

# The Rise of the MD CEO

Hospitals and health systems are  
choosing docs to lead.

BY ERIKA COHEN

**W**hile only five of NH's 26 acute care hospitals are led by doctors, four of those leaders took the helm in the past year. This leadership change comes at a time when hospitals are under pressure to cut wasteful spending (the Institute of Medicine reports that 30 percent of health care spending is wasted and does not lead to better health) and to adapt to a system that pays for quality of care, not just the services provided. The question is, can docs cure hospital's woes?

Joseph Pepe, one of those MD CEOs, thinks people like him can be the answer. He was promoted to president and CEO of Catholic Medical Center in Manchester last August and predicts there will be more physician leaders in the years to come. "We are a rare breed in general," Pepe says, noting the small proportion of MDs who lead hospitals. (Only 235 of the nation's 6,500 hospitals had medical doctors leading them in 2009, according to a study in the journal *Academic Medicine*). But he says that is changing. "One thing is for sure. The top hospitals have a large pool





to pick from and they are choosing physicians as CEOs.”

In fact, *Becker's Hospital Review's* August 2012 list of the 300 best hospital and health system CEOs includes 61 MDs, or 20 percent of the country's top hospital CEOs. This is nearly the same percentage as NH where 19 percent of hospitals are now led by MDs.

Pepe and his fellow MD CEOs were not always a rare breed. In 1935, 35 percent of hospitals were led by physicians, according to the journal *Academic Medicine*. That same 2009 article by doctors Richard Gunderman and Steven Kanter argues that the Hippocratic Oath taken by physicians to put patients first could lead to better leaders and better patient care. “Training and practice in medicine provide important leadership advantages that hospitals and health care organizations urgently need. For this reason, we argue that medical schools should be making a greater effort to prepare physicians for leadership,” they write. Four years later, things are trending exactly that way. Between 2002 and 2012, the number of joint MD/MBA programs has increased from 33 to more than 60, according to *Academic Medicine* and the Association of MD/MBA programs.

### Why Put Docs in Charge?

Most of NH's physician leaders haven't been in charge long enough to measure long-term effects of their leadership—only Dartmouth-Hitchcock has historically always hired CEOs who are MDs—but one thing is for certain: Hospitals don't take that decision lightly. When you are paying a CEO hundreds of thousands of dollars, you have many candidates to pick from, both internal and external, and that means a lot of deliberation around the board table.

Board of trustee members and those who have served on executive search committees for NH hospital CEOs universally say they did not choose a candidate to run the hospital or health system simply because of the MD in their title.

However, medical experience combined with leadership skills is hard to ignore. Ed Kerrigan, chair of the board for Alice Peck Day Health System in Lebanon, says candidates for its CEO position included those with and without MD degrees. Susan Mooney, an MD who took over leadership of the hospital last November and the



Dr. Joseph Pepe, CEO of Catholic Medical Center in Manchester

health care system in April, was chosen internally. "I think having someone who understands the field of medicine the way she does and who also, I believe, has the intelligence and leadership skills that are required to run any institution is a great combination," Kerrigan says.

When St. Joseph Hospital in Nashua was looking for a new leader, it chose Richard Boehler, an MD who most recently served as the chief medical officer at a health care software technology company. "Dr. Boehler brings a vision and a level of expertise to the role of president and CEO at St. Joseph Healthcare that is unique among community hospitals," states David Lincoln, president and CEO of Covenant Health Systems in Massachusetts, which owns the hospital. "The selection of a physician executive to lead St. Joseph Healthcare in Nashua is indicative of Covenant's strategic focus on clinical integration and the importance of qualified physician leadership in navigating the health-care road ahead."

Physician leaders say they bring a unique perspective to the lead role. Rick Phelps, president of Elliot Hospital in Manchester, was in private practice for 15 years before climbing the administrative ladder and earning an MBA. He says physician leaders can make better value judgments when balancing care and costs. "Look at cost reduction. Being a physician gives you a better eye sometimes toward what cost cutting means can be taken with little or no impact in patient care as opposed to someone who doesn't know for sure," Phelps says.

Boehler says his IT background in measuring performance outcome for health care combined with his training as a physician suits him well for an environment where the Affordable Care Act (ACA) dictates that both accountability and quality

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**-Ed Kerrigan, chair of the Alice Peck Day Health System board**

are key demands. "We all worked together through medical school, residency and in the hallways [of the hospitals], and now we can work together to improve the quality for the organization," he says. Mooney adds that "health care payment reform creates a really different way of thinking about health care" and agrees with Boehler that a physician is well suited to see different perspectives.

Health care delivery is also changing. Robert Oden, chair of the board of trustees at Dartmouth-Hitchcock in Lebanon, has been to Dartmouth-Hitchcock about six times in the past couple of years, but

saw an MD once, and briefly. Instead he saw nurses and physician assistants, a trend he thinks will continue as health care institutions look for efficient ways to provide quality care. He says the more this happens, having a doctor as a leader offers credibility to health care organizations. "The leadership needs to persuade the public this is a wise thing to do and the most credible person would be a physician," Oden says.

While most community hospitals historically have been led by non-clinicians in recent decades, research hospitals generally always have a doctor in charge. That is and has been the case at Dartmouth-Hitchcock in Lebanon. Oden says doctors inherently know the patient always comes first, they appreciate and understand the complexity of health care and they come with credibility as they can relate to the doctors they are leading.

"Leadership is getting people to go in a direction they may not want to go," Oden says, referring to a famous Winston Churchill quote. "This demands credibility and a lot of credibility comes from shared experiences, shared training and shared abilities." Oden says this is even more pressing now than it used to be with all the changes under the Affordable Care Act, the pressure to provide better care for less money, and where quality is a key factor in reimbursement.

Research nationally suggests there are advantages to making this choice. A 2011 study of 300 top-rated hospitals in the journal *Social Science and Medicine* found that hospitals with doctors in charge had overall quality scores 25 percent higher than ones led by someone with a nonmedical background. That study did issue one caveat: High-rated hospitals are likely to have better doctors, and that is a chief reason why they provide better care.

### **Making the Case for Nurses**

There are no similar studies relating to nurses, or ones that look specifically at the financial performance of hospitals, but one case study in NH suggests having a clinical background, in this case nursing, can be good for both patient care and financial health.

Cottage Hospital in Woodsville is a small 25-bed critical access hospital. Maria Ryan, who has a Ph.D in hospital ad-

ministration and advanced degrees in nursing, took over as CEO in 2010 after being chief nursing officer for four years. Ryan isn't stuck behind a desk all day, though. In fact, she keeps scrubs under her desk so she can help out in the ER as needed. She says she is most proud of turning around the hospital financially and improving patient care.

Ryan designated three beds in the intensive care unit as variable acuity beds that can be used for ICU patients or post-surgery patients, a change that makes more beds available for patient care as ICU beds were not always full. And while filling in for some shifts, she realized clinical support positions were understaffed at some points of a day, so she added more staff at those times. Since becoming CEO she has not laid off anyone. Furthermore, the hospital's margin (the change in unrestricted net assets/total operating revenue) went from -1.54 percent in 2009 to 7.27 percent in 2012. The hospital is now looking to add a new building or more office space to meet increased outpatient patient volume.

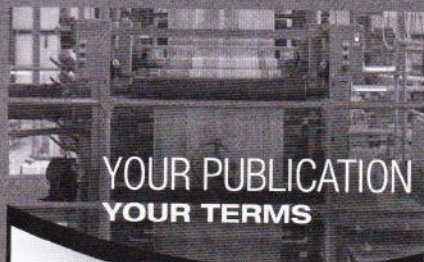
"I can relate to every kind of worker there is," Ryan says. "I can see things



Maria Ryan, CEO of Cottage Hospital, examines a patient.

from the clinical perspective (nurse and phlebotomist) and see it from the provider perspective (nurse practitioner and physician). I can bridge the gap. Sometimes it takes somebody who can see it from different perspectives to come up with successful outcomes for the patients."

Only time will tell if these physician leaders will become the norm. In NH, two more hospital CEOs have announced retirement plans—Michael Green at Concord Hospital in Concord and Peter Gosline at Monadnock Community Hospital in Peterborough. Who replaces them will be a story watched by many. ■



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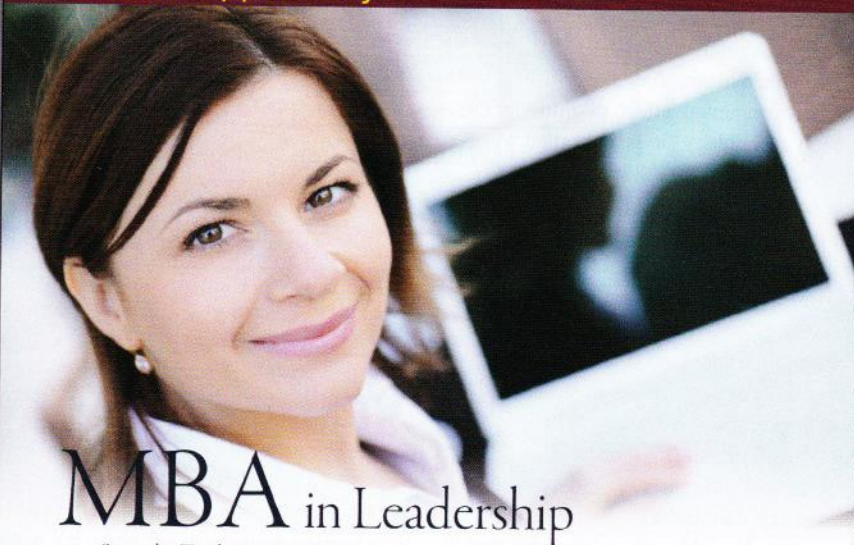
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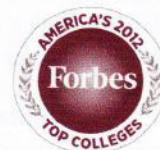
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