

## **“Senior Leadership Perspectives”**

Minnesota ACHE Lecture Series  
in collaboration with the Center for Health and Medical Affairs  
Minneapolis Campus of the University of St. Thomas  
August 21, 2008

Panelists: Don Wegmiller, Gordon Sprenger, John Frobenius (see biographies below)  
Moderator: Stephen Waldhoff

Three senior healthcare executives were invited by the Minnesota chapter of the American College of Healthcare Executives to share their views on the future of the American healthcare system. The facilitator asked each panelist a series of questions and their summarized responses are below:

### **What are the biggest challenges in healthcare system today?**

- Access to health care financially is a growing problem
- Lack of access to physicians / medical care is increasing – particularly in primary care
- Increases in cost are making the system unaffordable
- The politicization of healthcare has become intense and is getting worse. A panelist quoted former US Senator Dave Durenberger (St. Thomas senior health policy fellow) - “Don’t expect politicians to solve the problems with healthcare because we have to run for office.”
- Questions as to willingness to re-shape healthcare by re-allocating resources to preventive care
- Physician shortages are being felt – especially in primary care. Enormous lead times are necessary to change medical school training.

### **With elections approaching, what are your thoughts on universal healthcare?**

- The US is not ready for a nationalized system, but could have an appetite for a single payer system
- Universal coverage won’t happen immediately. When it begins it will likely start with children.
- Healthcare is a bipartisan issue that has to be looked at in a bipartisan way.
- Another quote from Dave Durenberger - “Never think that what the government pays you (the provider) has anything to do with your costs.”
- Universal healthcare cannot happen without major changes to the healthcare delivery system. Can this be done gradually or do we need a big bang?
- The panelists would like to see more experimentation at the state level. They would like to see the new president allocate money to a few states with innovative ideas and use them as “laboratories.” This would be more cost effective and realistic than changing the entire system at once.
- None of the panelists seemed optimistic that we will see a lot of broad activity, but think we’ll see continual, gradual progress. Minnesota is doing some interesting things too that should be watched.

### **What are the critical skills to being a successful healthcare leader?**

- The “art of anticipation” is critical to manage what’s coming “over the horizon” and to put the organization in a position to take advantage of it.
- Establish a culture with a clear vision - then find good people who will buy in to this vision.
- An organization needs hope—a *positive* vision about the future. This is critical to get engagement.
- Pick good people - “Always hire people that are smarter than you.”
- One characteristic that may be unique to healthcare is the need to have a passion for people and healthcare itself. It’s a “team sport” and the leaders need to feel and display real passion for it.

### **What can leaders do to encourage long term employment?**

- An important key is how you treat your people. Treat them with respect, solicit opinions, and provide opportunities. Organization needs to have values (actions & beliefs) that people can be proud of.
- “Walk the talk” - values need to be lived out. Engagement is key—people want to feel they have a say. It is important to have diverse groups around the same table.
- An organization needs to celebrate successes and give people new challenges. Breaking them out of their silos & giving them the opportunity to go in a new direction is important. Then, celebrate the successes of those that “stepped out.”

### **What are common errors in developing physician partnerships?**

- Partnerships must bring real value. If done for defensive reasons, they will likely fail.
- Physicians want to be heard. Show respect & involve them. Engagement is time-consuming, but critical. You don’t have to give them all they ask for, but they need to feel truly heard.
- Both sides need to have “skin in the game.” CentraCare is a positive example of full integration. The administrator and chief physician shared the CEO role.
- Hospital based organizations can make big errors if they don’t really understand how physician practices operate. They need to assist the physicians to do their jobs instead of having an attitude of “this is what the hospital needs, so change.” Hospital administrators should spend time in physicians’ practices—Mayo does this well.

### **Public Policy—to what extent should healthcare be regulated?**

- In the last 20 years healthcare has not had a lot of constraints. 8 out of 10 hospitals in Manhattan have been failing financially, but continue to operate due to endowments. Should this continue?
- States should return to some type of area-wide planning. (Example: The city of Minneapolis has more MRI machines than most countries—is this supportable?)
- The panelists all expect to see some form of cost control.
- Thirty years ago, hospital people really talked to each other. Some had joint planning committees. When antitrust law started being implemented in healthcare this model of collaboration was lost. More recently, healthcare has moved to the business model of competition. Now, a lot of duplication is

occurring. Competition isn't working to control costs, improve access or improve quality. We will see more regulation but it must include ALL stakeholders, not just hospitals, otherwise other system participants will find a way around the system.

### **What was your biggest mistake?**

- Wegmiller: We acquired a lot of physician practices, which was a good concept, but they failed miserably in execution. We didn't really understand the practices (we thought they were "businesses," not "professions.") However, we rebounded once we brought in people that really understood the practices and brought in physician leaders. This took almost a decade.
- Sprenger: Getting into product lines we knew nothing about was a mistake. We were forced to rely heavily on those already from the business, so were unable to bring a common culture to the combined businesses. In the current market, HealthPartners seems to have the best position in the region because they "have all the pieces" and their interests are fully integrated.
- Frobenius: We had the same problem. At one point, healthcare organizations were encouraged to "diversify like mad." This was not a success.

### **Medical Tourism - is it a solution?**

- Sprenger: He is spending a lot of time on this. He's on the Joint Commission resource board, accrediting hospitals around the world. Approximately 100 hospitals are accredited around the world with the same standards as the US. It's a reality and US providers need to deal with it. A significant growth in the number of accredited hospitals and patients is anticipated.
- Wegmiller: He knows of 6 "medical tourism" companies. Worldwide, 750,000 people were getting their healthcare outside of their own countries in the last year. He is also aware of a new company that contracts with an employer's insurance broker for overseas medical services. 50% of the money that the employee saves by getting their healthcare overseas is put into their health savings account and the remainder is refunded to the company.
- Don't consider medical tourism a "fad." Many other companies in the US have been impacted by global competition and healthcare is not immune
- However, there are challenges in the growth of medical tourism. Patients don't like to leave home during a healthcare crisis and it is unclear if the big public payers will participate in this system.

## **Panelists**

### Don Wegmiller

Mr. Wegmiller is Chairman Emeritus of Integrated Healthcare Strategies. Mr. Wegmiller oversees a staff of over 180 professionals in one of the nation's largest compensation consulting firms. Prior to coming to the Healthcare Group, he served as Vice Chairman and President of HealthSpan Health Systems Corporation, Minnesota's largest health care network.

Mr. Wegmiller served as a chairman officer of the American Hospital Association, serving in 1987 as the organization's chairman, the highest elected office. He is a Fellow in the American College of Healthcare Executives.

### Gordon Sprenger

Mr. Sprenger served as CEO of the Allina health system from 1999 to 2001. Prior to this he was the CEO of Healthspan and LifeSpan Healthcare corporations.

He serves on the board of the Medtronic Corporation and the St. Paul Companies. He is past chairman of the American Hospital Association.

### John Frobenius

Mr. Frobenius served most recently as co-president for the CentraCare Health System in St. Cloud. Previously, he was an executive vice president and chief operating officer for St. Luke's Regional Medical Center in Boise, Idaho.

He has served on numerous boards, including the American Hospital Association, the Minnesota Health Care Partnership, and the St. Cloud Area Chamber of Commerce. He currently is a Regent for the University of Minnesota.

### Stephen C. Waldhoff

Mr Waldhoff is the Chief Administrative Officer of the Albert Lea Medical Center - Mayo Health System.

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