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**About FYA**

FYA - *For Your Advantage*, is a free twice - monthly newsletter published by TrendLeader Connections.

With every issue, FYA provides insights into the topics that concern healthcare leaders today and the challenges that will be faced in the near future.

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**Innovation 2008 – Celebrate and Set Direction**

*By John W. Kenagy, MD, MPA, Director, Kenagy & Associates*

Last month's column took a forward look by predicting "Innovation 2008 – What's Hot and What's Not." Not where we are, but where we want to be:

**Healthcare Innovation 2008**

What's Hot	What's Not
Growing Return on Investment (ROI) from operations	Capital expenditures for new technology and facilities
Developing people and relationships	Implementing IT systems
Purpose, trust and optimism	Power, compliance and competition
Local knowledge, ingenuity and innovation	Consultants and manufactured innovation
Transforming your culture	Fighting entrenched cultures
Multi-purpose hospitals	Specialty hospitals

Most hospitals find themselves on both sides of this table, but want to adapt and move increasingly onto the "What's Hot" list. Wherever you are in your journey, the first step is to celebrate your work, your people, your heritage and your opportunities. In my 36 years in healthcare, we have been compiling endless lists of things to do. Then, for every "to do," some expert or regulator comes up with 10 more "ought to do's." And then it's our fault if we do not do them all as they berate us for not "trying harder."

Enough is enough! Trying harder is getting us nowhere. We do marvelous things; we work with wonderful people and we have the privilege to have the most important of "customers" – patients and families in need. Let's stop and celebrate. Every great adaptive innovator I have studied has started positively. Take a position of strength. Make celebration your base and then move forward.

Move forward by building on what you are currently doing to extend to a new place: the "What's Hot" in Innovation 2008. The facts are clear – it's not what you are doing now that's crucial; it's your ability to adapt what you are currently doing to a constantly changing world that makes the difference.

Our research has shown the great adaptive organizations' prosperity is based on five back-to-basics principles:

1. Set a clear, meaningful direction
2. Develop people as your #1 resource
3. Build trust and optimism
4. Don't implement new systems; problem solve what you are currently doing.
5. Generate value quickly; grow opportunistically.

*(Continued...)*

## Innovation 2008 – Celebrate and Set Direction (Continued...)

To be on the "What's Hot List" in 2008, make sure your team has these five principles on their agenda. First celebrate: then start by *setting a clear, meaningful direction*.

Jim Collin's book *Good to Great* eloquently certifies the importance of setting direction. Great adaptive leadership does not tell everybody what to do; rather it sets a clear, meaningful direction to align people with purpose.

For example, a hospital we recently worked with was suffering from "AO-ADD" – Acute Organizational Attention Deficit Disorder. They had benchmarks and financial measures to hit, safety goals to reach, dozens of quality projects, IT to implement, JCAHO to prepare for, nurses to recruit and retain, doctors to mollify, patients to satisfy, *etc., etc., etc.* The management team was running very hard, but its results showed them running in place.

Leadership started people moving by setting a clear, meaningful direction – Ideal Patient Care. What's Ideal? – It's not rocket science; it's what we want for our family's care – just what they need, "ideally." Ideal is what we want to deliver, so let's say it clearly:

- Exactly what the patient needs, when and where he or she needs it,
- Customized individually,
- Immediate response to problems or changes,

- Safe – physically, emotionally and professionally – for everyone (patients, staff, physicians and management), and
- Without waste of any resource.

Ideal is not a Target or a Goal – is an inspirational North Star that orients everyone to a common purpose. It's an aspiration; it's a "clear, meaningful direction." The result for this hospital was to achieve the first of the "What's Hot List," a **growing Return on Investment from operations** – increased patient satisfaction, staff engagement, productivity and \$1,700,000 in new value on operations with no new capital investment.

In summary:

- Celebrate – healthcare is full of wonder,
- Move forward by following the "back-to-basics" principles of adaptive organizations,
- Take the first step toward the "What's Hot" list by setting a clear, meaningful direction and focus on just one thing – Ideal.

What's your organization's direction? What do you think? Email me at [jkenny@kenagyassociates.com](mailto:jkenny@kenagyassociates.com). Next month we will take the next step – Developing people as your #1 resource.



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### About



PHNS is an innovative healthcare services company providing strategic outsourcing services in information technology, health information management and receivables management to over 400 hospitals. PHNS is not a consultant, vendor or software company but a partner, a solution. PHNS understands healthcare because our partners are healthcare and healthcare only. Unlike its competitors, PHNS strategically aligns itself with a hospital's clinical and financial goals and objectives. Through its unique business model, PHNS reduces costs by aggregating, consolidating and sharing resources among its participating hospital partners. PHNS helps hospitals manage information systems, computer technology, patient records, coding and patient billing to improve patient care, safety and efficiency and increase profitability and efficiency. For more information, visit [www.phns.com](http://www.phns.com).

## Healthcare System vs. Public Health

By Rick Kneipper, Chief Administrative Officer and Co-Founder of PHNS

"The U.S. health care system is broken...The old models of medical care and public health delivery no longer work. Our nation spends \$1.8 trillion a year on health care, yet ranks 37th out of 191 countries on eight health outcomes tracked by the World Health Organization. Seventy-five percent of health care spending is on preventable diseases that rob millions of Americans of quality life-years and deprive society of productive citizens. As Americans become sicker, we are not receiving an acceptable return on our investment in good health. We can save billions of dollars that we currently spend treating avoidable communicable and chronic diseases, if we invest instead in illness and injury prevention."

So sayeth the opening of the "Report of the National Steering Committee on Hospitals and the Public's Health," a sobering but extremely analytical and perceptive call to arms for those concerned about our public health system (<http://www.hret.org/programs/content/scfactsheet.pdf>). The report states that the "U.S. health care system, both public and private, is in imminent danger of collapse" and strongly indicts the current system by stating:

"The ultimate goal of the U.S. healthcare system, to improve the health of the American public, is all but forgotten by most medical providers, payers and consumers...U.S. health care is organized around its reward system: Financial incentives reward treating the sick, not wholesale improvement of the public's health."

Thus the report strongly recommends that the focus of our healthcare system be shifted from *treating* illness to *preventing* illness. That of course is not a new idea, but the report sets forth the following very compelling financial rationale why hospitals and other public health participants now ought to lead the charge for such a change of focus. About 96 percent of Medicare spending and 83 percent of Medicaid spending is for people with chronic conditions; and the costs for chronic conditions

average five times more than the costs for other conditions, according to the Centers for Disease Control and Prevention. And during recent years the federal and state response to increasing Medicare and Medicaid costs has been to reduce reimbursement to hospitals and other health care providers, which means that hospitals will receive lower payments for treating chronic diseases while the number of people with chronic diseases continues to grow. Therefore, it is increasingly in the financial interests of hospitals to advocate and develop public partnerships and collaborations that reduce chronic disease in their communities and to reform the way in which public health services are being delivered.

As a hospital CEO I strongly recommend that you read the report and consider what you and your hospital can do to help refocus our public health system.



I would like to hear your comments.

Send them to:

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### About

**TrendLeader**  
Connections

FYA - For Your Advantage is brought to you by TrendLeader Connections. The function of TrendLeader Connections is producing educational materials and seminars that help healthcare executives differentiate between fads and trends; and making connections with "Trend Leaders" within the healthcare industry.

We are committed to delivering new perspectives and ideas, creative and innovative healthcare solutions, provocative concepts and quality educational materials to today's healthcare leaders. We want to concentrate on "what comes after what comes next."

## Hospital CEO Talks about His Salary...To Everyone

*Paul Levy is president and CEO of Beth Israel Deaconess Medical Center in Boston. He started a Blog to discuss some of the most intimate details of his organization – including his salary. The Blog is available to anyone on the Internet – including his employees, his medical staff and the community (<http://runningahospital.blogspot.com>). Here's what he wrote about his salary last month. Would you dare do the same?*

### **D**o I get paid too much?

Every year, the *Boston Globe* publishes a story listing the total compensation received by the CEOs of the major Boston hospitals. The story is derived from the Forms 990 that are filed by every non-profit, and the numbers are interesting enough that the story always gets good placement in the newspaper.

CEOs do not set their own salaries. Each hospital has a public board of trustees who determine the compensation for their chief executives and who also hold that CEO accountable for running the organization. The levels of compensation are subject to review by the Internal Revenue Service to ensure that they are within reason for that organization and compared to other organizations, and also to ensure that the board itself, rather than the CEO, has made the compensation decision.

Notwithstanding this level of legal guidance, the issue often arises as to whether hospital CEO salaries are out of line. Americans are often ambivalent about high salaries for corporate executives: They often complain about them, but, at the same, time, everybody hopes that he or she can someday earn them! Putting aside that personal sociological observation, let me ask you the question directly: Do you think I earn too much?

Here are the facts. As noted by the *Globe*, my total compensation was about \$1 million in fiscal 2005. Of this, \$650,000 was the base salary. Also, I was eligible for a 30% incentive compensation payment if the hospital achieved specified results for clinical quality, patient satisfaction, and financial performance. I received the full amount that year, \$195,000. The rest of the million comprised payments made by BIDMC for life insurance and retirement. (Don't worry, there are no other perks, like cars or country club memberships!)

Now, some background on BIDMC: The hospital is a billion-dollar-a-year enterprise, about \$800 million in

clinical revenues and \$200 million in research programs. Our annual capital budget is roughly in the range of \$80 million. Last year, we raised \$30 million in philanthropic donations from people in the community. We have facilities that cover about 3 million square feet. We see 50,000 emergency room visitors per year, 40,000 inpatients, and 500,000 outpatients. We have about 8,000 employees and about 800 doctors on staff. We are affiliated with six community health centers (one of which we own); several community hospitals and physician practices; and we own and run two off-site clinics in Chelsea and Lexington and one small community hospital in Needham.

So, if you were on my board, how would you set an appropriate salary? You might look at the competition, and as the *Globe* notes, the salaries for most of the Boston-area hospital CEOs center around the same level. Would you look at salaries of people in for-profit companies, and, if so, how do you measure comparable size and complexity? Would you look at salaries of other types of non-profits, like universities and museums?

Does it matter that the average tenure of a hospital CEO is under six years? If that is roughly the tenure of a major league baseball player, should CEO salaries be in the same ballpark? Sorry, I couldn't resist!

And, of course, how do you measure performance, so that the salary does not get out of whack with expected results. (By the way, for a broader survey of non-profit salaries, check out this site from [Charity Navigator](#).)

This is serious business that affects both the perception of hospitals in the public eye and also the ability of hospitals to attract the talent they need to run a complicated organization that is vital to the community. What do you think: Do I get paid too much? Here is your chance to send a message to me, my board, or the community at large. I promise, all comments will be included (unless you use bad language!)