



James E. Rohan



Christopher Brandt

## Emerging Roles in Value-Based Care

*New roles and change in the industry have had a profound impact on compensation.*

In 2002, management expert Peter Drucker stated, “Healthcare is the most difficult, chaotic and complex industry to manage today,” and the hospital is “altogether the most complex human organization ever devised.”

Drucker’s remarks came several years before the dawn of healthcare reform and its subsequent array of different payment models and care delivery systems, which ultimately has led to such entities as clinically integrated networks, accountable care organizations, narrow networks and patient-centered medical homes. In other words: complex human organizations.

### A New Reality

Industry consolidation—another direct effect of healthcare reform—also is significantly transforming healthcare by creating even larger and more complex organizations than those Drucker studied nearly 15 years ago. Many of these are multibillion dollar entities that rival Fortune 500 companies. In response to the new realities of the marketplace, these organizations are:

- Moving from holding companies to operating companies
- Restructuring operations to improve the efficiency and quality of services

- Using big data for predictive analytics
- Expanding responsibilities and redefining the scope of executive positions
- Restructuring executive compensation packages to compete for talent from outside the healthcare industry

The changes over the past several years have had a profound impact on executive talent in healthcare. New skills are required for this expanded value proposition as everyone tries to figure out how to deliver higher-quality care more efficiently by managing the health of entire populations. Today’s healthcare leaders have to be more adept at managing change, taking on risk, employing data analytics to understand how best to deploy resources, integrating strategically, financially and operationally with other providers and engaging patients in becoming partners in their own care.

### Addressing Change

New positions are emerging in areas that focus more acutely on core principles such as population health management, innovation, clinical integration, patient experience,

provider alignment, clinical informatics, information security, Lean management and diversity. Not surprisingly, physician executives are playing a more prominent role in leading organizations down the path toward value-based care.

What does this all mean? Opportunity, for one. There is a limited supply of leaders who have these skill sets, and there is a need now more than ever for proven executive talent. It is time for healthcare executives to realign and rethink how their careers will change. A leadership position no longer focuses solely on ensuring operational excellence, but includes thinking more strategically about the creation of value for an organization. The work of leaders is less focused on managing discreet aspects of an organization and much more about understanding the global view that will affect change across the entire medical enterprise. This includes developing new business models, creating

alliances with strategic partners and leading mergers and acquisitions.

According to ACHE's *Futurescan 2016–2021*, the most sought-after leadership qualifications include:

- Change management
- Emotional intelligence
- Ability to influence rather than direct
- Strategic thinking
- Collaboration
- Innovative thinking
- Critical thinking

For the healthcare executive willing to evolve, take on greater levels of risk and retool professionally, a number of new roles represent opportunities for career growth in a rapidly transforming industry.

Many of the skill sets required to achieve success in today's value-based healthcare environment have not traditionally been part of the healthcare executive's toolkit. Consequently, more executive talent and expertise are being sought from outside the industry. It is not unusual to encounter a population health or patient experience executive who hails from industries such as IT and hospitality, as specialists in these industries may have greater experience with data employment or consumer relationship management. As this happens, compensation packages are being redesigned to allow healthcare organizations to more effectively recruit from outside the healthcare industry, where compensation is frequently equity based.

Some of the ways in which healthcare organizations are restructuring

compensation packages to attract and retain key talent include:

- Increasing upside potential by expanding eligibility for incentives and payout opportunities. Short-term incentive plans are standard at the executive level, and in 2015, we observed the highest payout level in years. In addition, more organizations are adding long-term incentive plans, with prevalence reaching nearly 60 percent in large health systems (e.g., more than \$3 billion in net patient revenue). Specifically for these emerging positions, the median short- and long-term incentive awards in 2015 were \$73,400 and \$85,300, respectively.
- Revising peer group market data to reflect:
  - The increased size and complexity of the enterprise
  - Compensation structures of organizations with comparable financial performance and quality rankings
  - Pay levels in the for-profit industries from which executive talent is being recruited, which often includes IT, biopharmaceutical, hospitality, insurance, banking and retail
- Incorporating value-based performance metrics to reward both short-term and long-term performance, including metrics surrounding growth, efficiency in delivering care, improved care quality and safety, greater access to care, clinical integration and diversification. Sullivan, Cotter and Associates

Inc.'s survey data shows the prevalence of clinical quality and patient experience measures in short- and long-term incentive plans have grown from 33 percent to 56 percent in the past five years.

At the end of the day, these new compensation packages reward value creation for delivering on the promise of population health improvement through gains in access, quality, affordability and customer satisfaction.

### **Time to Act**

It's a volatile time in healthcare, but it's also a great time of opportunity for those willing to rethink and reposition their careers. The first step is determining your value and how it can be used within the organization. This may likely involve examining existing skills for relevance in the new healthcare marketplace and supplementing with new skills to qualify for these emerging roles and responsibilities. For those who are willing to change and take on some risk, not only are the extrinsic rewards available, but so are the intrinsic rewards of knowing you're helping improve the healthcare experience. And isn't that what attracted many of us to this field to begin with? ▲

*James E. Rohan is an ACHE Member and vice president and managing director of Sullivan, Cotter and Associates Inc., Chicago (jimrohan@sullivancotters.com). Christopher Brandt is director, The Center for Information, Analytics and Insights, Sullivan, Cotter and Associates Inc., Minneapolis (chrisbrandt@sullivancotters.com).*