

**RESEARCH PAPER**

# 100 TOP HOSPITALS CEO INSIGHTS: KEYS TO SUCCESS AND FUTURE CHALLENGES

100 TOP HOSPITALS  
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# INTRODUCTION

## WHAT MAKES HOSPITALS SUCCESSFUL — INSIGHTS FROM TOP CEOs

*100 Top Hospitals*® CEO Insights shares valuable observations on how CEOs of the top hospitals have led their organizations to success, what objectives they focus on to keep them there, and what challenges they will face in the next few years.

Since 1993, the *100 Top Hospitals* program has used the winners' performance data to set benchmarks for all hospitals to improve performance. Over time, we've often been asked how the winning hospitals are able to achieve and maintain this top performance. Through this survey research, we hope to bring the hospital community insights into why the top hospitals perform as they do.

## KEY FINDINGS AND THEMES

Although the winners of the *100 Top Hospitals* are a varied group — spanning the United States and representing everything from large urban teaching centers to small rural hospitals that operate much like outpatient clinics — strong patterns in guiding philosophies emerged.

### Unwavering Commitment to Quality

A strong and unifying theme is clear among top-performing hospital CEOs: a clear, unwavering commitment to quality that is passionately shared and systematically managed throughout their organizations.

Steven Newton, President and CEO of Baylor All Saints Medical Center, Fort Worth, Texas, sums up many of the CEOs' philosophies: "Fundamentally, we're seeking improved performance. We try to be obsessively focused on doing the right things. Quality is our number one priority. We want to make sure that our patients get exactly the right care, no more and no less. The Baylor Health Care System has had very significant infrastructure investments in our quality improvement activities and best practice research."

### Making Great Relationships With Physicians A Priority

Another resounding theme across the CEOs is the importance of developing and maintaining great relationships with physicians and staff. Over and over again, winning hospital CEOs spoke about the importance of building relationships with quality physicians and staff who will not only embrace their organization's goals, but also work with management to develop and plan quality standards.

"Great physicians bring great results to a hospital. If you have great physicians and you surround them with talent, you can do anything," said John Halfhide, President of St. Elizabeth Community Hospital, Red Bluff, California.

Stephen Lunn, CEO of Moberly Regional Medical Center, Moberly, Missouri, agreed. He said, "If you're going to have a hospital that really strives for consistent success, having strong medical staff leadership focused on the same goals is fundamental to moving some of those indicators."

### Greatest Challenge Ahead: Reform and Reimbursement Cuts

Overall, the winning hospital CEOs view reimbursement cuts and payment changes coming out of healthcare reform as their biggest challenge. The ambiguity surrounding details of some of the final regulations lead many CEOs to believe that some serious — and not clearly defined — work lies ahead.

"Clearly, positioning ourselves for the new era of value-based purchasing in the midst of so many unknowns is going to be important. We know that we're going to be very accountable for what we do, that everything will be more transparent, and that we're going to be facing reimbursement models that are diametrically opposite to what we have now. To change without imploding the current model will require a careful transition along with managing in the current fee for service environment. These are enormous leadership challenges," said Georgia Fojtasek, President and CEO of Allegiance Health, Jackson, Michigan.

*"If you have great physicians and you surround them with talent, you can do anything."*

“What do you do if your biggest payers just suddenly decide not to pay you anymore? Or pay you some percentage less?”

Kevin Smith, President and CEO of Winchester Hospital, Winchester, Massachusetts, agrees that the changes will be challenging: “I think a major cultural shift for our organization, and for our entire industry, will be changing from a fee-for-service driven business model to one that is more community- and population-based, where there will be much more focus on wellness, and health promotion, and chronic disease management,” he said.

Other CEOs mentioned that reform and reimbursement cuts will force them to look for more creative ways to cut budgets. “Our biggest challenge over the next one to three years will be cuts from Medicare and more pay-for-performance issues that could impact us financially. We already perform well on the cost equation, so we don’t have a lot of low-hanging fruit to improve efficiency,” said Chris Karam, President and CEO of Christus St. Michael Health System, Texarkana, Texas.

## CEO SURVEY FINDINGS

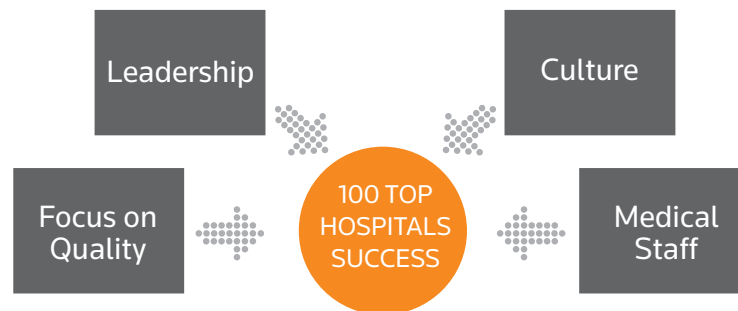
### DRIVERS OF CURRENT SUCCESS

We asked the *100 Top Hospitals* CEOs to name and describe the elements that have contributed most to their success. For each item named, we asked:

- Why do you believe this is a key driver of success?
- What are the biggest challenges of this driver, and how is your organization addressing them?
- How easy or difficult has it been to achieve success with this item; who has been involved, and how have you measured success?
- How do you plan to maintain top performance with this item?

The CEOs described a host of concepts that have dictated their success; the most common are shown in Figure 1 and detailed below.

FIGURE 1: Key Drivers of Success Named by *100 Top Hospitals* CEOs



#### What’s Most Important: An Unwavering Focus on Quality

More than any other factor, top hospitals across virtually all hospital categories mention having an intentional, passionate, and unrelenting focus on quality and outcomes that is seen as a key force behind their success.

#### It Starts with Measuring Quality and Evolves Over Time

Quality is not a new concept for these facilities — several have been on their current quality journey for 15 years or more, allowing them time to get it right. CEOs at large community hospitals and teaching hospitals, in particular, cite the benefits they’ve reaped by organizing and refining their processes over the years. “It just takes time. When you start focusing on something, changes don’t happen overnight. Each year we built one measurement on top of the other,” said Susan Nordstom-Lopez, President of Advocate Illinois Masonic Medical Center, Chicago.

Overall, results are the most consistent focus for all the CEOs. A number note that the focus on quality is pervasive — a part of the very fabric of their operations. “Many years ago quality wasn’t as formal as it is now. We continue to put more attention, more structure, and more discipline to it,” said Diane Seloff, Chief of Staff at Vanderbilt University Medical Center, Nashville, Tennessee. “We have various quality councils that focus on driving and approving the quality goals and plans; they assure the accountability. They make sure that there’s transparency in the organization’s quality metrics. We have the ability to push out quality metrics to all the different areas within the organization so they know how they’re doing and they work on action plans to improve. Our quality experts are not necessarily trained in any one area — they are trained to solve problems,” she said.

Top organizations are also now making more and better use of national benchmarks. *100 Top Hospitals* CEOs focus not on just one or two measures of quality but rather on multiple factors. This provides them with a more generalized view of how they are operating and what changes they need to make to correct their course.

Hospitals that are part of a larger system (either locally or nationally) make ample use of the resources of the larger organization to learn best practices. They take advantage of commonalities in learning across sister hospitals to understand and employ best practices.

Using transparent, balanced scorecards is relatively common. Many CEOs highlight the need to develop a system to capture quality metrics and use a balanced scorecard approach. They have experienced the complex journey of implementing these detailed systems and are now reaping the benefits.

Several CEOs turn to a combination of a variety of traditional process improvement approaches, including Six Sigma, Lean, and the Deming cycle (plan-do-check-act). Still others use “what makes the most sense” instead of any one specific technique or process.

### **Internal Transparency and Communicating Results Is Critical**

Measurement is just one piece of the puzzle — a number of CEOs said the most important component is to candidly share and act on results. A few mentioned the importance of not sugar-coating or making excuses for failure, but rather clearly communicating and attacking problems head-on.

Some smaller hospital CEOs feel that the challenge is finding effective and meaningful ways to share this information with all employees to enact change. Jay Fox, President of Baylor Medical Center, Waxahatchee, Texas, said “The key is to dive into each departmental area to determine what areas we really do need to focus on. Helping our staff see where we are versus where everybody else in the state and everybody else in the country — that’s critical.”

### **Striving to Achieve Industry Awards Can Help Drive Motivation**

Some hospitals also establish a goal to win awards — like the *100 Top Hospitals* award — as motivation for continued improvement.

Others mention that the value of the Thomson Reuters award, in particular, is that it is performance-metric based, so they are doubly motivated to stay focused on their ongoing practice of tracking performance measures.

### **Leadership is Key, Either through Tenured Staff or New Hires**

Most CEOs identify sound leadership as another critical key to success. However, the approach and success factors for leadership are looked at somewhat differently across the winners. Some feel that the stability of their senior leadership over the years has allowed them to carry out multi-year plans to achieve success. Other CEOs feel that bringing new leaders into the organization is necessary to achieve goals.

Many CEOs note that it takes years to create a culture of strong leadership. “When you have strong relationships and understanding among your leaders, you can have fierce conversations and disagreements — and work together to go forward with a plan,” said Phillip Kambic, President and CEO, Riverside Medical Center, Kankakee, Illinois. “Many of us have been here 20+ years, so we know each other well and we’ve had a consistent philosophy. I think that stability with our senior management team has really helped. Now we have some newer VPs that we’ve added, mentored, and brought into the group. But I think having stability at the top levels has been helpful for us,” he continued.

Other CEOs believe bringing in “new blood” ultimately creates the type of success needed in today’s healthcare environment. It’s all about “getting the right people on the bus” — looking both within and outside of healthcare to acquire the talent they need. “Over the past two years since I’ve been here, we have put together a team that is 65-percent new,” said the president of a major teaching hospital in New England. “The people that have been brought to the table have an expertise that is absolutely steeped in where we think healthcare reform and healthcare delivery is going over the next decade,” the president remarked.

### **Alignment and Communication**

Regardless of the theory adopted, all the winning hospital CEOs agree that it starts with leadership that is committed to the organization’s shared goals and can energize and align the organization to clearly communicate and achieve them.

A deliberate process to align leaders on the core mission and values is crucial. Focusing on the big picture while maintaining clear and open lines of communication — even when it means disagreeing — is also cited as very helpful. New leaders need to be fully integrated into the current leadership to maintain consistency over time. Said Janet Wagner, RN, Chief Administrative Officer of Sutter Davis Hospital, Davis, California, “We’ve become very choosy about who joins this team. We started with developing leaders and devoted a tremendous amount of thought to whether they were aligned with our values and commitment to patient care delivery, and if they would be a good fit for the organization.”

One CEO uses a paired management approach, coupling administrative leaders with clinical leaders. By facilitating strategic directions and goals for the organization, this CEO feels this approach helps ensure that the organization is executing against its balanced scorecard.

“I think that leadership and change occur best when deeply embedded in the organization. We try to empower everyone in the organization — right through middle management and into the staff levels. We believe the best way to do that is to have well-developed, confident, skilled, and empowered leaders guiding the individual work groups and business units throughout the organization,” said Kevin Smith, President and CEO of Winchester Hospital, Winchester, Massachusetts.

“When we think of leadership, we are not thinking just of people who hold titles like Vice President or Chief Executive. We believe the staff in all areas will function best when they have good and effective leaders that they know they can rely on to go to with problems, to go to with suggestions, and to bring process and systems improvement,” he continued.

### **A Strong Board Guides Excellence**

Other CEOs credited a strong board of directors with helping lead the way. A number share the belief that having a board with a laser-like focus on excellence helps take the organization from thinking about quality to achieving quality. A strong board will challenge the organization to provide the type of care they would want for themselves and their family.

Georgia Fojtasek, President and CEO of Allegiance Health, Jackson, Michigan, summed it up succinctly: “An important driver of success is having a board, medical staff, and senior leadership team for whom excellence is the only answer.”

James Hobson, President and CEO of Memorial Health Care System, Chattanooga, Tennessee, agrees: “It starts with governance. Our local volunteer board members stay very engaged, making certain that we provide the level of care that they want for themselves and their families.”

*“An important driver of success is having a board, medical staff, and senior leadership team for whom excellence is the only answer.”*

**Georgia Fojtasek**  
President and CEO  
of Allegiance Health,  
Jackson, Michigan

### A Culture of Excellence Must Pervade Your Organization

Developing and maintaining a strong culture of excellence — where everyone in the organization shares a desire to succeed — is important for many winners. Nearly all who mention culture credit a pervasive, organization-wide — rather than top-down, leadership-driven — philosophy.

These organization-wide programs tend to tie in to the hospitals' balanced scorecard metrics programs and include a focus on recruiting, retaining, and developing a committed workforce. Like the attitudes about leadership mentioned earlier, some CEOs credit long-term co-worker relationships, while others seem to feel that if chosen wisely, the right employees can be readily immersed in an environment that values service to patients.

Some facilities have created formal programs where future leaders are identified and taken through specific experiential training. Edward Roth, President and CEO of Aultman Hospital, Canton, Ohio, describes Aultman's Exploring Leaders program: "We take the up-and-coming leaders of tomorrow — the people who are not in management jobs yet but who have a lot of talent — into a special, year-long course where they receive a variety of education and training principles, including LEAN process and Six Sigma. It's a pretty cool program."

Another CEO uses a personal approach to employee reviews. He takes staff from all levels to lunch for an informal, "what's on your mind" meeting, and credits this approach with eliciting useful and candid advice.

### Committed Employees Are a Must

A number of CEOs credit their employees' — both clinical and non-clinical — strong sense of commitment to quality and patient safety. Many describe a true internalization of the importance of quality and a desire to achieve it. "Our employees become distraught when we suffer a problem. They're always on the lookout for things that can be done to improve, and they don't get complacent. There's always a search for what we can do to be a little bit better," said Kenneth Smithmier, President and CEO of Decatur Memorial Hospital, Decatur, Illinois.

### Strong Relationships With Medical Staff Enhance Quality

Also very important to many winners is maintaining strong relationships with both employed and independent physicians. Making sure physicians are aligned with the hospital's goals, in terms of quality and outcomes, is paramount, and having key physician champions is critical. A number of hospital CEOs also believe it is important to have physician leaders involved in defining and designing quality metrics. Having this level of involvement in key decisions helps build a greater sense of purpose and engagement among physicians.

"We're very careful to make sure we have truly equal, win-win relationships with our medical staff. We treat them with respect and value the important role they play in the hospital and the health system. That will create an environment where they want to work, their opinions are valued, and they can bring about change and be involved in decisions. That goes from having physicians on our boards to having physicians involved in our senior administration and capital allocation meetings. We really look at their input, and their involvement is very important in what we do. We're careful not to call our employed physicians "employed," but instead refer to them as "partners," remarked Kyle DeFur, President of St. Vincent Indianapolis Hospital.

Having honest conversations with physicians about quality data and ensuring that administration and the clinical staff are on the same page is also considered crucial, as is finding and effectively collaborating with physician champions.

At least one small community hospital executive mentioned that having "low drama" with physicians is important to success, and working with certain physicians on specific initiatives is an efficient method of getting things done.

*"What makes my job the easiest is an aligned medical staff."*

**Jim Brown**  
CEO of Memorial Hermann  
Sugarland Hospital,  
Sugarland, Texas

### Hospital Type Influences Priorities

Figure 2 shows the differences that CEOs identified as their key success drivers by hospital type. Although these results are qualitative in nature and should not be used to generalize to the larger population of all hospitals, one can glean general patterns from these results. While every group highly ranks quality and outcomes, there are differences among other items named. Major teaching hospitals strongly favor senior leadership as one of their key elements, while only a small percentage of CEOs from the other groups give this item top marks. On the other hand, CEOs from community hospitals rank a strong culture and medical staff more highly than does the teaching hospital group.

A few executives from small community hospitals mention the importance of “knowing who you are and who you are not.” These executives believe that as a small hospital, they cannot be all things to all people. They recognize that they need to know what they are really good at and what they need to give up so that they can focus their efforts.

**FIGURE 2: Key Drivers of Success, by Hospital Type**

DRIVER OF SUCCESS	PERCENTAGE OF HOSPITALS THAT NAMED THIS AS ONE OF THEIR TOP TWO DRIVERS				
	MAJOR TEACHING	TEACHING	LARGE COMMUNITY	MEDIUM COMMUNITY	SMALL COMMUNITY
Quality/Outcomes	50%	67%	55%	67%	45%
Senior Leadership	100%	22%	27%	22%	18%
Strong Culture	25%	22%	36%	22%	18%
Medical Staff	0%	11%	45%	44%	36%
Cost Control	0%	33%	0%	0%	0%

*Green = Item that more than half of CEOs named  
Red = item that fewer than one-quarter of CEOs named*

### KEY CHALLENGES FOR THE NEXT ONE TO THREE YEARS CENTER ON REFORM

In the next segment of the interviews, we asked the *100 Top Hospitals* award-winning CEOs to name the key issues they anticipate facing over the next one to three years. Figure 3 lists the top five issues mentioned. In one way or another, all of the issues relate back to healthcare reform.

**FIGURE 3: Addressing Issues Related to Healthcare Reform Will Be the Primary Focus for Most Over the Next 1-3**



Hospital type (teaching status and bed size) does appear to have an influence on which issues CEOs predict will be among their top challenges (Figure 4). Of these five issues, decreased reimbursement and physician alignment were mentioned across all hospital categories. However, more of the lower-intensity teaching and the large- and medium-sized community hospitals cite lower reimbursement, while the major teaching hospitals focus more on physician and medical staff alignment and maintaining quality outcomes. A discussion and summary of CEO thoughts on of each of the issues follows.

**FIGURE 4: Key Challenges For the Next 1-3 Years, by Hospital Type**

**PERCENTAGE OF HOSPITALS CEOs THAT NAMED THIS CONCERN AS ONE OF THEIR TOP TWO CHALLENGES**

KEY CHALLENGE	MAJOR TEACHING	TEACHING	LARGE COMMUNITY	MEDIUM COMMUNITY	SMALL COMMUNITY
Lower Reimbursement	20%	56%	73%	78%	54%
Physician Medical Staff Alignment	40%	44%	27%	44%	36%
Maintaining Quality Outcomes	40%	11%	27%	11%	0%
Continued Cost Reduction	20%	11%	0%	22%	27%
Capital/Infrastructure/ Mergers	0%	11%	27%	22%	18%
ACOs/Population Management	20%	0%	0%	11%	18%
Staff Recruitment/ Retention	0%	0%	9%	0%	9%

*Green = Item that more than half of CEOs named  
Red = item that fewer than one-quarter of CEOs named*

**Decreased Reimbursement Will Stretch Budgets, Challenge Quality Efforts**

Clearly on the minds of virtually all winning hospital CEOs is the decreased reimbursement linked to healthcare reform tenets. It was often the first thing mentioned when we asked CEOs to consider upcoming challenges.

Trying to get a handle on what the new reimbursement model will look like and its eventual impact on the organization is a core topic of discussion and planning across most hospitals. Most are also actively addressing the measures that tie reimbursement to quality.

Although most top-performing hospitals are already gathering metrics around quality performance measures, they realize there will be a number of new measures to add to their systems. "I think the biggest challenge will be the increasing number of performance measures from the government. And the requirement that you toe that line, because if you don't it's going to negatively affect your reimbursement, patient perceptions, or maybe even employee perceptions. It's different than how the business was when I started 30 years ago," said Kenneth Smithmier, President and CEO of Decatur Memorial Hospital, Decatur, Illinois.

For some, decreasing reimbursement means even more focus on process improvement and looking for even deeper ways to eliminate waste across the organization. Some CEOs would like to improve disease management to ensure that patients are not coming to the hospital in an advanced stage of illness, which is more costly to treat.

*"We have competing entities out there for every available government dollar. Our number one challenge is to maintain economic viability while getting reimbursed less."*

*President of a major teaching hospital in New England.*

One small community hospital CEO believes more costs will be placed on the patient, perhaps leading to feelings of frustration with the hospital. Other small hospital CEOs talk about the negative impact of decreased reimbursement on physicians' attitudes and how that might impact the care they provide and their relationships with the hospital. Additionally, some fear that rationing of care may become a reality under extreme declining reimbursement.

Most winning hospital CEOs agree that they've already done what they can to squeeze savings from the "low hanging fruit" — things like supply and labor costs, efficiency gains derived from Lean practices, etc. — and feel that getting at the last percentages of possible savings will take the most work. Unfortunately, a number worry that they're unsure where to find those savings.

Attempting to manage the upcoming reduced Medicare rates now — instead of waiting for reform tenets to be implemented — is a common strategy. Another tactic is to increase volumes in specific areas to make up for reductions in others. Some CEOs believe that further enhancements to the supply chain might be in order.

Additionally, some CEOs, who have traditionally paid well to acquire and retain top-notch talent, will feel the pinch of trying to maintain strong wages. "Our ability to deliver all these products at a cost that will allow us to be successful will be a dicey balance. We pay very well; it's been a strategy that's worked well for us. But there's only so much we can do. We're going to have to slow the pace of healthcare costs considerably," said Jon Halfhide, President, St. Elizabeth Community Hospital, Red Bluff, California.

With reimbursement declining, maintaining and improving the quality of the service delivered to patients could be daunting. This challenge is leading a number of top hospitals to be more careful in selecting potential employees and to institute a stronger system to retain top-notch employees.

"Like every successful company that understands what's going on in this global economy, we have to do more with less. You need to hire the best and the brightest to figure out how to be more efficient. No longer can you have people sitting on the bus who are just there for the ride," said the president of a major teaching hospital in New England.

#### Changing Physician Alignment and Partnership Models

The increasing number of physicians seeking employment is creating new challenges for hospitals. The award-winning hospitals report varying degrees of experience in employing physicians, but most agree that they will need to change the level of ownership versus partnership for future success.

Mark Neaman, President and CEO of Northshore University HealthSystem, Evanston, Illinois, described their large and longstanding approach to physician alignment: "We are fortunate to have a 700-physician, multi-specialty group practice as a part of our organization. It was formed in 1992 with 30 physicians and has obviously seen a lot of growth. As an employment model, it creates a very tight alignment across the health system. It makes for a very solid and successful model for us."

A number of the CEOs we spoke with do not employ physicians and are feeling pressure to come up to speed. "Unlike some communities where most physicians are employed, our area has been characterized by independent physician practices — the model that existed 20 years ago," said Ed Ness, President and CEO of Munson Medical Center, Traverse City, Michigan. "So the good news is we haven't had to spend a lot on physician support. The bad news is that's changing pretty quickly, and we don't have a bunch of experience in it," he continued.

Winning hospital CEOs agree that keeping physicians engaged, aligned, and motivated is vital to success. A number note that it's generally the younger generation of physicians that is open to or even actively seeking some form of alignment with a hospital. Although there are noted exceptions, the CEOs generally agreed that the older physicians are less open to alignment. The demographics and psychographics of younger doctors are different than those of the generation before them, and hospitals must adapt by providing an environment that better meets the younger doctors' needs.

*Most CEOs agree that they'll need to change the level of physician ownership versus partnership for future success.*

Smaller hospitals, in particular, mention facing stiff competition in recruiting physicians and the economic strain this could pose in the future. Trying to meet all needs of a variety of physicians is proving to be a significant challenge to these smaller hospitals.

“Healthcare is very competitive, and our physicians certainly have a lot of options. They want to be associated with a quality, safe organization that is efficient and cost effective. In the flurry of the past three or four years of re-employing physicians, all the health systems in our area are out buying up docs. Without a physician base, you’re not going to exist. In light of a lot of forces looking to draw them away, keeping our physicians on board, committed to our mission and our ministry, focused, and feeling good about the quality we provide is going to be key.” — Patricia Ann Schroer, President and CEO of Mercy Hospital Anderson, Cincinnati, Ohio.

### Role of Accountable Care Organizations Is Unclear

Although clearly on the minds of the winners, knowing what to do with or how to prepare for Accountable Care Organizations (ACOs) varies from hospital to hospital. When asked why they give this item such a low rating, many CEOs report confusion about the proposed program or even lack of faith that it will come to fruition. In fact, during these interviews, Centers for Medicare and Medicaid Services (CMS) released the new regulations for ACOs, and the importance of ACOs seemed to decrease among later interviews.

Feelings about ACOs vary by hospital type. Although unsure what form ACOs will eventually take, if any, most of the major teaching hospital CEOs and those from some of the large community organizations express that given their size and relationships with health plans and other organizations, they will be ready for ACOs if they occur.

Most smaller hospitals share a general “wait and see” approach to ACOs, but are more unsure of what their organization’s role would be. Some in these groups see ACOs as an opportunity to align patient care across different silos within the organization, but realize that determining how to distribute payment across multiple entities will provide its own challenges.

“Trying to align hospital and preventive care into seamless post-acute care — so that we’re all looking at the patient across a continuum — will be key. We do it now, but it’s siloed and chunked. Looking at how to divide one payment among all those providers is a huge challenge, because it’s very different from how hospitals function now.” — Patricia Ann Schroer, President and CEO of Mercy Hospital Anderson, Cincinnati, Ohio.

### IMPORTANCE AND PROGRESS RATINGS ON TOP ISSUES

In the final portion of the interview, hospital CEOs were given a list of potential issues and asked to rate:

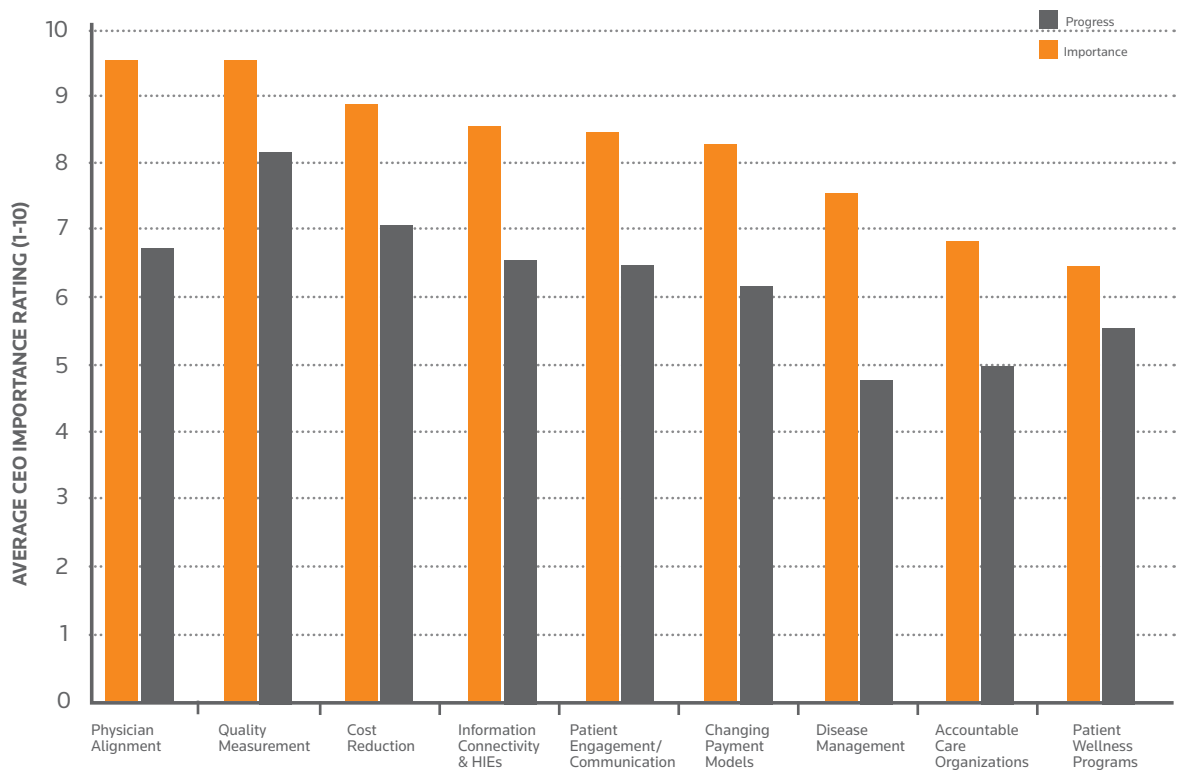
- The importance of the issue to them on a 1–10 scale (1 = low importance and 10 = high importance)
- Their progress to date on addressing the issue on a 1–10 scale (1 = not much progress and 10 = a great deal of progress)

The nine issues were:

- Accountable care organizations (ACOs)
- Changing payment models
- Cost reduction
- Disease management and population-based health management
- Information connectivity and health information exchanges (HIEs)
- Patient engagement and communication
- Physician and medical staff realignment, incentives, and communication
- Quality measurement
- Wellness programs (for employees and/or the community)

Of these topics, the CEOs rank quality measurement, physician alignment, and continued cost reduction as the three most important issues. The three issues they feel their organizations have made the most progress on were similar: quality measurement, cost reduction, and physician and medical staff alignment (Figure 5).

**FIGURE 5: Addressing Issues Related to Healthcare Reform Will Be the Primary Focus for Most Over the Next 1-3 Years**



### Top-Rated Issues

When asked to use the 1-10 scale to rate a list of nine issues in order of importance to their organizations, CEOs gave the following three issues the highest ratings.

#### Quality Measurement

Quality measurement is one of the most important of the nine pre-defined issues and is also an issue on which most winners feel they have made significant progress. Most winners feel the focus they've put on core measures will be critical in effectively operating in a post-healthcare reform environment.

#### Physician Medical Staff Alignment

This issue is also very important to winners and something on which most feel they have made significant progress. Although healthcare reform is making the issue more germane, most winners agree that positive working relationships with physicians are critical to their future success.

#### Cost Reduction

Winners see cost reduction (both the benefits of current strategies as well as anticipated strategies) as another critical component of future success. As noted above, many winners agree that most of the "easier" work has already been accomplished (e.g., a focus on standardized processes, supply cost savings, labor cost savings) and the much more difficult work lies ahead. Winners are proud of their success to date, thus they give themselves relatively high progress scores.

### Middle-Rated Issues

When asked to use the 1-10 scale to rate a list of nine issues in order of importance to their organization, CEOs gave the following three issues middle ratings.

#### **Information Connectivity and Health Information Exchanges (HIEs)**

Many winners note that these are two different issues; they think of information connectivity as electronic medical records (EMRs) and this is generally more important than HIEs. In terms of EMRs, most have already developed strong programs and/or are in the process of doing so with rollout dates already established.

#### **Patient Engagement and Communication**

Although seen as relatively less important than other critical issues, patient engagement and communication are important. When asked to describe what patient engagement and communication mean, winners typically name their patient satisfaction programs, service excellence work, and ability to interact with their local market.

#### **Changing Payment Models (Value-Based Purchasing and Bundled Payments)**

When responding to this issue, winners focus mostly on the importance of value-based purchasing. Some CEOs question how this will really evolve, and most feel that with the information the government has provided so far, they have made as much progress as possible to prepare for new payment models.

### Lowest-Rated Issues

When asked to use the 1-10 scale to rate a list of nine issues in order of importance to their organization, CEOs gave the following three issues the lowest ratings.

#### **Disease Management and Population-Based Health Management**

Except for major teaching hospitals, many of the winners see this issue as less important than previous issues discussed. CEOs seem to struggle with the specific role they should or could be expected to play when it comes to this topic.

#### **Accountable Care Organizations (ACOs)**

Some winners respond that the current importance of this issue is low, but given what the final regulations might require, the importance of ACOs could increase. Right now, there appears to be too much ambiguity for winners to make it a high priority. Likewise, it's hard for winners to gauge their progress towards something they cannot adequately define or plan for. However, a few of the larger winners with strong integrated delivery networks feel better prepared to become an ACO, particularly if they currently own their own health plan.

#### **Wellness Programs for Patients**

Winners generally rate this issue as lower or lowest in importance, but a bit higher on progress. Winning hospital CEOs generally see this as a "nice to have" if they can address it alongside everything else they need to be doing. As one winner says, "I'm not getting paid for it so it goes to the bottom of my priorities."

### Differences by Hospital Type

Figure 6 illustrates how CEOs at the different hospital types rate the importance of the nine issues. Ratings are fairly even among the groups. Even the lowest-rated items receive mid-scale ratings, suggesting they are important — just relatively less important. Note that because of the nature of qualitative research, the base sizes are low and are not consistent across issues. Ratings should be considered directional and not projectable.

**FIGURE 6: CEOs Rate Importance of Key Issues**

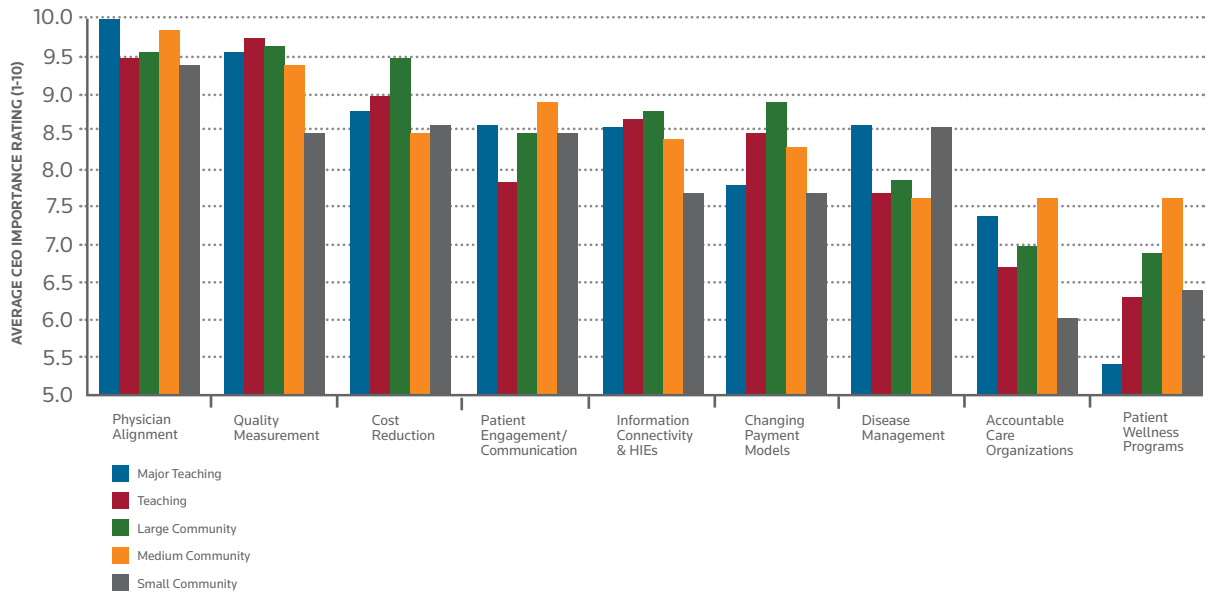
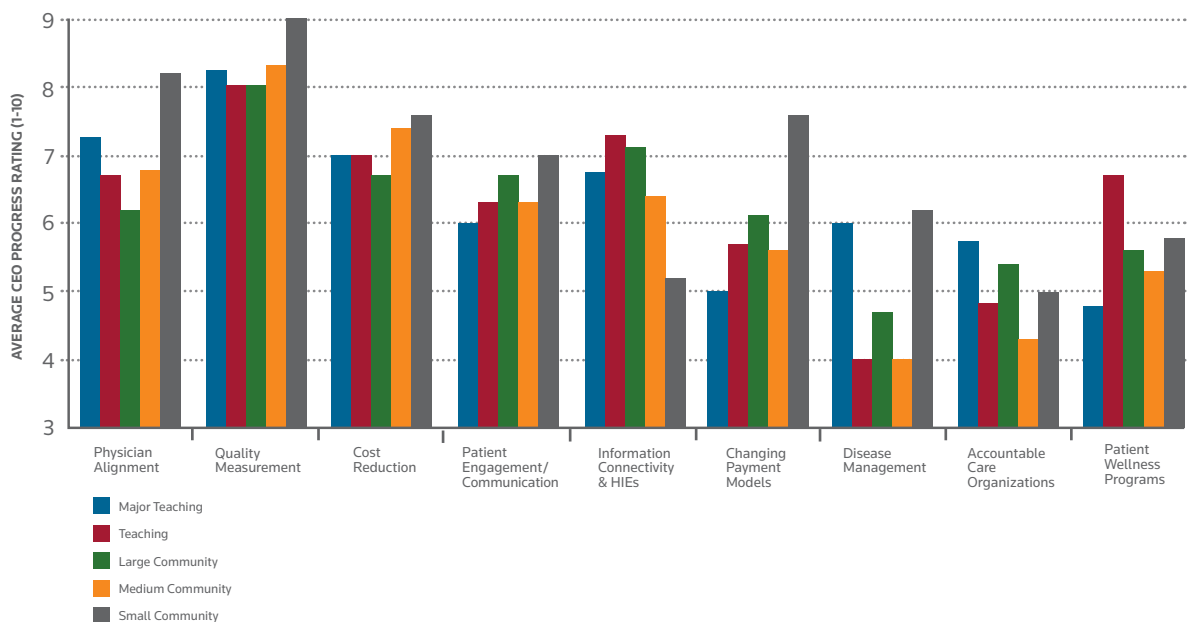


Figure 7 shows that progress ratings are generally lower than importance ratings. Some of this is driven by top hospital CEOs' feelings that "progress is never complete." Additionally, some hospital CEOs found it difficult to give a progress rating for a few of the items (e.g., ACOs, changing payment models) as they were still awaiting more detailed regulations or to see how these issues will evolve in the marketplace. Like the importance ratings, numbers are fairly even among the hospital type groups. Pull date: The date the claim was pulled to construct the research database.

**FIGURE 7: CEOs Rate Their Progress on Key Issues**



# METHODOLOGY

This research was interview-based and qualitative. We commissioned international research and consulting firm Burke, Inc. to conduct and summarize data from in-depth telephone interviews with CEOs of hospitals that won the *100 Top Hospitals*, 2011 award. These interviews lasted approximately 45 minutes each and were conducted from April 5 to May 12, 2011, just shortly after the awards were announced on March 28, 2011.

The following discussion areas were covered in the executive interviews:

- Top drivers of current success
- Key challenges for the next one to three years
- Importance and progress rating on key defined issues
  - Interviewee ratings on importance of the issue and progress made to date
  - Discussion of “high importance/low progress” issues

All 100 winners were contacted. Of those, 44 (44 percent) completed interviews. Because bed size, teaching status, and residency/fellowship program involvement have a profound effect on the types of patients a hospital treats and the scope of services it provides, the *100 Top Hospitals* program uses five comparison groups when analyzing hospital data and selecting winners for the *100 Top Hospitals* award. These are: major teaching; teaching; and small, medium, and large community hospitals. These stratifications were well represented in our interviews. In fact, the breakdown of interviews per comparison group approximates the number of *100 Top Hospitals* winners in each group (Figure 8).

**FIGURE 8: 100 Top Hospitals Winners Interviewed in Each Comparison Group**

<b>100 TOP HOSPITALS COMPARISON GROUP</b>	<b>NUMBER/ PERCENT OF WINNERS</b>	<b>NUMBER OF INTERVIEWS</b>	<b>PERCENT OF INTERVIEWS</b>
Major Teaching Hospitals	15	5	11%
Teaching Hospitals	25	9	20%
Large Community Hospitals	20	11	25%
Medium Community Hospitals	20	9	20%
Small Community Hospitals	20	11	24%
<b>Totals All Hospitals</b>	<b>100</b>	<b>45</b>	<b>100%</b>

As you review this report, please keep in mind that this research is qualitative. Qualitative research is a rich source of material, valuable for clarifying existing theories and generating new information and ideas for further research. Although participants were drawn from the population from which we seek answers and want to understand, they were not chosen to represent the larger U.S. hospital population statistically. No statistical inferences, therefore, should be drawn from the findings in this report.

\* Due to time constraints and focus on key, specific issues with select hospitals, not all questions were covered in equal detail across the interviews.

# APPENDIX: A PORTRAIT OF THE 100 TOP HOSPITALS

Since 1993, the *100 Top Hospitals* program has been guiding hospital and health system performance by providing benchmarks of top operational, clinical, and financial performance. What sets this program apart is its dedication to objectivity and fairness: it uses peer-reviewed and statistically valid methods and only publicly available data. Organizations do not apply or pay for the honor of a *100 Top Hospitals* award.

*100 Top Hospitals* award-winning hospitals and health systems prove that better care and financial stability are possible and provide an example for other organizations to follow across the industry. The *100 Top Hospitals* award winners demonstrate top performance on both how patients are cared for through clinical measures and how the hospital performs as an efficient business.

## WHAT SETS THE 100 TOP HOSPITALS APART CLINICALLY, FINANCIALLY, AND OPERATIONALLY

Statistics from the most recent *100 Top Hospitals* study paint a picture of the survey group of hospitals. By comparing the winning hospitals with their peers, we can see what makes their clinical and operational results — and their patients' overall satisfaction — exceptional.

Using winner versus non-winner results from the 2011 study, we estimated that if all Medicare inpatients received the same level of care as those in the winners across all categories:

- Nearly 116,000 additional patients would survive each year.
- More than 197,000 patient complications would be avoided annually.
- Expenses would decline by an aggregate \$4.3 billion a year.
- The average patient stay would decrease by half a day.

If the same standards were applied to all inpatients, the impact would be even greater.

Figure 9 provides more data for the *100 Top Hospitals* award winners (labeled Benchmark), and data for all hospitals, excluding award winners (labeled Peer Group). In the column labeled Benchmark Compared with Peer Group, we calculate the actual and percentage difference between the benchmark hospital scores and the peer group scores. We expand upon these differences below.

**FIGURE 9: National Performance Comparisons (All Classes)**

PERFORMANCE MEASURE	MEDIANS <sup>1</sup>		BENCHMARK COMPARED WITH PEER GROUP		
	CURRENT BENCHMARK	PEER GROUP OF U.S. HOSPITALS	ACTUAL	PERCENT	
Mortality Index <sup>2</sup>	0.91	0.99	0.08	8.37%	lower mortality
Complications Index <sup>2</sup>	0.91	1.03	0.12	11.31%	lower complications
Patient Safety Index <sup>2</sup>	0.84	0.97	0.13	13.78%	better patient safety
Core Measures Mean Percent (%)	96.2	94.5	1.7	n/a <sup>3</sup>	better core measure
30-Day Mortality Rate (%)	12.3	12.9	0.7	n/a <sup>3</sup>	lower 30-day mortality
30-Day Readmission Rate (%)	20.6	21.0	0.4	n/a <sup>3</sup>	lower 30-day readmissions
Average Length of Stay (days)	4.60	5.04	0.44	8.82%	shorter ALOS
Expense per Adjusted Discharge (\$)	5,497	5,959	462	7.75%	lower expenses
Operating Profit Margin (%)	11.6	3.2	8.4	n/a <sup>3</sup>	higher profitability
HCAHPS Score	264	255	9	3.53%	higher hospital rating

1. Data are as of 2009 unless otherwise noted. Median values reflect rounding. Performance measure definitions can be found in the Methodology section.

2. Based on national norms, ratings greater than 1.0 indicate more adverse events than expected; ratings less than 1.0 indicate fewer. See Appendix C for more details.

3. We do not calculate percentage difference for this measure. See Appendix C for explanation.

## Quality and Clinical Performance

- Survival is improving and more complications are averted at the winning hospitals. In this study year, the winners had a median risk-adjusted mortality rate of 0.91 and a median risk-adjusted complications rate of 0.91, meaning they managed nine percent fewer deaths and nine percent fewer complications than expected, given patient severity.
- Winning hospitals had far better patient safety scores than their peers. The winners' median patient safety index of 0.84 tells us that they had 16 percent fewer adverse patient safety events than expected. They also follow core measures more closely than their peers.
- Winners may fare better in a reform-minded, pay-for-performance structure: Their 30-day mortality and 30-day readmission rates were lower than their peers'.

## Financial Performance

- Profits at the top hospitals were substantially higher than at non-winners, and the gap has grown over the past several years of the study. The winning hospitals had a median operating profit margin of 11.6 percent; non-winners had a median of only 3.2 percent.
- Winning hospitals are keeping expenses in line: Their median adjusted inpatient expense per discharge was nearly eight percent lower than their peers'.

## 100 TOP HOSPITALS AND PERFORMANCE IMPROVEMENT

To understand what makes a top performer, we also study the direction of performance change of all hospitals in the study over time. Through this research, we can see that in recent years (2005 through 2009), all U.S. hospitals have made noteworthy performance improvements in patient survival, adherence to core measures, and shortening patient stays, as follows:

- More than half of the hospitals studied lowered their mortality rates.
- Nearly all (86 percent) improved their core measures score.
- More than a third (41 percent) decreased their average patient stay.

These gains were made despite industry-wide increases in patient acuity.

## REGIONAL VARIATIONS

Hospital performance varies widely throughout the country. Regional differences in the population's age and health, as well as differences in payment protocols, greatly affect hospitals' ability to improve patient outcomes and build healthy business structures. The methodology of the 100 Top Hospitals studies helps to level the playing field for some of the factors beyond a hospital's control by adjusting for patient severity, urban/rural geography, wage differences, and other factors. But regional variations in hospital performance are clear.

In this year's study, half of all award winners were located in the Midwest census region. The South came in second, with 29 of the 100 winners. The Northeast and West were further behind, with 14 and 6 winners, respectively.

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