



## The New Physician Leaders: Leadership for a Dynamic Health Care Industry

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There is no question that health care in the United States is being transformed. What role will physicians play as the system evolves? We argue that physicians must play central leadership roles, for which they must be developed.

### **THE INCREASING NEED FOR EFFECTIVE PHYSICIAN LEADERSHIP**

While health care reform in the United States is a work in progress, there are two trends that are likely to continue. First, the health care delivery system will be held accountable, by payers and by consumers, for the quality, safety, and cost of care, and the major health insurers will transfer insurance risk to the providers of care. Second, in large part to meet the challenge of assuming accountability and risk, consolidation (of individual hospitals into hospital systems and of physicians and hospitals into delivery systems) will accelerate. As these trends continue, the system will need capable physician leaders at every level, from local operational management all the way to the C-suite. That degree of involvement in system leadership represents an important departure from the current reality, since in most locations, no one is performing these functions today.

The primary role of physicians has been to provide direct patient care, one patient at a time. There have been exceptions, including physicians who accepted administrative roles in academic medical centers or on hospital medical staffs. But in performing these roles

they often struggled to demonstrate that they were still “real doctors.” The leaders of health systems (generally non-physicians) tended to view these physicians as necessary intermediaries to “deal with the doctors,” and the roles often ended up being simply advisory in nature.

While the role of physician leaders has been slow to advance in traditional health systems, another, smaller trend has highlighted the importance of physician leadership. During the past 25 years, multi-specialty group practices have increased in size and number. The physician leaders of these practices – many of which accepted some financial risk for the outcomes and costs of care – realized that they needed to direct serious attention to certain nonclinical functions. Many of these groups are now considered (and have been cited by President Obama) to be exemplars of how health care in the United States can improve.

### **THE MULTIPLE ROLES OF PHYSICIAN LEADERS—FROM DEPARTMENT HEADS TO CORPORATE EXECUTIVES**

As providers are increasingly expected to be accountable for producing quality outcomes, there will be an increasing demand for physician leadership in a variety of capacities and to fulfill functions that are currently unaddressed.

### **PHYSICIANS AS OPERATIONS MANAGERS**

Health care settings are not factories, but strategies and techniques used to operate industrial

production centers can nonetheless be applied. Workflows in outpatient and inpatient settings can be standardized—formally characterized and managed with attention to cost and reproducibility. Like any business, health care practices should carefully manage budget, physical plant, labor, and constant flows of consumable materials. Physician leaders should master skills associated with business operations to support the continuing viability of their practices, while not losing sight of providers and patients, to whose needs they must tailor their decisions.

#### **PHYSICIANS AS FINANCIAL MANAGERS**

Budgeting and financial attribution of responsibility and value are emerging as critical capabilities in health care. This is particularly true where payment shifts from pure fee-for-service to bundling by condition or capitation for a population and is coupled with the assumption of risk by physicians for the outcomes of care. Physicians with financial management roles need to sustain profitability, create competitive advantage, focus on patient needs, and strategically grow businesses.

#### **PHYSICIANS AS QUALITY MANAGERS**

Physicians have long recognized the need for proficiency in quality-management methods. But physicians' familiarity with the strengths and weaknesses of electronic health records systems, both as data-gathering tools and as quality-improvement instruments, must increase. Physician leaders should understand technological capabilities in some depth. They may then serve as translators between the disciplines of clinical quality and informatics.

#### **PHYSICIANS AS POPULATION MANAGERS**

Most physicians will probably become population managers in an accountable health care environment: primary care physicians may care for populations of patients with multiple chronic problems, specialists may direct care for patients with single complex problems, and surgeons may manage patients from preoperative care through long-term follow-up. Some physicians will design overall population-management programs, coordinating diverse teams that develop and oversee complex care plans, mass customization outreach and inreach programs, and care-transition management.

#### **PHYSICIANS AS UTILIZATION MANAGERS**

Little emphasis has been placed on physicians' effectiveness in evaluating medical necessity, though they have been engaged in this activity for 20 years or more. The stakes are higher now, and physicians responsible for the management of finite clinical resources will most likely need skills more commonly associated with actuaries. These leaders will need to understand trends in using sophisticated and expensive diagnostic tools, using emergency services and referrals, managing access to primary and consultative services so that it meets high standards, and using predictive modeling to help with system design and investment decisions.

#### **PHYSICIANS AS INFORMATICIANS**

Physicians who understand the nexus between information technology and the clinical world are in short supply, and they are urgently required. They can become critical advisors to the other physician leaders we describe, helping them understand how to use clinical information technology effectively to further their specific goals. Physician informaticians will design and implement various forms of decision support in clinical systems, help design documentation tools and other clinical content to support the data needs of their colleagues, and evaluate and advise on the hardware and infrastructure needed to support core clinical systems reliably.

#### **PHYSICIANS AS TALENT MANAGERS**

With the increasing prevalence of growing multispecialty group practices and hospital-owned physician practices, talent-management skills are needed. Physicians will implement formal programs of recruitment, compensation management, performance evaluation, and peer review. This extends beyond the basics of hiring and credentialing that have been the foci of medical staff functions, and a high degree of competence in human resources disciplines will be necessary.

#### **A FRAMEWORK FOR PHYSICIAN LEADERSHIP**

As they seek to grow physician-leadership capacity, how can health care organizations create a framework for choosing high-quality candidates and developing them into effective leaders? Such a framework should define and

measure the qualities associated with successful leadership performance and should entail three components—aspiration, capability, and potential—each of which can independently predict one’s success as a physician leader.

For each of the leadership roles we outline, there is a distinct profile of capability and potential that predicts positive outcomes for the organization. When selecting physicians for leadership roles, objective assessment is needed to gauge the likelihood of fit and the ability to succeed. A leadership framework serves to operationalize the following questions in a consistent and predictive manner: Does the candidate aspire to a leadership role? What is his or her current leadership capability? What is his or her potential to quickly develop new leadership capability?

#### **DEVELOPING PHYSICIAN LEADERS**

Education plays a central role in developing physician leaders. The necessary business-management skills are often different from those physicians generally possess and are not addressed in medical school. Health care organizations should help physician leaders establish foundational knowledge in appropriate disciplines.

Organizations have several options for educating physician leaders. Rather than offering

a generic business curriculum as in MBA programs, they might deploy more tailored programs that provide instruction on leadership concepts in the context of the provider setting. Regardless of the method, it is essential that organizations provide foundational knowledge to physician leaders, complement this learning with experiences and exposure to other talented leaders, and do so in a way that is targeted to the demands of the particular role and the leader’s current capabilities.

#### **ACHIEVING A NEW LEVEL OF PHYSICIAN LEADERSHIP**

Having been selected and developed on the basis of a strategic leadership framework, new physician leaders should be able to look forward to career paths that incorporate some level of continued clinical practice with significant portions of well-compensated leadership.

Successful organizations will be those that take an approach to elevating physician leadership that entails three elements: carefully identifying physicians with the appropriate aspiration, capability and potential; investing resources in developing high-potential leaders to take on critical roles; and accelerating closure of assessed developmental gaps by delivering targeted education, reinforced with complementary experience and exposure.