January 2020
2019 CEO Succession
Trends Across the Top 200 Leading Health Systems
Leadership Matters Series
TheAcademy

Table of Contents

3 Introduction

7 Turnover & Succession Planning

11 Demographics

13 Professional Backgrounds

19 Conclusions

21 Appendix

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Introduction

The healthcare landscape continues to evolve at a rapid pace. To remain competitive in an increasingly complex market, health system leaders are strategically focused on multiple areas of transformation, including growth and asset management, operational scale, personalization of care and delivery, and disruption.[1]

Health system chief executive officers (CEOs) face tough challenges in guiding their organizations through transformation and innovation. Newly appointed health system CEOs, in particular, must be equipped to deliver guidance on every aspect of the evolving and diversified health system business model.

In 2019, The Health Management Academy (The Academy) set out to characterize the profile of the health system CEO, and to determine how that profile has evolved over time. The following report describes key trends across incoming CEOs for the top 200 Leading Health Systems (LHS) in the U.S., comparing LHS 200 cohorts to their S&P 250 counterparts across core metrics of interest.

"Today's healthcare organizations are designed to do yesterday's work. How do we make changes to do tomorrow's work?"

– CEO, Leading Health System

[1] The Health Management Academy 2019 Themes.

Note: For additional methodology details, please see page 22 of this report.

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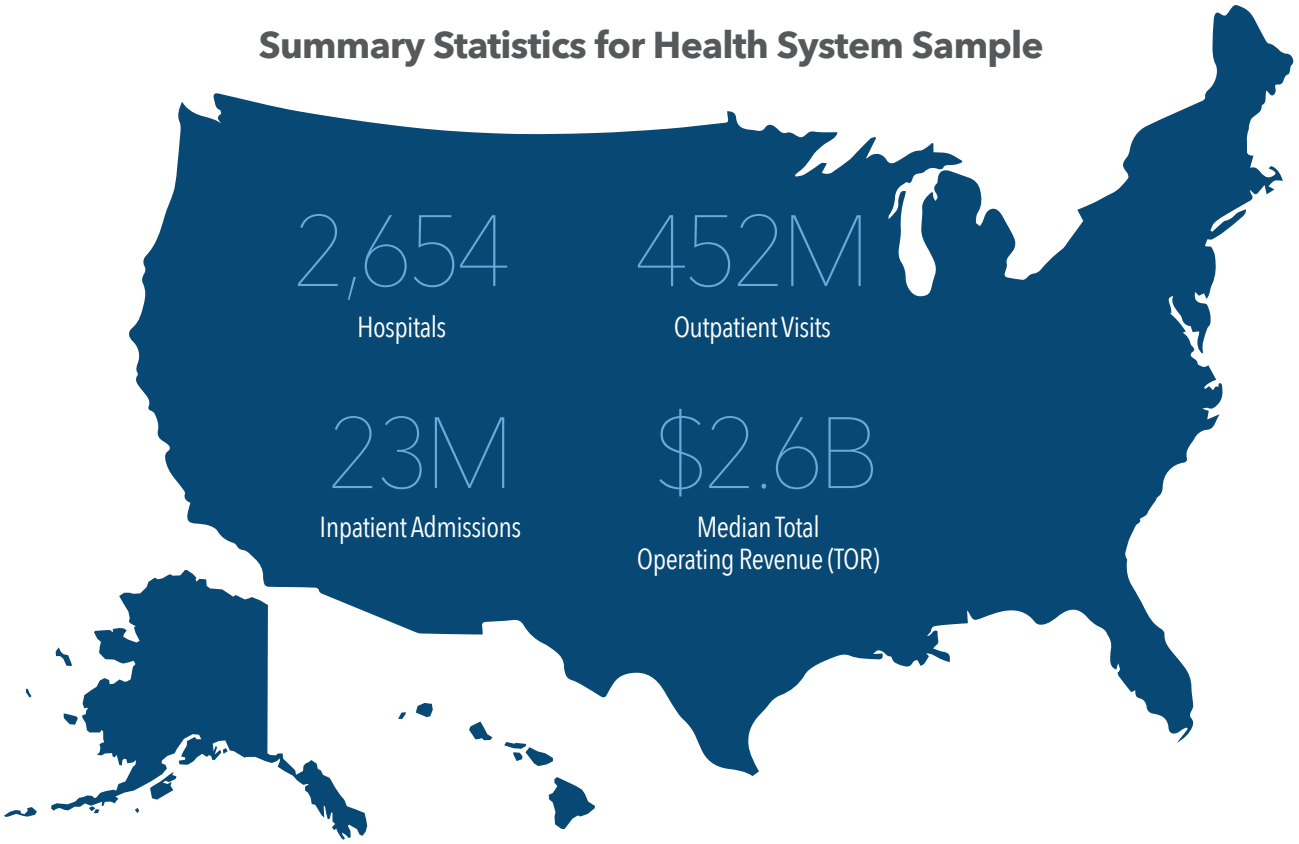
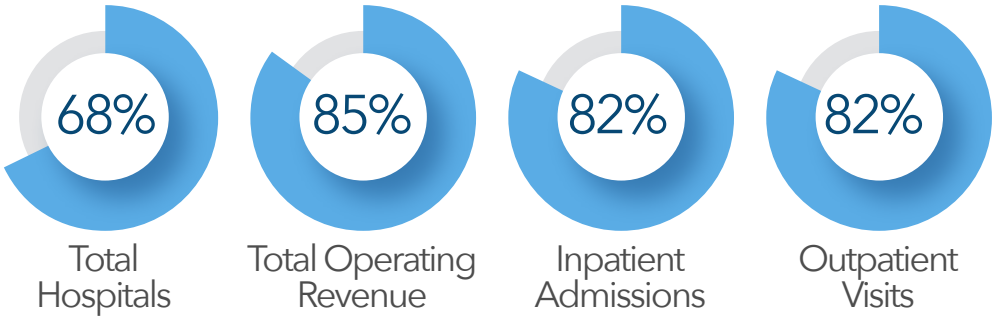
Findings Represent the Top 200 Leading Health Systems





Health System Size (TOR)

Small	Medium	Large
<$2B – **32%**	$2–5B – **47%**	>$5B – **21%**

Academic Status

Academic Medical Center (AMC): 32%

Community Health System: 68%

Operating Margin

High (Top 25%): 34 %

Average (Middle 50%): 40%

Low (Bottom 25%): 26%

Ownership Status

For-Profit: 6%

Not-for-Profit: 94%

Note: For additional methodology details, please see page 22 of this report.

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Incoming Health System CEOs

Between 2015 and 2019, a total of 108 new CEOs were appointed to the top 200 Leading Health Systems in the U.S.

Class of 2015	Class of 2016	Class of 2017	Class of 2018	Class of 2019
23 new CEOs	23 new CEOs	19 new CEOs	18 new CEOs	25 new CEOs
22% female	13% female	32% female	17% female	12% female
61% MD	26% MD	21% MD	33% MD	44% MD
43% MBA	43% MBA	32% MBA	39% MBA	24% MBA
26% former COO	30% former COO	37% former COO	22% former COO	32% former COO
39% internal	52% internal	63% internal	39% internal	64% internal

Note: Find a complete list of 2019 CEO class members on page 24 in the Appendix.

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Key Findings

New CEO profiles for Leading Health Systems are increasingly trending towards S&P 250

Key Characteristics of CEO Succession	LHS 200 (2015-2019)	S&P 250 (2014-2018)
Average Annual Rate of Turnover	11%	10.5%*
Total Percentage of Turnovers Due to Planned Retirement	65%	73%
Average CEO Tenure	11 years	9 years
Average Age	56 years	55 years*
Age Range	40 – 69 years	42 – 74 years
Total Percentage of Female CEOs	19%	7%
Total Percentage of CEOs with a Graduate Degree	94%	61%
Total Percentage of CEOs with an MBA	37%	46%
Total Percentage of CEOs with Previous Role as COO and/or President	38%	56%
Average Percentage of CEOs Hired Internally	51%	83%*
Average Number of Years of Service for Internal Hires	13 years	21 years

Note: For additional methodology details, please see page 22 of this report.

* 2015-2018

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Turnover & Succession Planning

Turnover rate and key drivers

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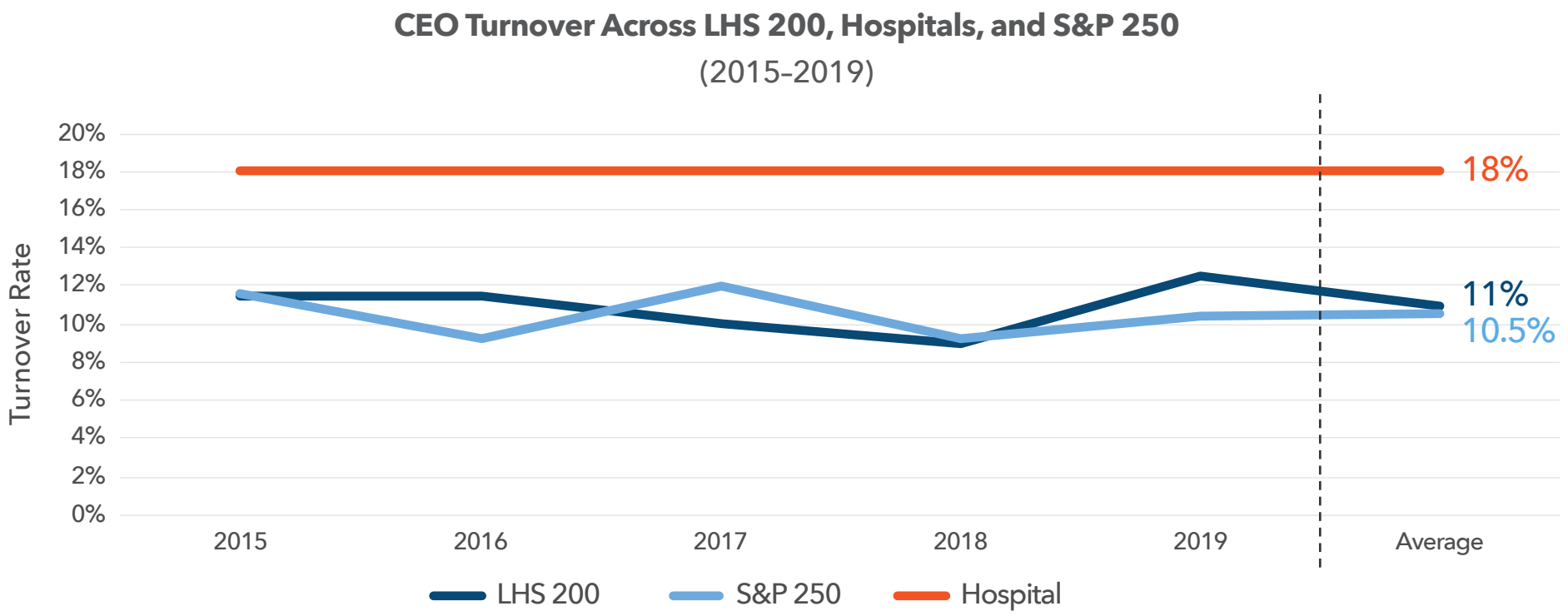
CEO Turnover Rate Across the Largest Health Systems is 11%

Health systems have less turnover than hospitals and similar turnover to S&P 250 companies

For the largest 200 health systems, the average CEO turnover rate is 11%, compared to 18% for hospitals[2] and 10.5% for S&P 250 companies.[3]



Note: The 2019 hospital turnover rate and 2019 Feigen Advisors New CEO Report have not yet been released, therefore, the 2019 turnover rates depicted in the graph for hospitals and S&P 250 companies are based on average rates of 18% and 10.5%, respectively.

[2] American College of Healthcare Executives, Hospital CEO Turnover, 2019.

[3] Feigen Advisors, New CEO Report, January-December 2018, June 2019.

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Two-Thirds of Health System Turnovers are Planned

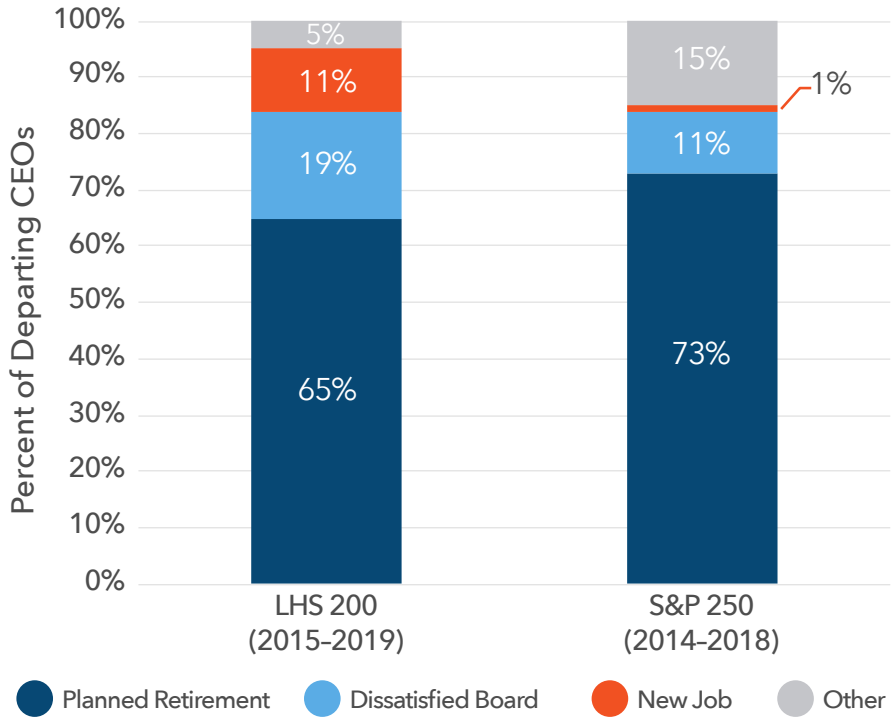
Health system predecessors hold longer tenures on average than S&P 250

Sixty-five percent of departing health system CEOs were attributed to planned retirements, followed by 19% from a dissatisfied board, 11% from acquiring a new job position, and 5% for other reasons. Examples of turnover due to a dissatisfied board include the perceived inability to meet revenue targets or financial goals and negative publicity or controversy, including high-profile hospital-acquired infectious disease outbreaks. Examples of turnover due to "Other" include health reasons and organizational changes due to mergers and acquisitions.

For S&P 250 cohorts, 73% of departing CEOs were a result of planned retirements, followed by 11% from a dissatisfied board or controversy, less than 1% from acquiring a new job, and 15% for various other reasons.[3]

Departing health system CEOs served for an average of 11 years, with a range of 1 to 35 years. Compared to health system tenure, S&P 250 departing CEOs served for an average of 9 years.[3]

Reason for Turnover Across LHS 200 and S&P 250



[3] Feigen Advisors, New CEO Report, January-December 2018, June 2019.

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Many Health Systems Not Prepared for Turnover

Systems with succession plans in place recognize their importance

Many health systems are not prepared for CEO departures, however, boards and CEOs that have succession plans in place recognize their importance. Activities taken to ensure smooth transitions include reviewing succession plans at regular intervals, preparing a pipeline of candidates ready to be deployed in the next one, three, and five years, conducting interviews and rigorous vetting processes, creating advanced knowledge of planned leaves and preparing search committees, and having contingency plans for emergency scenarios.[4]

"My health system was not prepared for CEO succession prior to my appointment. As it stands today, we do have a contingency plan in place. I have my COO in mind in the event that anything happens."

– CEO, Leading Health System

"In terms of a formalized succession plan for the CEO, one of our bylaws names the person who would be asked to fill in on an interim level. We do succession planning on an annual basis."

– CEO, Leading Health System

"As a board member, you want to cultivate internally for a succession plan, evaluate the talent that you have, and determine whether there are individuals that can develop the characteristics that are vital for the CEO role."

– Board Member, Leading Health System

[4] The Health Management Academy, 2019 Governance Report, January 2020.

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Demographics

Age and gender of incoming CEOs

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Age and Gender of Incoming CEOs are Relatively Stable

Average age of health system CEOs is similar to that of S&P 250

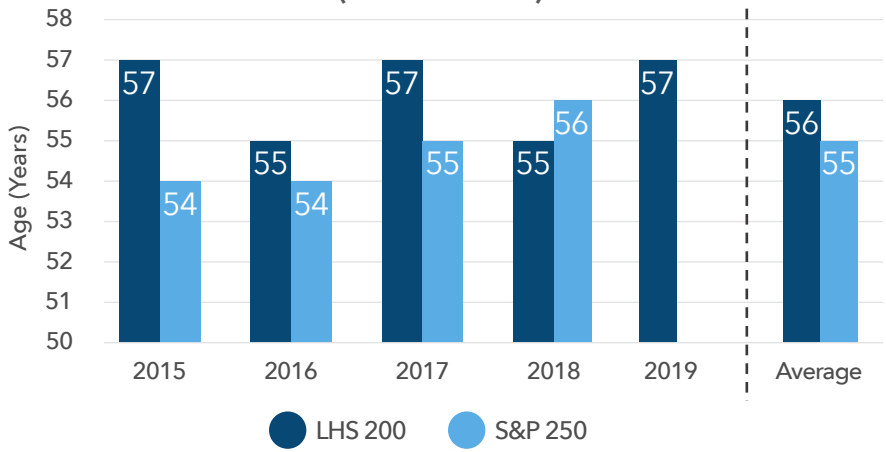
The average age of newly appointed health system CEOs was 56, while the average age of S&P 250 CEOs was 55.[3] The age range across all newly appointed health system CEOs was 40 to 69. In the S&P 250 cohorts, the age range across all CEOs was 42 to 74.[3]

Percent of female health system CEOs has remained consistent, yet still greater than S&P 250

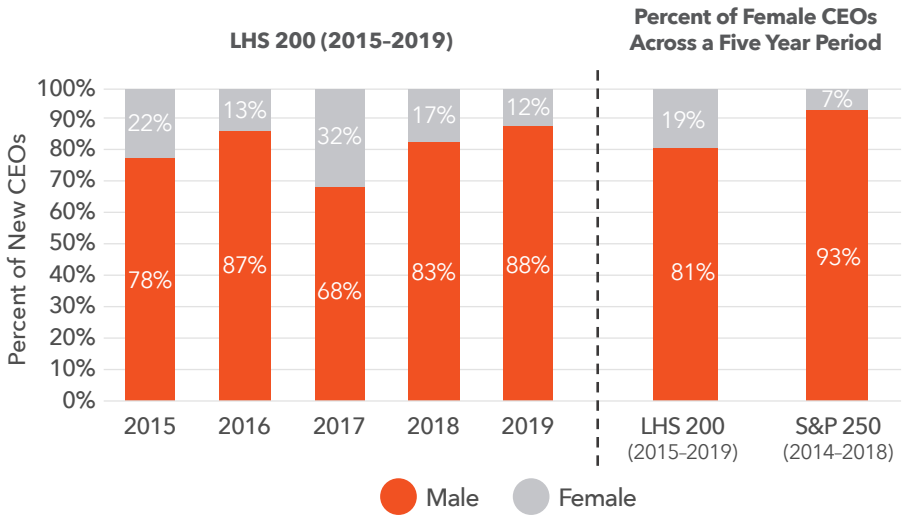
Although women make up roughly 80% of the healthcare workforce, they account for less than 20% of leadership positions.[5] In 2019, only 12% of newly appointed health system CEOs were female. Conversely, across a five year period, less than 7% of incoming CEOs for S&P 250 cohorts were female, while 19% of incoming CEOs for LHS 200 were female. This trend has fluctuated over the years, but remained relatively stable with no significant signs of growth.

Average Age of Incoming CEOs Across LHS 200 and S&P 250

(2015–2019)



Gender of Incoming CEOs



[3] Feigen Advisors, New CEO Report, January-December 2018, June 2019.

[5] Korn Ferry, Healthcare's Gender Diversity Shortage, 2018.

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Professional Backgrounds

Education, previous roles, and internal hiring

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Virtually All New Health System CEOs Hold a Graduate Degree as Opposed to Two-Thirds of S&P 250

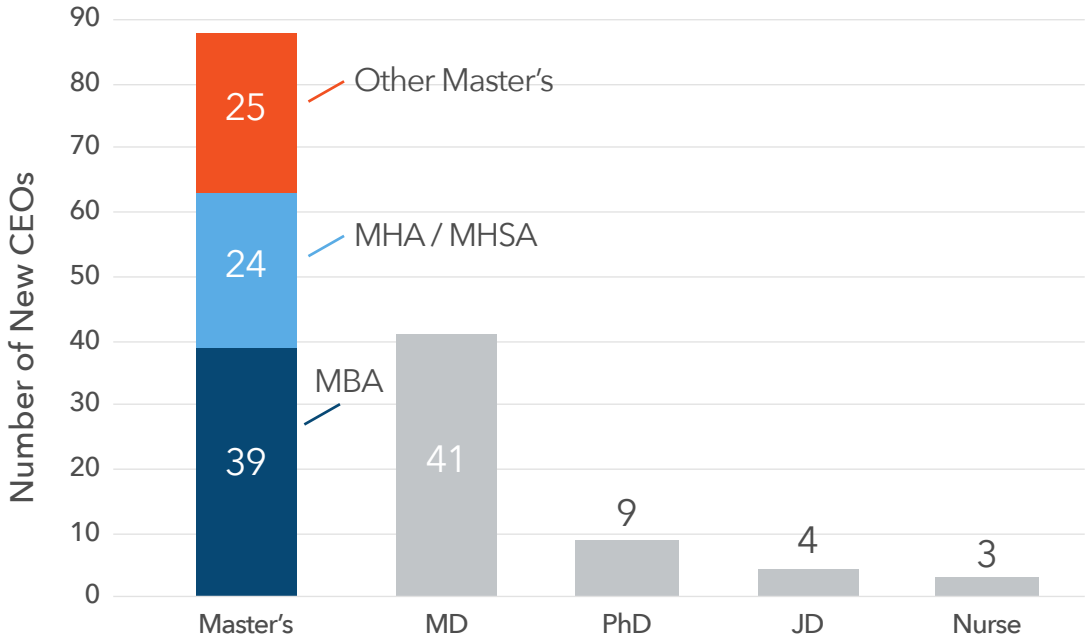
MD and MBA degrees are the two most prevalent degrees across incoming health system CEOs

The most common undergraduate majors of newly appointed health system CEOs are Biology/Biological Sciences and Accounting.

Ninety-four percent of new health system CEOs hold a graduate degree and 36% hold two or more graduate degrees. The two most common graduate degrees are Doctor of Medicine (MD), making up 38% of incoming CEOs, and Master of Business Administration (MBA), making up 37% of incoming CEOs.

In the S&P 250 cohorts, 61% hold a graduate degree. Of that group, 74% hold an MBA. The remaining 26% hold a different master's degree or a doctoral degree.[3]

Incoming CEO Graduate Degrees Across LHS 200
(2015–2019)



Note: Some CEOs have multiple degrees.

[3] Feigen Advisors, New CEO Report, January-December 2018, June 2019.

Note: Doctor of Jurisprudence (JD), MHA (Master of Health Administration), MHSA (Master of Health Services Administration), PhD (Doctor of Philosophy).

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The Health System CEO Profile is Fairly Dichotomous

Incoming health system CEOs often hold a medical degree, business degree, or both

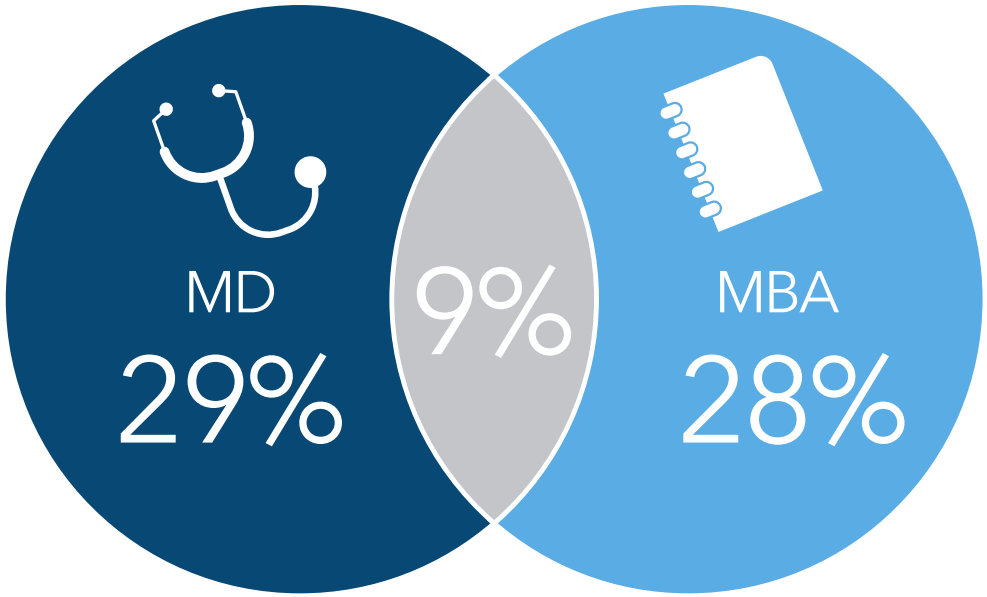
The majority of health system CEOs have clinical or business backgrounds. Physician CEOs are more likely to lead academic medical centers (AMCs) whereas CEOs with MBAs are more likely to lead community health systems.

Health System CEOs with MDs & MBAs

- 9% of all newly appointed health system CEOs have both an MD and an MBA degree.
- Among newly appointed health system CEOs with an MD, 24% also have an MBA.

Most Commonly Held Graduate Degrees of Incoming CEOs Across LHS 200

(2015–2019)



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Prior to Appointment, Incoming Health System CEOs Most Frequently Served as COOs

COO and system-wide CEO are the most commonly held prior roles for incoming CEOs

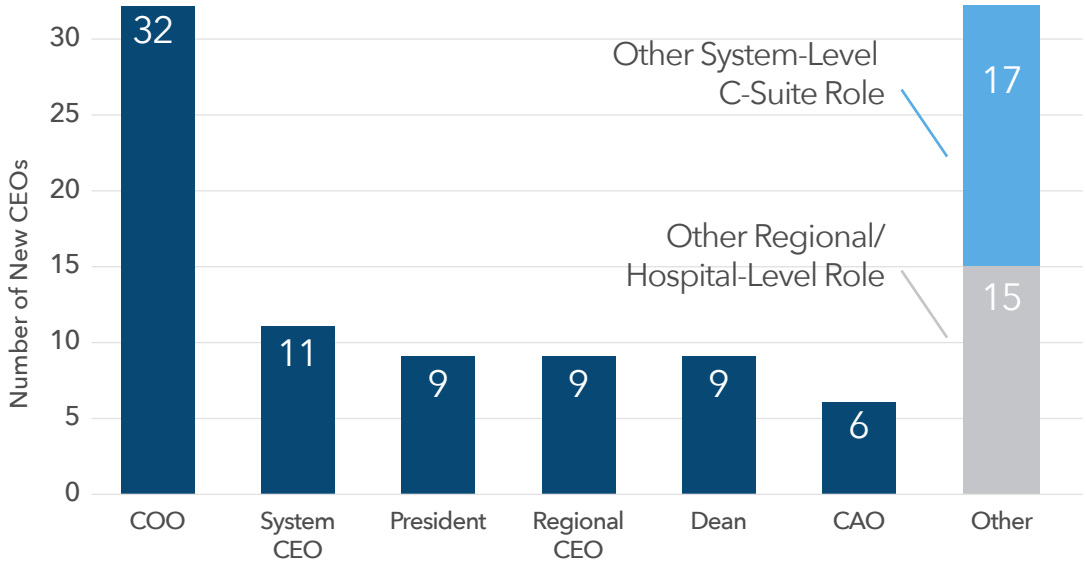
Many newly appointed health system CEOs held the title of Chief Operating Officer (COO) (30%). The next most common prior title was system-wide CEO (10%). In the S&P 250 cohorts (2014–2018), 56% held the title of COO, President, or both.[3]

"There are characteristics that you need to be a COO, including attention to detail, decisiveness, fact-based decision making, and being financially driven. Skills that you have to have as a CEO are centered more around communication, interacting with different constituencies, running political campaigns across health systems, etc. COOs may or may not have these skills."

– Board Member, Leading Health System

Prior Roles for Incoming CEOs Across LHS 200

(2015–2019)



[3] Feigen Advisors, New CEO Report, January-December 2018, June 2019.

Note: COO (Chief Operating Officer), CAO (Chief Administrative Officer), and CSO (Chief Strategy Officer).

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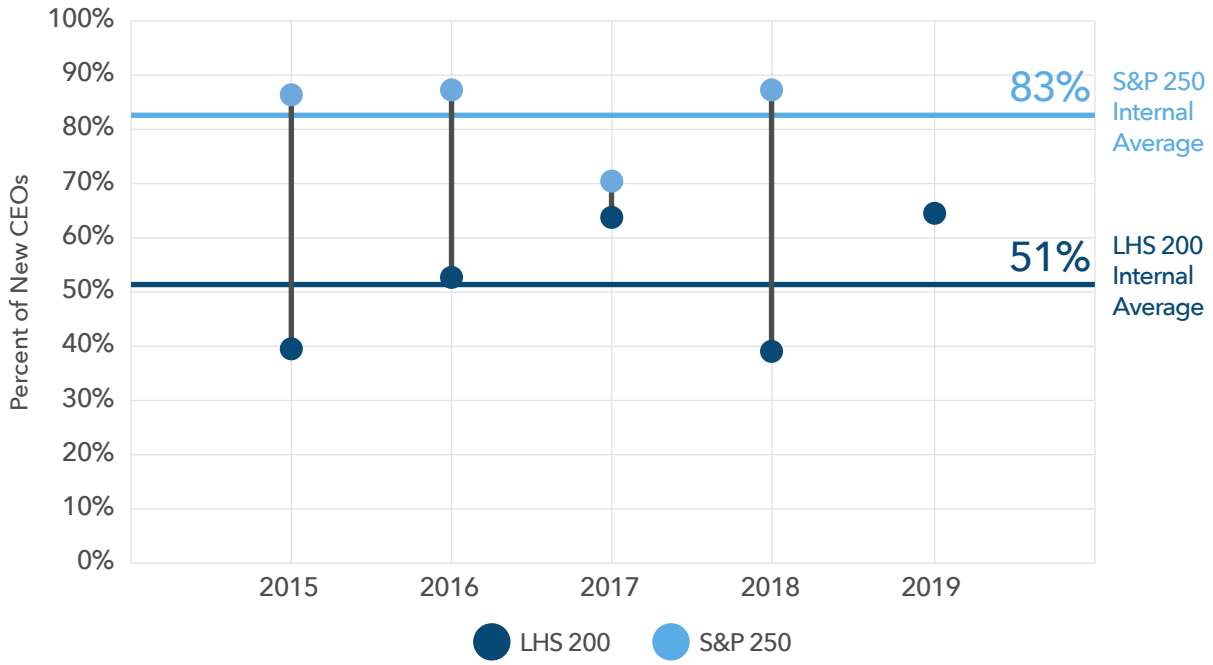
S&P 250 Internal Hires Make Up Significant Majority of Incoming CEOs

Health system insiders make up half of newly appointed CEOs

On average, 51% of newly appointed health system CEOs were promoted from within their organization. Insiders averaged 13 years of service at their health system prior to appointment. The range of service years was 1 to 36 years.

In the S&P 250 cohorts, a much higher percentage (83%) were promoted from within.[3] Insiders averaged 21 years of service, an 8-year increase compared to health systems.[3] Qualitative insight suggests that S&P 250 companies may have more established training and succession plans in place.

Internal Hiring of Incoming CEOs Across LHS 200 and S&P 250
(2015–2019)



[3] Feigen Advisors, New CEO Report, January-December 2018, June 2019.

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AMCs Have a Higher Propensity for Physician CEOs

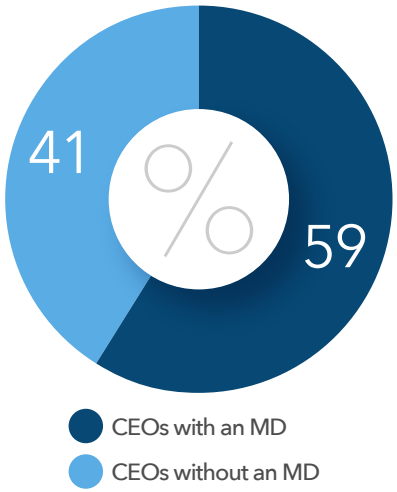
Community health systems have a higher propensity for former COOs

Across all incoming health system CEOs hired by academic medical centers (AMCs), 59% had MDs. Of incoming health system CEOs hired by community health systems, 32% had MDs. Qualitative insight suggests that AMCs that have been historically led by physicians are more likely to continue to hire CEOs with MDs.

Across all incoming health system CEOs hired by academic medical centers (AMCs), 16% were former COOs. Of incoming health system CEOs hired by community health systems, 32% were former COOs.

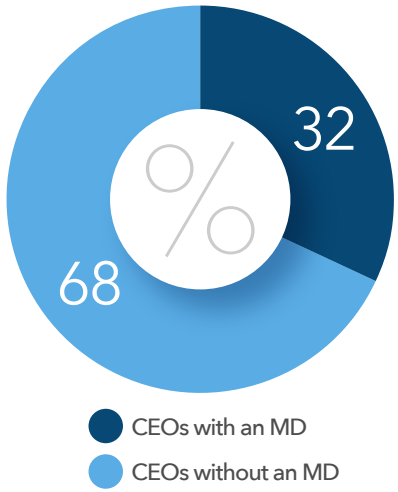
Percent of Incoming CEOs at AMCs with MDs Across LHS 200

(2015–2019)



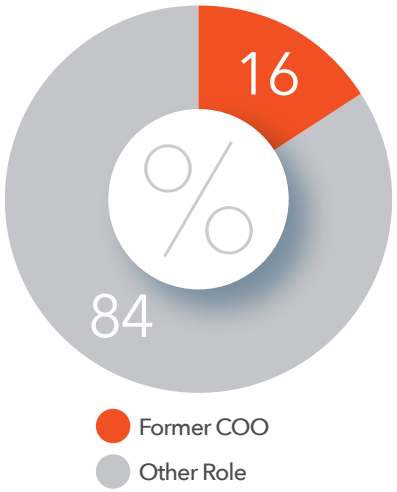
Percent of Incoming CEOs at Community Health Systems with MDs Across LHS 200

(2015–2019)



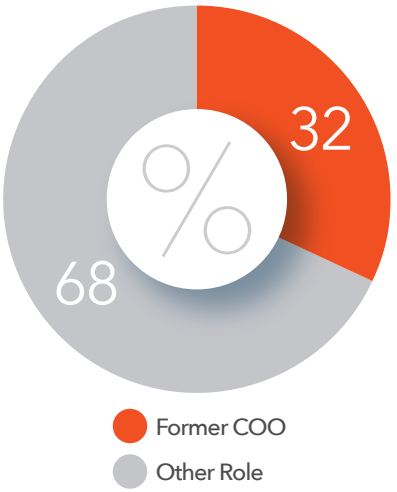
Percent of Incoming CEOs at AMCs with Former COO Titles Across LHS 200

(2015–2019)



Percent of Incoming CEOs at Community Health Systems with Former COO Titles Across LHS 200

(2015–2019)



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Conclusions

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Alignment Across CEO Competencies and Health System Strategic Priorities is on the Rise

"As a board member, you must know what the core competencies should be for a CEO. It tracks back to what your health system's strategy is. Is your strategy focused on partnering with people versus being clinically diverse, etc.? What kind of leader do you want to have lead that strategy?"

– Board Member, Leading Health System

"The skillset and capabilities conversation is powerful. Forget the names in the boxes and stop being emotional about who fits where. Have a blank sheet."

– COO, Leading Health System

"I am extremely interested in better understanding the capabilities needed to run a health system. We haven't come to grips with what it takes at our health system. Does a health system need a CEO or a super COO?"

– COO, Leading Health System

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Appendix

Methodology and new CEO classes

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Methodology

Throughout 2019, The Health Management Academy (The Academy) compiled secondary quantitative data from 2015 through 2019 for the largest 200 health systems in the U.S. The 200 health systems were classified as those with the highest Total Operating Revenue (TOR), as validated by 2017 health system financial statements. The 200 health systems represented in the study have a median TOR of $2.63 billion and own or operate 2,654 hospitals.

When analyzing data across the top 200 health systems, information for each CEO and health system was collected from a variety of external sources and The Academy's proprietary database. For CEOs that were appointed to health systems as a result of a merger or acquisition, those who were existing CEOs of either health system were not identified as a new CEO. If the individual was appointed as CEO of the merged or larger health system entity and was not a former CEO of either health system, that individual was identified as a new CEO.

Supplementary qualitative data was gathered from prior Academy research and resources. Where appropriate, Feigen Advisors S&P 250 reports from 2014 to 2018 were used as benchmark metrics.

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The Academy

The Health Management Academy (The Academy) brings together health system leaders and innovators to collectively address the industry's biggest challenges and opportunities. By assisting member executives to cultivate their peer networks, understand key trends, develop next-generation leaders, and partner to self-disrupt, they are better positioned to transform healthcare.

100 Health Systems

500+ C-suite Executives

2,000+ Health System Leaders

66% Inpatient Admissions

62% Outpatient Visits

67% Total Physicians

62% Total Operating Revenue

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