A SERVICE OF nrc HEALTH
Academic Health Focus

June 2018

Approaches to Better Align Clinical Leaders with Academic Medical Enterprise Strategies

By Michelle Johnson, Principal, Sullivan, Cotter and Associates, Inc.

With financial pressures mounting in a rapidly evolving healthcare market, it is now more important than ever to align efforts around common organizational strategies. Achieving alignment can be difficult given changing needs and priorities, and it can be especially challenging within the complex operating environment of an academic medical enterprise (AME). There is wide variation in the organizational structures of AMEs, which typically include a university, a school of medicine, a tertiary care center, and a clinical faculty practice plan. AMEs can range from being a fully integrated, university-based institution to operating as quasi- or even fully-independent entities affiliated around a shared, tripartite mission. Moreover, each AME has unique operational and market dynamics, institutional cultures, and leadership needs, so organizational alignment strategies can vary from one AME to the next.

Despite this variation, there is a potentially untapped opportunity for clinical leaders (department chairs, division chiefs, and center/institute leaders) to better support key organizational alignment initiatives. Clinical leaders often have responsibilities that span the entire AME, making them uniquely positioned to lead institutional change and influence culture since they function "within the seams" of health system leadership, academic leadership, and faculty physicians. In many AMEs, clinical leaders have taken on system-level roles with responsibility for leading multidisciplinary teams to achieve the clinical and academic, operational, and financial objectives of service lines or institutes, as well as the development of comprehensive and strategic business plans. Some are also being asked to lead system-level initiatives in areas such as population health, accountable care, clinical integration, patient experience, data analytics, and payer strategies, while continuing to focus on the tripartite mission of providing clinical, research, and teaching services.

Key Board Takeaways

As you reflect upon the structure and strategies of your organization, consider:

- What role clinical department chairs, division chiefs, and center/institute leaders play within the AME's broader leadership strategy.
- What challenges you have observed that limit the AME's ability to optimize the skill sets of its clinical leaders.
- Whether engaging clinical leaders in enterprise-wide leadership efforts could help support integration and alignment.

In evaluating current processes and practices, is there an opportunity to:

- Modify the AME's approach to governance to allow for shared (university, health system) governance of clinical leaders?
- Better align the administration, reporting, and/or compliance activities as it relates to clinical leaders' compensation arrangements?
- Include clinical leaders in an incentive plan with consistent integration, alignment, and operating goals as executives?

Given the increasing scope and complexity of these roles, as well as an expanded focus on achieving overall AME strategies, it is important that clinical leaders share common goals with health system executives. This often requires a shift away from traditional, department-centric leadership approaches toward alignment with health system executives focused on broader AME initiatives. By elevating the focus of clinical leaders, the AME has an opportunity to engage these individuals as "physician executives" responsible for collaborating with other executives to ensure the success of the entire institution

and—in doing so—driving behaviors that support a collaborative, team-based, and performance-oriented culture. Furthermore, clinical leaders are increasingly viewed as potential "disqualified persons" subject to intermediate sanctions regulations in addition to regulations applicable to practicing physicians. This may require additional compliance activities similar to those for health system executives.

In SullivanCotter's experience, organizations that classify clinical leaders as AME executives, similar to health system executives, are often capable of achieving a "team-based" leadership structure that supports AME alignment. Two ways in which this alignment is underscored include the governance processes and compensation structures applicable to clinical leaders.

Governance Processes

Although a common governance framework for all leadership positions—including clinical leaders—may not be possible given the legal and/or operating structures of the AME, a movement in that direction can support organizational alignment by:

- Centralizing the decision-making process around the programs, plans, and policies affecting all AME leadership positions.
- Improving consistency in the compensation benchmarking methodology used to assess leadership compensation programs with appropriate variation by entity, leadership level, and position responsibilities. For clinical leaders, there is often a need to standardize the way in which administrative, teaching, research, and clinical work effort FTE allocations are determined since this can impact the physician compensation strategy, which includes benchmarking, program design, and the funding agreements in place between the academic and clinical enterprises.
- Creating greater consistency in the administration, documentation, reporting, and communication of compensation programs for all leadership positions.

The governance oversight of clinical leaders typically falls to the "employing entity" (e.g., the university, health system, or faculty practice plan). However, having some level of shared oversight from across the AME is becoming a market best practice, particularly when funding is split via a dual-employment or organizational "funds flow" arrangement. In some AMEs, there is health system representation on the university's board compensation committee (e.g., the health system CEO and/or board chair serve on the university compensation committee) or vice versa. In others, compensation recommendations for clinical leaders are formulated at the health system level, but are then directed to the university president for review and approval before being reported to (and ratified by) the university compensation committee.

Compensation Program Design

Governance structures typically influence compensation design, such as a university-driven governance structure that results in compensation for clinical leaders more closely aligned with faculty compensation. However, moving toward a shared governance model can also support alignment in AME leadership compensation programs.

Like governance structures, compensation programs are aligned with the organizational culture and can evolve over time. Therefore, they may be legally and/or culturally difficult to modify. However, given that clinical leaders are increasingly functioning as physician executives tasked with leading healthcare transformation efforts across the AME and within their respective service lines/institutes, some movement has been observed toward aligning compensation elements for clinical leaders with health system executives.

One way in which this alignment is achieved is through group participation in common performance-based compensation plans. Variable compensation programs allow the AME to align performance expectations and ensure clarity and accountability for shared goals and objectives. They can also benefit the organization's culture—especially if goals are cascaded throughout the organization over time—since such programs require a shared commitment to performance improvement, team-based collaboration, and regular communication activities to ensure their success. Although universities have historically been slow to incorporate performance-based incentives, including clinical leaders in the health system's executive incentive plan can encourage and reinforce behaviors that drive system-wide goals and priorities critical to success in today's dynamic healthcare environment.

There are many ways in which AMEs may look to achieve alignment, but focusing on the role of clinical leaders as AME executives—working alongside health system executives—can help to produce meaningful gains in team-based leadership strategies that are necessary to ensure the long-term success of the AME. Evaluating the governance processes and compensation structures for these positions may introduce opportunities to modify current approaches in pursuit of better alignment between clinical leaders and health system executives. This will allow for greater progress towards the AME's overall clinical and academic, operational, cultural, and financial objectives in support of the tripartite mission.

The Governance Institute thanks Michelle Johnson, Principal, Sullivan, Cotter and Associates, Inc., for contributing this article. She can be reached at michellejohnson@sullivancotter.com.

■■■