

Thought Leader Forum



Summary of Findings

Healthcare Reform Engagement

Manchester Grand Hyatt
San Diego, California
July 18, 2011

Underwritten by
buckconsultants®

Introduction

The American Society for Healthcare Human Resources Administration (ASHHRA) a personal membership group of the American Hospital Association (AHA), held a Thought Leader Forum on Monday, July 18, 2011 in San Diego, California.

Jeff Payne, Vice President, Human Resources, Lakeland Regional Medical Center and 2011 ASHHRA Past President, chaired the proceedings. The discussion was moderated by Larry Walker, President, and Cindy Fineran, Senior Consultant of The Walker Company Healthcare Consulting, LLC. A select group of thought leaders—human resources and public relations/marketing/communications experts—participated in the Forum, a two-hour session entitled, “Health Care Reform Engagement.” Among the participants were ASHHRA board members and representatives from the Society for Health Care Strategy & Market Development (SHSMD), the American College of Healthcare Executives (ACHE), and Buck Consultants.

The Society for Healthcare Strategy & Market Development, a personal membership group of the American Hospital Association, is the leading organization for hospital and health system strategy executives. SHSMD provides access to information, education, practical tools, and networking connections for over 4,000 marketing, planning, physician relations, and public relations professionals.

The American College of Healthcare Executives is an international professional society of more than 35,000 healthcare executives who lead hospitals, health care systems, and other health care organizations.

Buck Consultants is a leader in human resources and benefit consulting with more than 1,500 professionals worldwide. Founded in 1916 to advise clients in establishing and funding some of the nation’s first public and private retirement programs, Buck is an innovator in the areas of retirement benefits, health and welfare programs, talent and human resource management, compensation, and employee communication.



Founded in 1964, ASHHRA is the leading voice for HR professionals in health care - linking people and organizations to leadership practices, best practices to patient outcomes, and outcomes to business results. Headquartered in Chicago, IL, the society has more than 3,500 members and services the needs of over 50 chapters throughout the United States. For more information about ASHHRA, visit www.ashhra.org.

Vision

By joining together, by raising our skills and by speaking with one voice, we, as ASHHRA members will enhance the well-being of our employees, our health care organizations, and the communities we serve.

- ◆ ***Our purpose:*** To establish the expertise of health care HR through our ability to learn and share knowledge, build relationships, and exemplify excellence.
- ◆ ***Our power:*** To influence and impact the future of the health care workforce and those they serve.
- ◆ ***Our promise:*** To keep in our minds and hearts the passion and commitment we have for our profession.

Mission

ASHHRA leads the way for members to become more effective, valued, and credible leaders in health care human resources administration.

Value Proposition

We offer high quality and effective resources, educational programs, and networking opportunities to human resources professionals in the health care industry.

Guiding Principles

Collaboration * Service Excellence
Integrity * Innovation * Passion

"This is the greatest call for leadership since the passage of Medicare and Medicaid. It's going to dramatically reform the system. And what we really need is change management and change leadership."

- Tom Dolan, President & CEO, ACHE

Thought Leader Forum participants included:

- Tom Dolan, President and CEO, American College of Healthcare Executives, Chicago, Ill.
- Christine Gallery, VP, Planning and Market Development, Emerson Hospital, Concord, Mass.
- Sheryl Grey, Principal, Health and Productivity, Buck Consultants, Tampa, Fla.
- Joe Micucci, Director, Human Resources, Jefferson University Hospitals - Methodist, Philadelphia, Pa.
- Tess Niehaus, VP, Marketing and Communications, St. Anthony's Medical Center, St. Louis, Mo.
- Laura Paszkiewicz, Director, Health and Productivity, Buck Consultants, Santa Ana, Calif.
- Jeff Payne, VP, Human Resources, Lakeland Regional Medical Center, Lakeland, Fla., Chair
- Irma Babiak Pye, SRVP and CHRO, Valley Baptist Health System, Harlingen, Texas.
- Bob Walters, Corporate Director, HR Operations, Health First, Inc., Melbourne, Fla.
- Daniel Zuhlke, VP, Human Resources, Intermountain Healthcare, Inc., Salt Lake City, Utah.

This Thought Leader Forum *Summary of Findings* is a strategic overview of important reform implications confronting health care organizations today, and successful methods that human resources professionals are employing to ensure workforce understanding, and engagement in today's health care transformation.

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Summary of Findings

The Patient Protection and Affordable Care Act (ACA) was passed into law because current methods for delivering and paying for health care are no longer sustainable. Implementing the ACA is already impacting hospitals both as employers and as providers, and promises to do so in significant ways in the coming years.

The Thought Leader Forum focused on the myriad changes ahead and how health care human resource executives can help the front line workforce understand the changes and implications of reform, and importantly, the role they play in ensuring a successful transformation for their organizations.

A panel of ten participants identified the changes human resource professionals are confronting in responding to health care reform, initiatives they've employed to engage their workforce and build greater understanding of reform, and human resource leadership roles most needed to respond to the changes of reform.

The thought leaders engaged in an in-depth exploration of opinions, personal experiences, and ideas for best practices for addressing the engagement of the workforce in health care reform. The discussion focused primarily on:

- Understanding the “new normal” that is evolving
- Identifying the emerging changes being driven by reform
- Identifying opportunities and methods for engaging the workforce in response to a changing health care world
- The importance of transparent communication, and the concurrent difficulty in crafting clear messages in today's ever-changing environment.



Jeff Payne

- The need for strong and focused human resource leadership in the midst of uncertainty

The New Normal

Thought leaders set the framework for their discussion by first considering what they identified as the “new normal.” Cuts to reimbursements by all payers are having far reaching effects on hospitals and health systems, and are changing the health care landscape. Thought leaders defined the look of this new landscape and the implications it holds for human resource professionals.

Changing reimbursement. Hospitals across the nation are confronting significant changes in the way they will be paid:

- ACA required reductions in Medicare market basket updates
- Additional cuts will likely result from budget deficit actions
- State budget reductions to Medicaid programs and education, including higher education, and medical schools
- The transition from fee-for-service, volume-based payment to high-quality, cost-effective value-based reimbursement, including accountable care organizations (ACOs), bundled payments, and reductions in payments for health care acquired conditions and high rates of readmissions.

Volume and utilization. Whether the utilization of hospitals



Christine Gallery

increases or decreases depends on a number of factors. As the number of insured individuals increases under reform, it is expected that utilization will increase. However, the economic downturn has resulted in different outcomes for some. Christine Gallery, VP, Planning and Market Development for Emerson Hospital, Concord, Mass., cited

that state's experience. Despite achieving 98 percent insurance coverage for its residents, the impact of the economic downturn resulted in a decline in the utilization of hospitals. The implications of the changes in reimbursement are coupled with the recessionary environment. People are reaching the end of their COBRA eligibility, copayments and deductibles are increasing, and consumers are paying a greater share of their health care costs, all contributing to the decline in utilization.

New physician expectations. Another contributor to the "new normal" is the change in physician outlook and expectations. Younger physicians desiring a better work-life balance and a focus on provision of care vs. practice administration are choosing employed status with hospitals, health systems, and others over private or independent practice.

The implications. Thought Leaders are convinced that hospitals, physicians, and other providers of care must re-engineer how care is provided, and strip out costs wherever possible to ensure a successful future. These leaders identified changes already in evidence or which they expect, as they verbally painted a picture of the new normal. Many of these changes are designed to reduce patients' needs for hospitalization and contribute to a decline in utilization; others are strategies employed by hospitals and physicians to ensure their continued viability. Changes defining the new normal identified by thought leaders include:

- An increased focus on assuring coordination of services across the continuum of care and the

integration of hospitals, physicians, and other providers of care

- An increase in certified medical homes
- Shifting of sub-acute services from hospital settings to transitional care units, home care, etc.
- Physician groups keeping extended and week-end hours to compete with "minute clinics"
- Patient activism. With greater numbers of uninsured and underinsured individuals, and rising copayments, coinsurance, and deductibles, consumers increasingly care more about the delivery and cost of the health care they receive.

The Thought Leader Forum participants are convinced of an end to what has been the status quo, making new workforce expectations an imperative. During their discussion, the observation was made that many people outside of health care believe there is much more work to be done to improve the delivery and payment for health care, that there is more money available to be taken out of the system. The caution was issued by thought leaders to be ready for more change.

The Challenges of Reform

Human resource professionals are challenged with a number of issues as they strive to respond to a transforming health care environment.

Right-sizing workforce. The challenges for human resource professionals and their hospitals include ensuring the right workforce at the right time, with the right skills, ensuring that high quality, safe care is job one, and maintaining a high morale among employees.



Bob Walters

- Implementing the most respectful and humane means of enacting layoffs
- Identifying a clear and focused strategy
- Managing or controlling rumors and speculation fueled by layoffs that include issues such as further reductions or the possibilities of outsourcing.

Outsourcing as an option. When discussing human resource outsourcing as a viable option in health care, thought leaders



debated the potential pros and cons. The concerns expressed by leaders include:

- Increased complexity in the hiring process, in particular ensuring the benefit that comes from hiring the right person with the right attitudes and right “fit” for an organization
- The disassociation or distance created between the hospital and the employee when an individual is employed by an outsource organization, and the potential loss of primary loyalty to the hospital
- If the hospital and outsource organization are not well-aligned in their values and approach to business, there is the potential for negative influence on the culture of the hospital and its level of customer service.

Leaders discussed the positive potential for outsourcing if the arrangement is more “hybrid” in nature, with the hospital providing the management of the outsourced employees.

Physician integration. The integration and employment of physicians creates a need for new information, knowledge, and expertise for many hospital and health system human resource professionals. New compensation structures must be defined, not only for employed physicians, but also for office staff when physician practices are acquired by a hospital. The challenge often extends to resetting expectations when a practice’s employees are accustomed to more liberal compensation and perquisites than the hospital

provides. Thought leaders identified the need to be cognizant of federal oversight, public scrutiny, and board review when designing physician compensation structures.

As hospitals and physician practices pursue integration, thought leaders questioned the advisability of differentiating between hospital and physician compensation packages or maintaining a philosophy of full integration, including integrated compensation.

A new C-suite position, the Chief Practice Executive (CPE), was identified during the course of discussion. With more physicians working for hospitals, the CPE has been identified as an executive who will not replace the CMO, but who will oversee physician practices and partner with human resource professionals in addressing the concerns and challenges of integration and the development of systems of care.

Aligning compensation with new models of care. The Thought Leader Forum participants also identified the need to change compensation structures to align with new models of care, how to compensate individuals based on “value.” Reimbursement for units of care may disappear, to be replaced with payments for episodes of care, for management of populations of individuals, and for management of chronic conditions. New payment and compensation structures will be based on a whole or global payment and a determination of who receives what percentage of the whole.

New compensation structures should not fail to take into account new technology, and how individuals should be



compensated for providing care remotely or electronically.

A significant percentage of total compensation is the cost of benefits. New reform provisions (increasing the dependent age to 26, removing lifetime benefit and pre-existing condition limitations) are among other costs that effect benefit premiums. Like other employers, health care human resource professionals are confronted with making changes to their benefit plans, ensuring that plan designs incentivize the right behaviors while continuing to provide competitive benefits. Many are facing the challenge of shifting additional costs to employees, and some are wrestling with the decisions of maintaining or modifying insurance benefits.

The unknown. One factor complicating human resource leaders' reform engagement is the unknown and uncertain future. As organizations try to discern the future, they are wrestling with questions such as whether or not to become an ACO, whether they will be able to achieve and/or sustain market dominance, and if they should pursue acquisitions, merge or consolidate with a larger system, among other strategic uncertainties.

Human resource leaders are finding it increasingly difficult to remain ahead of the challenges facing their workforce when



Sheryl Grey

they themselves are in the midst of trying to understand the transforming environment. In many instances, hospital leadership is still educating the board and the medical staff on the factors and implications of health care reform, and have not yet focused on educating front line staff.

The Communication Imperative

Throughout the forum discussion, thought leaders commented on the critical importance of communication in efforts to effectively engage the workforce in the issues of reform and health care transformation. Underscoring the message is the need to communicate often using a variety of channels, and ensuring

transparency in all communications.

The effects of an uncertain future are felt here too. Leaders agreed that articulating a strong vision is typically the first step to an engaging communication, but a clear vision is difficult to communicate when the framework of the future is still fluid and uncertain.

In the absence of a clear, well-defined future, leaders are finding that the following messages resonate with their workforce:

- The world is changing, care will be delivered differently and it will not be business as usual
- The organization is well-positioned to succeed and other messages of organizational confidence
- The industry is actively engaged in reforming health care, with an emphasis on quality and efficiency
- The organization's critical core competencies are high quality, cost-effectiveness, a strong market position, partnerships with respected academic centers, draw of top talent to the organization, and top-quality clinical staff
- Past challenges were successfully confronted and overcome
- Employees work in health care because they care, and the purpose of many reform changes is a greater patient focus, facilitating the achievement of the hospital's mission to improve the health of the



Tom Dolan



Tess Niehaus

community

- Business is no longer “usual.” It is going to change dramatically, and the organization will thrive as a result.

The Role for HR

Thought leaders identified key opportunities they believe will be most critical for human resource professionals as health care organizations strive to address the issues and changes of reform.

- **Be strategic.** It is not enough to just be at the table, human resource professionals must exhibit dynamic and diverse strategic thinking. They cannot limit their knowledge and thinking only to traditional human resource topics, such as compensation, benefits, or labor issues. To exhibit true strategic leadership, professionals must pay attention to and understand health care reform, its issues and the implications it holds for the organization and the delivery of health care.
- **Be a source of truth.** Employees are confronted daily by the media and others with multiple and mixed messages about health care reform. Human resources can play a key role as the source of reliable information regarding reform and the organization’s efforts to respond to a changing environment.
- **Build understanding.** In addition to providing employees with reliable information, human resource professionals can help their workforce understand their contribution to a continuum of

care, not simply carrying out a single, isolated function in an acute care facility.

- **Model behavior.** In a recent survey sponsored by the AHA and ACHE, results indicated that while CEOs scored themselves highly at strategic planning, they believe they are less adept at employee engagement. Human resource professionals can assist CEOs in efforts to meaningfully engage with employees.
- **Advocate.** Human resource professionals assume the role of advocate for the organization when recruiting new employees. Human resource professionals must continually promote the value and core competencies of the organization to potential hires.
- **Form strategic partnerships.** The thought leader participants attested often to the benefits and resources of the professional partnerships between human resources and other departments, citing in particular strategic planning, marketing, and public relations.
- **Chief Engagement Officer.** Thought leaders encourage human resource professionals to think of their role as the Chief Engagement Officers for their organizations.



Laura Paszkiewicz

ASHHRA's Role with Reform

Thought leader participants voiced their appreciation for the value they find in peer-to-peer discussions of shared issues, experiences, and recommended practices. Quoting Tom Brokaw's statement that "a tweet will never replace a kiss," participants want ASHHRA to convey to the membership the vital importance of professional relationships, and to facilitate additional opportunities for peer-to-peer learning.

Leaders advised ASHHRA that to remain relevant to its membership, it must stay true to its value proposition, ensuring that ASHHRA is providing knowledge, information, and opportunities that work for the membership (e.g., online learning, peer-to-peer, etc.), supplying plenty of tools for members' tool boxes. It was also suggested that ASHHRA continue to seek ways to leverage technology to personalize its relationship with members.

ASHHRA and SHSMD were encouraged to share their tools, resource and knowledge to further the benefit to members of both organizations.



Thought Leader Forum Participants



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Thought Leader Action Ideas for Healthcare Reform Engagement

Leadership

- Embrace the new normal. Reform requires rethinking the status quo and redefining the delivery of health care.
- Strengthen or rebuild employee trust and loyalty. Layoffs and benefit reductions can lead to changes in employee trust, loyalty, and goodwill.
- Ensure visible leadership, particularly by the CEO. Enable and facilitate direct CEO communications with employees through blogs, CEO/manager meetings, CEO/employee meeting, use of email Q & As, etc.
- Engage the entire management team in demonstrating leadership.
- Strengthen mid-management capability and skills. Recognize that many managers rise from clinical areas and have not had management education:
 - Create a leadership development program for mid-management
 - Utilize periodic retreats throughout the year to provide regular training and education for managers
 - Strengthen effective mid-management communication by providing talking points for use in department meetings (be specific about topics to be reviewed).
- Master change management and provide change management training for others in the organization.

Communication

- Recognize the value of a strong communications plan.
- Communicate transparently. Articulate a clear vision. If the future is uncertain, communicate the need for change ahead, articulate the reasons for change and how the organization is responding. Convey confidence in the organization and the ability to achieve continued success.
- Communicate often, repeating the message using a variety of communication channels, e.g., follow up on



Tess Niehaus and Joe Micucci

meeting discussions with email or letters with in-person conversations

- Provide training on crucial conversations. Recognize that communication is also about persuasion.
- Develop opportunities for employee/leadership communication, e.g., weekly CEO blogs, intranet-based question submission, open forums for the CEO with groups of managers or with small groups of employees.
- Communicate senior leaders' positive outlooks for the future, and commitments to delivering high-quality, safe care

Hiring, Compensation, Benefits, Training

- Hire talent with an eye on the skill sets that will be crucial to successful transformation under reform: the ability to accept and embrace change, willingness and skills to effectively utilize technology, ability to work with different disciplines, and focus on delivering high quality and service to all customers and patients.
- As today's aging workforce retires, recognize the need to develop strategies for filling gaps before they occur. Utilize the leading hiring strategies employed by other fields to attract talent to the organization.

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Thought Leader Action Ideas for Healthcare Reform Engagement

- Seize the opportunity to strengthen workforce diversity, reflecting the diversity of the community.
- Develop and provide training that builds enthusiasm, optimism, flexibility, creativity, open-mindedness, and the ability to embrace change.
- Recognize and plan for the implications and outcomes of reduced budget allocations to education systems, including higher education, and medical schools. Thought leaders predict a future talent gap of highly-educated and skilled health care professionals. Develop a strategic response plan, including partnerships with schools and educational institutions.
- Evaluate benefit structures, including development of accountable care for the organization's own employees (build credibility with the community's for-profit employers by demonstrating the hospital's ability to control costs with its own employees).
- Acquire or hire the knowledge, expertise, and information that will be needed by human resource professionals responsible for developing compensation and benefit plans for physicians and their clinical staff.



Cindy Fineran,
Moderator

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Organizations succeed when their people succeed. At Buck, we love to find answers to tough challenges that impact your people. We work in the areas of employee benefits strategy, human resource operations, programs, performance, and talent strategy. Learn more and talk with us at www.buckconsultants.com

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The logo for ashhra features a stylized purple swirl above the word "ashhra" in a bold, lowercase, sans-serif font.

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