichs says. But in such a fast-moving marketplace, waiting too long can mean missed opportunities. "You really have to look at each opportunity, analyze it, and make determinations of the risk and opportunity very quickly," says Henrichs, pointing specifically to finance leaders' roles in such decisions.

Engaging payers in entirely new, value-based care-delivery or payment models and building a network of providers that can help an organization achieve quality and cost goals are examples of challenges that leaders are facing or soon will be.

DEVELOPING SKILLS FROM WITHIN

As the changes within the industry call for new levels and types of skills, and as the talent pool shrinks with the retirement of baby boomers, healthcare organizations should work to improve at defining their needs and developing these

competencies in existing talent. "Most organizations recognize these competencies; they just fail for the most part to get their leaders to adhere to these competencies," Taylor says.

Organizations should make a list—such as a values guide—of clearly defined competencies that are required of leaders and then integrate these requirements into their processes, Taylor says. These competencies not only should be integrated into recruitment processes to help screen candidates, but also used in leadership development strategies and performance evaluations.

Performance appraisals, for instance, should be sources of feedback on how well leaders are fulfilling the competencies that are important to their roles and to the organization as a whole, Dye says. While a typical performance evaluation includes feedback from peers only, evaluation tools such as 360-degree surveys provide feedback from all around—those above, below, and at peer level.

For example, "It's important that CFOs have some sense of how their finance staff and peer vice presidents view them," Dye says. "You would not get that on a formal organizational performance evaluation."

Madden says those in leadership roles know what their organizations need but also should be able to identify the skills that can fulfill these needs, and organizations traditionally have not been committed to leadership development. He says it is a matter of turning B-players into A-players by recognizing and nurturing aptitude and attitude. "If you're not training your people in how to do their job and giving them value, you're going to put your organization at risk," he says.

Approaches to developing talent from within include the following.

Mentoring. Internal development may include formal or informal mentoring programs. For example, those in high-ranking positions can help cultivate the skills of managers and staff. A finance director could help a nurse leader to better understand and develop budgets and other financial reports, Houchen suggests.

Coaching. People in leadership roles must understand how they are performing to build on their strengths and correct their weaknesses. When Dye served in executive roles in human resources departments of health systems, he often became a confidant to senior leaders, giving them unfiltered feedback about how they were perceived by managers and staff. Doing so required first establishing a strong professional and personal relationship to prove his expertise and gain trust, Dye says.

External coaching from professional services firms can provide the same kind of feedback, he says. "Increasingly, there's a greater use of coaches from the outside—executive coaches, leadership coaches," he says. The best coaches have served in the role they are coaching. "If you're coaching senior leaders, it enhances your ability if you actually have been in a senior leadership position before," he says.

Peer networking and classroom training. Industry associations offer learning opportunities through peer networking and programs that foster leadership development and teach how to recognize people with the aptitude to lead.

Classroom instruction can provide training in the basics, such as presentation skills, and in areas that are more complex. "You can have leadership development training around inclusiveness, diversity, the need to look at things holistically, and then give them operational definitions, live examples of why those skills are important," Taylor says.

University of Iowa Health Care is developing a formal leadership program in which leaders in finance, IT, operations (i.e., process improvement), and other areas will teach classes on developing core competencies for moving into management and other leadership positions. The program is set to begin in early 2015. "We're

starting to build broader competencies and will expand upon them in the future," Henrichs says.

LOOKING OUTSIDE FOR TALENT

Healthcare organizations historically have recruited from within the industry. However, considering some of the skill sets involved in meeting reform-related challenges, it may be time to begin searching outside the industry for expertise that traditionally has not been in demand at hospitals and health systems, the recruiting experts say.

IT firms or, indeed, any businesses that rely on large volumes of consumer data (e.g., online retail and banking), could supply candidates with strong skills in data analytics, while individuals with experience in network and business development will be highly valued as mergers and acquisitions continue. The manufacturing industry is a good source of candidates who are experts in process improvement strategies, such as lean and Six Sigma. Service industries such as hospitality can provide candidates who know how to promote a more consumer-focused (i.e., patient-focused) environment, an expertise that is highly valued as patient satisfaction begins to affect payments more substantially.

Although healthcare experience remains critical, Madden sees more willingness to bring in people without it. Some healthcare organizations are more open to considering candidates with diverse backgrounds who can bring a more creative and innovative view to the business side.

For example, a large healthcare organization based in the Midwest wanted a fresh set of eyes to run the system, Madden says. An attorney with experience in business partnerships such as joint ventures was recruited from the system's outside law firm. The attorney began as in-house counsel, moved to a business strategy role, and then became chief strategy officer. The attorney recently accepted a CEO position at a hospital in another system. Although he had no previous healthcare experience, he brought a fresh and assertive view of marketplace trends and concrete strategies for developing partnerships with other healthcare organizations, Madden says.

As another example, Madden says a turnaround consultant from the IT industry began working for a hospital that was struggling financially and at odds with its medical staff. The consultant became a vice president at the hospital, then CEO of a long-term care facility, and, eventually, CEO of a hospital in Texas. "You need individuals who have a diversity of experience, who can connect the dots," Madden says.

PEOPLE DRIVE CHANGE

As the healthcare industry marches forward, organizations need enhanced and new competencies to meet new expectations. Even though much of the change during the last few years has resulted from new technology, informatics, and machines, people still move organizations forward—or hold them back. People are at the heart of the changes and improvements needed to transform a healthcare organization into a cost-efficient, high-quality, patient-focused operation.

This transformation requires not just an effective chief, but a complete team across disciplines. "As we see our industry changing, we are going to see the expectations of leadership change as well," Madden says. "It is no longer going to be sufficient for just a CEO to have these competencies. It is going to be an expectation of the CEO, CFO, chief nursing officer, and chief medical officer to be highly developed leaders that have all of these competencies in regard to strategy, communication, integration. And if your organization doesn't have them, you really need to work on developing them in order for the organization to be as successful as it can be. You need to be comfortable with and drive change, and be able to bring people with you."

Karen Wagner is a healthcare freelance writer, Forest Lake, Ill., and a member of HFMA's First Illinois Chapter (klw@klw.ms).

CONNECTING CLINICAL WITH OPERATIONAL

Once upon a time, hospital administrators and physicians rarely met—and certainly not to discuss costs or patient care. But with the drive to improve care quality, increase patient satisfaction, and reduce costs comes the need for administrators and clinicians to join together to achieve what some once considered unachievable—high-quality, low-cost care.

Consequently, administrators and clinicians must develop new competencies that enable them to work together toward this goal. Nonclinical leaders should have a better understanding of clinical practice, and clinical staff should improve their understanding of cost and payment policies.

Administrators should be able to distinguish between care that is cost-effective and care that is too costly. In addition to using new data-analytics tools in this effort, financial leaders should be able to collaborate with clinicians, especially physicians, says Mark Madden, senior vice president of executive search for B. E. Smith, Lenexa, Kan. For example, financial managers should have the ability to assess readmissions and suggest strategies for reducing the rate, thereby protecting revenue.

"This is the first time in the industry that we are going to be looking at CFOs that have the ability to connect the dots between quality, IT, and finance," Madden says. "We never had finance people involved in quality before."

Because quality is a primary goal, physicians should be engaged in strategy planning, Madden says. They will help finance leaders set clinical goals and attain alignment with medical staff to reach those goals in a cost-effective way. Even frontline physicians should improve their financial competency by, for example, taking part in back-and-forth discussions on cost and revenue.

University of Iowa Health Care, Iowa City, has begun more directly educating frontline physicians about the cost factor of tests and supplies, says Mark Henrichs, assistant CFO for the health system. The director of decision support takes part in clinical rounding sessions during which physicians discuss procedures and tests that are planned for their patients, and helps to provide context around the cost of clinical decisions. Previously, the director met with the physician leader rather than with frontline caregivers, Henrichs says.

Physician leadership is critically important to driving the shift to a patient-centric care model, according to Charles Kim, senior vice president, Kaufman Hall, Skokie, Ill. "Today, hospital executives need to understand patient care and the patient experience in a new way, and physicians bring that knowledge," he says. To foster physician leadership, he suggests that hospitals equip physician leaders with a wide-ranging set of managerial skills related to strategy, finance, and operations to complement their clinical knowledge.

Madden says this clinical-administrative connection often can best be achieved with a dyad model of leadership, in which an administrator is paired with a clinician to lead a division, department, or an entire organization. Examples of the last include Mayo Clinic and Cleveland Clinic, but Madden says more and more organizations are using the dyad model in some capacity. The approach requires vertical and horizontal collaboration to achieve quality and efficiency targets.

"If you don't have a sense of collaboration as a competency, chances are your organization isn't going to be as successful as it needs to be," Madden says. "On the downside, it could negatively affect your organization's overall performance."

—Karen Wagner