Public Focus

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Public Hospital Investments in Medical Directorships: Are Boards Optimizing Their Returns?

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Medical Directors Matter

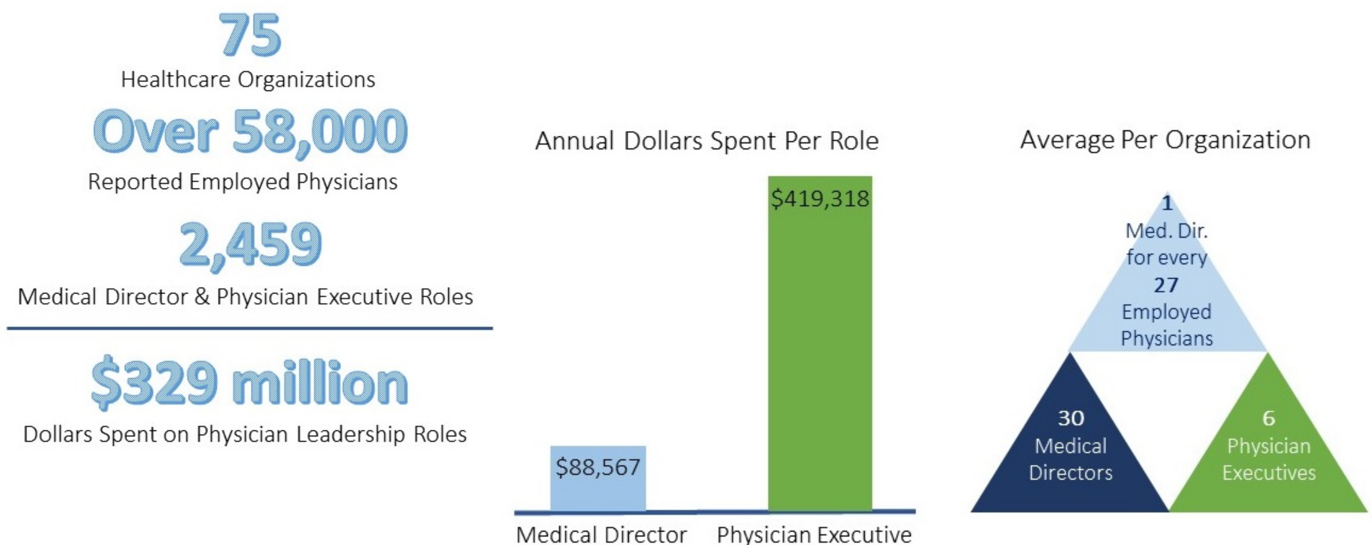
Hospitals, health systems, and accountable care organizations recognize that the transition to value-based payments and population health, and the effectiveness of their physicians, can only be navigated by a new generation of medical directors serving in a wide array of leadership roles, such as:

- Physician executive officers
- Clinical department chairpersons
- Board members
- Chief medical officers
- Medical directors
- Lead physicians
- Service line managers
- Clinical site leaders
- Function directors
- Medical staff officers
- GME program directors

These diverse physician leaders have differences in how they perform their leadership responsibilities, which can be referred to as "medical directorships."

A recent 2016 Gallagher Integrated survey of medical directorships and physician executives unveils several key insights into the scope and nature of these new physician leaders on the health sector leadership stage. As illustrated in **Exhibit 1**, 75 organizations participated in the Gallagher Integrated 2016 review of medical directorships and physician executive roles across the U.S. These organizations reported they employ over 58,000 physicians, and rely on 2,459 physician leaders, who were paid $329 million for their generally part-time activities. Many health systems now have from 20–200 full- and part-time medical directors and physician executives.

Exhibit 1: Results from Gallagher Integrated 2016 Review of Medical Directorships and Physician Executive Roles



The roles of this growing number of well-compensated medical directors embrace these key champion activities:

1. Champion for excellence and improving design, development, and roadmapping for care delivery systems across the organization's ambulatory and inpatient care landscape for enhanced care quality, safety, and cost-effectiveness.
2. Champion the needs of patients for best care and best experience performance goals and work.
3. Champion the professional and practice needs of specialty provider colleagues.
4. Champion the needs of organized medical staff functions and graduate medical education programming.
5. Champion the needs of employed medical groups within the system for professional, personal, and organization growth.
6. Champion achievement and maintenance of rigorous provider credentialing and privileging.
7. Champion the development and use of high-quality clinical care protocols and electronic medical/health records.
8. Champion for hospital and clinic site and service line economic vitality.
9. Champion value in all purchaser/payer agreements.
10. Champion systems, staff, and infrastructure needed for the continuous improvement of physician leadership performance planning and management effectiveness.[1]

As the executive and board leaders of public hospitals and health systems recognize the growing importance of these medical director roles to successfully make the journey to accountable care, they are asking these top 10 questions:

1. How many of these physician leader positions should a health system have?
2. How many do we have now?
3. How much are/should we be paying them?
4. Are we getting a good ROI from these investments?
5. Do we have internal equity among the many medical directors across specialties?
6. Do they have clear position descriptions and work reporting tools that align their work to the mission and strategic plans of the organization?
7. How can we measure, staff, and support their performance as medical directors?
8. How should we best be conducting performance reviews for these physician leaders?
9. How are we recognizing and rewarding the high-performing medical directors compared to weak performers?
10. How are we ensuring that the work and compensation of these medical directors do not push us into compliance issues with the Office of the Inspector General of the U.S. Department of Health and Human Services or the IRS for our tax-exempt status?

While a full-scale, on-site audit is an essential tool for boards and medical directors to answer these questions, they can accelerate their planning by examining:

- Five factors that frustrate the success of medical directors
- Five key strategies to enhance the work, pride, and performance of medical directors

Factors Frustrating the Work of Medical Directors

1. **Unclear expectations** of the work of the medical director, and how the organization defines success. Physician leaders often complain..."I have always been an overachiever, but how do they expect me to be a high performer in this medical director job if they do not define what I am to accomplish, how to measure my success, and do not offer any support to get my new work done, and still see patients?"
2. **Weak onboarding** process to orient the medical director to the job, the work setting, and to the stakeholders who will be key to success.
3. **Weak staff support and systems** to help enable the effectiveness of the medical director. Health system change and the journey to accountable care is a team sport. Physician leaders need support on when and how to be a leader and a follower in their service line, department, or site manager roles. Even if linked with a "dyad administrative partner," the dyad partner may also have underdeveloped skills for collaborative problem definition and problem solving.
4. **Time management stress** as medical directors retain patient care service roles. It is not uncommon for a talented physician leader to keep a majority of his/her time to see patients. Unfortunately, they may also wear two to three leadership roles in the teaching, research, and managerial aspects of the health system. Burnout is becoming too frequent a result of this stress.
5. **Underdeveloped performance planning and managemen**t, with weak links to incentive compensation. The last time that many medical directors had someone provide performance suggestions and oversight

[1] Antoine Kossaify, Boris Rasputin, and Jean Claude Lahoud, "The Function of a Medical Director in Healthcare Institutions: A Master or a Servant," *Health Services Insights*, October 14, 2013.

review of their work was probably their residency training. Even gifted professional athletes need game plans, mentors, and coaches to achieve peak performance. Many physician leaders lack clear position descriptions and have few people and systems to measure, monitor, or recognize their “progress to plan.” Hard charging medical directors are more likely to flourish with a combination of honest performance management support and recognition, and financial rewards for their good work.

Strategies to Enhance Medical Director Performance

1. **Clear position descriptions**: Medical director position descriptions must be aligned with the strategic mission and business plans for the organization. Arrange small group sessions with a mix of managers and physician leaders to map needed competencies and activities for medical directors that are driven by the imperatives captured in the organization’s strategic and financial plans. Medical directors must balance not just quality and care experiences, but also the costs and revenues needed for service line, clinic, hospital, or departmental success and sustained vitality.

2. **Competency orientation and development programs**: Medical directors want to be successful for patients, the organization, and for their own sense of personal and career accomplishment. Multimedia learning programs about their role expectations and the competencies they will need for success can help improve the probability of their success. These programs are needed within 30 days of their acceptance of the leadership role and once a year thereafter. Investments in the following are also valuable:
   - Mentors (from within the ranks of the organization’s other physician, nurse, and administrative managers) as they experienced from their chief residents.
   - Access to internal physician leadership academies.[2]
   - Reliance on case studies of frontline challenges in the organization.
   - Subscription to several health and business leadership journals, newsletters, and web-based learning opportunities.

3. **Performance planning**: Medical directors need support from their supervisor and dyad partner, before the beginning of each year, to clearly discuss and define performance expectations for the coming quarters. Medical directors often report on the value of these meetings to establish well-constructed, measurable, actionable annual goals linked to meaningful recognition and incentive pay.

   Medical directors can increasingly expect that 10–20 percent of their annual compensation is related to diverse performance metrics for: quality, patient safety, team work, being an effective champion for citizenship among their unit’s physician colleagues, program growth, and enhanced results in population and community health.

   Performance goals and the work plans to achieve them are now often entered into web-based performance monitoring systems, such as People Soft and Halogen or Healthcare Source. These systems can increase the efficiency of performance management, but having one should not be a barrier to starting a performance management program. While perhaps not ideal, traditional paper methods also work as an interim solution.

4. **Performance management**: Beyond the clear goals and fancy software, for enhanced results, high-performance health systems rely on interpersonal engagement between the medical director and her or his dyad partner or a respected senior leader in the organization. This interaction must have certain key features for success:
   - Scheduled far in advance in a relaxed venue
   - Be based on facts and data related to agreed-upon metrics
   - Be balanced between soft spots to improve and praise for good progress to plan
   - Linked to tangible examples of strong and weak performance and focused on growth for the person and the organizational unit

5. **Performance recognition and rewards**: High-performance health systems, clinics, health plans, and hospitals recognize the value of creating and nurturing a “culture of celebration” in which individuals and teams of frontline providers and managers are recognized and rewarded, in cash and non-cash ways, when metrics are achieved. As noted above, health sector organizations are focusing more attention now on incentive compensation programs for medical directors.[3]

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[2] “10 Successfully Designed Physician Leadership Academies,” Integrated Healthcare Strategies, 2016.

[3] “120 Statistics on Medical Director Compensation,” *Becker’s Hospital Review*, April 18, 2012.

Compensation is important, but organizational culture that is aligned with organizational strategy is foundational to the success of these initiatives. Future recognition programs will, however, also be woven into these cultures, and will borrow and adapt ideas from other industries for everything from travel and training to posters, promotions, and parking.

Conclusion

To optimize the performance of medical directors, wise public hospital boards and executive teams will have frank conversations about the roles and responsibilities of these physician leaders, and then invest in the staff, systems, and training that gives the medical director a fair opportunity to succeed.

The Governance Institute thanks James A. Rice, Ph.D., FACHE, Managing Director and Senior Advisor, Governance and Leadership, Integrated Healthcare Strategies for contributing this article He can be reached at Jim_Rice@ajg.com. The Governance Institute would also like to thank Tony Kouba, Kathy Buell, Cathy Kibbe, and Frankie Szetzo for making contributions to this article as well.