

Hospital CEO Searches Increasingly Seeking Physicians

A recent *Modern Healthcare* survey found a rapidly increasing shift in hospitals seeking physicians for their chief executive officer (CEO) positions.¹ The management shift to physician executives has been ongoing for the past several years (as of 2014, only about 5% of all hospitals were physician-led²), starting first with academic medical centers, and subsequently expanding to community health systems and large integrated delivery systems.³ This shift may be due to a number of reasons, as discussed below.

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

Second, having been in the trenches, so to speak, may enhance a physician executive's credibility with their peers, as they were previously part of the care that they are now leading; in fact, research has found that physicians wish to be led by fellow physicians.⁷ The virtues of having an "expert leader," i.e., an expert in the core business, at the helm has been established generally, in a number of industries. A 2016 study indicated that, in general, businesses with "expert leaders" had higher rates of employee job satisfactions (with low intentions of quitting).⁸ This finding corroborates studies conducted in other, specific industries (e.g., universities, professional basketball, Formula One racing) that found enhanced organizational performance by those teams or enterprises run by "expert leaders."⁹ As related to healthcare, this "expert leader" credibility may also extend to outside of the healthcare organization (e.g., to patients, donors, prospective employees), as it may signal (intentionally or unintentionally) a hospital's patient-first focus.¹⁰

Third, the current state of the U.S. healthcare delivery system, which increasingly requires better care at lower costs, seemingly demands a leader with an acute knowledge of the clinical side of healthcare, who also

understands the financial limitations necessitating efficient patient care that exceeds set quality metrics.¹¹ Further, the particular skill sets of physicians are being increasingly sought by hospitals,¹² as they may well-position physician executives to tackle the top challenges of their hospitals, i.e., financial challenges, governmental mandates, patient safety and quality, and personnel challenges.¹³

Fourth, the stigma that physicians are not good business people, or that their training turns them into "heroic lone healers," who are unable to work as part of a team, has abated, due in part to the shift in the U.S. healthcare delivery system toward value-based care, a byproduct of which is an added emphasis on multi-disciplinary teamwork and the preparation of physicians for leadership roles.¹⁴ Further, physicians have a number of options through which they can receive business, leadership, or management training, e.g., through the *American Association of Physician Leadership* (AAPL), which offers a *Certified Physician Executive* (CPE) credential.¹⁵

This increasing demand for physician leaders is being met by a growing number of physicians who are interested in such leadership roles.¹⁶ Motivations for physicians to move to an executive position may include:

- (1) High hospital CEO turnover rate – Turnover has held at 18% for the last five years, likely due to organizational restructuring, intra-organizational job change, and retirement.¹⁷ This may lead to more opportunities for physicians to become involved in hospital c-suite positions.
- (2) Higher pay – Between 2005 and 2015, CEO compensation at non-profit healthcare systems rose much faster than those of surgeons and physicians (as of 2015, CEOs made five times more than orthopedic surgeons).¹⁸
- (3) Physician Burnout – This condition, "in which physicians lose satisfaction and a sense of efficacy in their work," has become sufficiently widespread to be designated a "public health crisis" by a number of industry leaders.¹⁹ This may lead to physicians seeking to exit clinical care for a lower-pressure role with the ability to stay in the healthcare industry and effect change.²⁰

Hospitals must be creative in their efforts to stay financially viable in the midst of this rapid industry sea change, resulting in large part from the shift toward value-based care. In addition, the demand for healthcare services is anticipated to increase in the coming years (due to an aging U.S. population and a greater number of insured individuals),²¹ while the supply of physicians is anticipated to decrease (due to an imbalance between the number of these physicians who are moving toward retirement and the number of residents that are entering these fields).²² In most industries, any shortage may lead to rising prices. However, in the healthcare industry, the

federal government has some power to set prices through the Medicare program. Therefore, even if there is a shortage of healthcare services in the next several years, prices (i.e., reimbursement) may not rise to reflect this shortage. These obstacles have already created a challenging environment that hospitals are seeking to remedy through the appointment of “*expert leaders*,” in the hope that they are in the best position to improve a hospital’s quality measures and patient satisfaction, leading to increased value-based payments and credibility with industry stakeholders.

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