

# Developing Physician Leaders Level 101

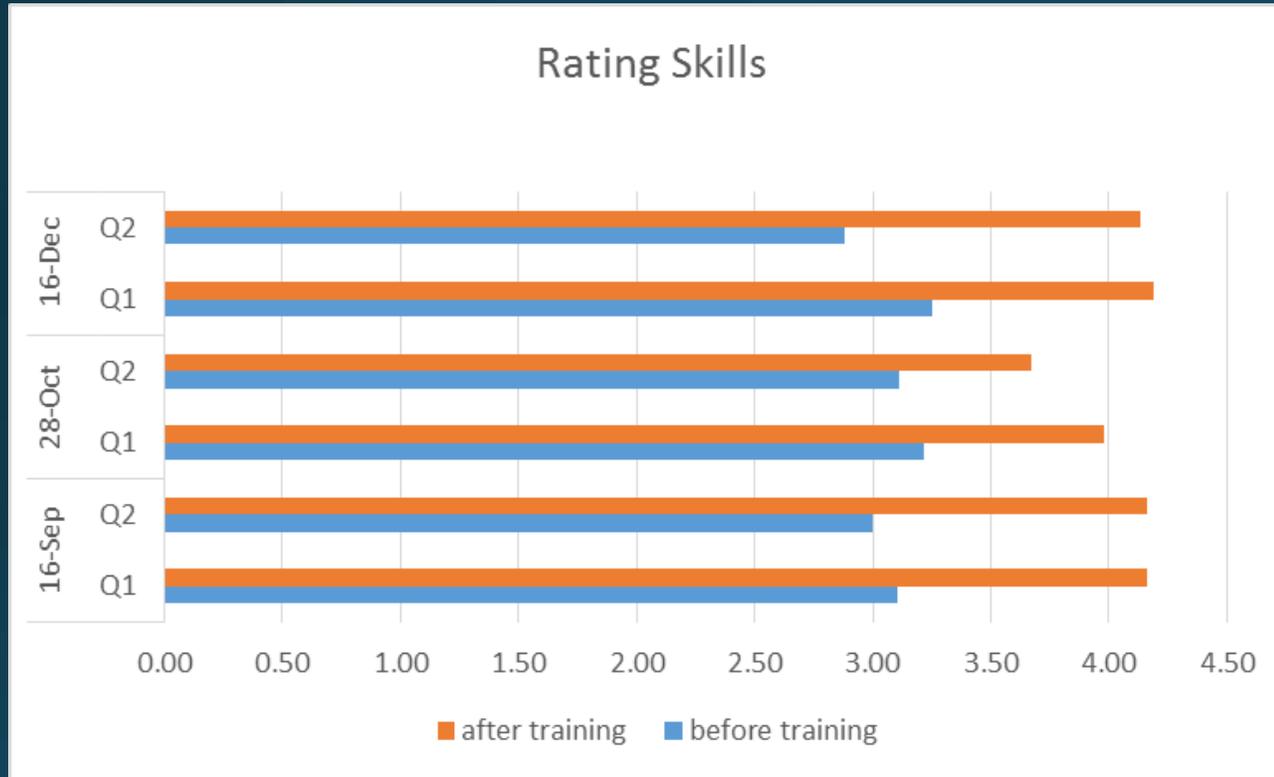
Raleigh, January 20, 2016



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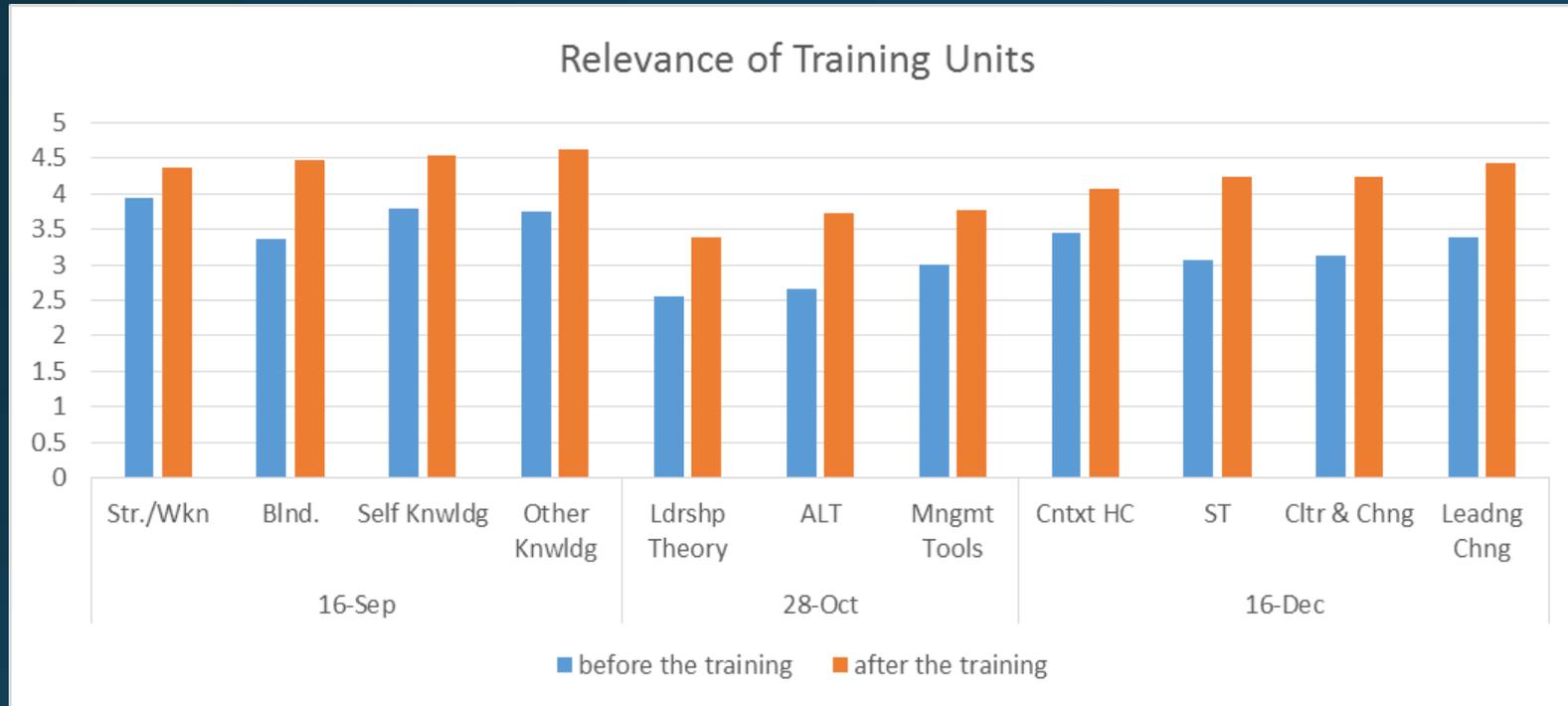
KANOF INSTITUTE FOR PHYSICIAN LEADERSHIP

# Happy New Year – Where are we?



- Overall increase from avg. 3.09 to 4.05
- Greatest increase in learning in **Self Development**

# Relevance of Training Units (TU)



- Overall increase from avg. 3.28 to 4.17

# Comments re. RELEVANCE and DIFFICULTY



Excellent group exercises that really allow the concepts to sink in.

Insights was spot on!

Some of this is hard to apply as most of us do not have opportunities to even discuss some of this outside "clinic work"

Helpful to have examples of how to understand others and interact with them

Decision making likely a very major component of leadership whereas delegation (for instance) is beyond our control (staffing)

Didn't feel I understood at the end of this (Leadership theory, authentic leadership, management tools). I think the areas were very relevant but not sure I gained a lot from the individual session as they were brief and not a lot I felt I could take away.

Very useful concepts and hands-on training is always helpful

I would like to be able to have higher leadership listen in or participate in part of the training.

# Adult Learning

## Learners are...

- Autonomous and self-directed
- Have accumulated a foundation of experiences and knowledge
- Goal-oriented
- Relevancy oriented
- Practical
- In need to be shown respect

## Which means...

- Adult learners are responsible for their own learning
- Active participation is crucial – motivation & peer-learning
- Adult learners need to be involved in the learning process

# Learning Contract

## LEARNING CONTRACT

LEARNER: \_\_\_\_\_

What you are going to learn (objectives)

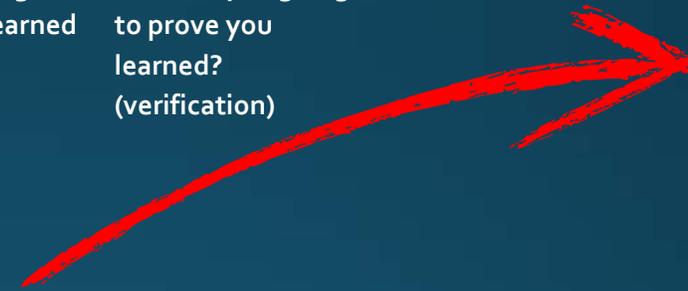
How are you going to learn it? (resources/strategies)

Date for completion

How are you going to know that you learned it? (evidence)

How are you going to prove you learned? (verification)

1. Individual Leadership
2. Financial Concepts
3. Quality Improvement
4. Team Project

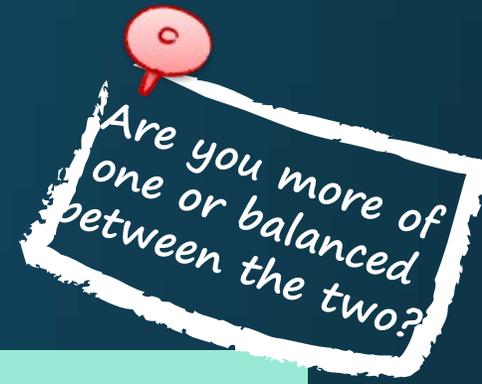


ONLY YOU  
DECIDE!

# Learning Objectives

- Re-inforce learning from previous modules
- Discuss how to align business perspective with every-day practice of medicine
- Kick off project

# Concepts of Leadership and Management



## MANAGEMENT

Doing Things Right

- Administration
- Maintenance
- Systems/structures
- Short Range
- How?
- Compliance?
- Control
- Reactive

## LEADERSHIP

Doing the Right Thing

- Innovation development
- People
- Long Range
- What/Why?
- Commitment
- Empowerment/Trust
- Proactive

# What is good leadership to me/my purpose as a leader

- What it means: To inspire others to be the best they can be.
- To be a leader is to be the kind of person everyone around you strive to emulate – the barrier is the wall we put up around us.
- Leader – Be a support and advocate for staff – will affect patient care positively.
- Inspiring a shared vision with values based leadership.
- To be kind, caring and considerate of one another's feelings when developing a team.
- Good leader:
  - Self before others
  - Set an example
  - Do the best I am capable of
  - Able to self-preserve
- What it means to be a leader (to myself as well as to others):
  - Set an example
  - Continually seek improvement
  - Encourage/seek success

# New Year, New Beginnings

- Based on your individual profile, list your **top 5 strengths** you want to apply more in your work
- Based on your individual profile, list your **top 5 weaknesses** you want to apply less of in your work
- If you have time, read through the chapter Blind Spots and look at your top 5 key weaknesses you listed – do you see a link?

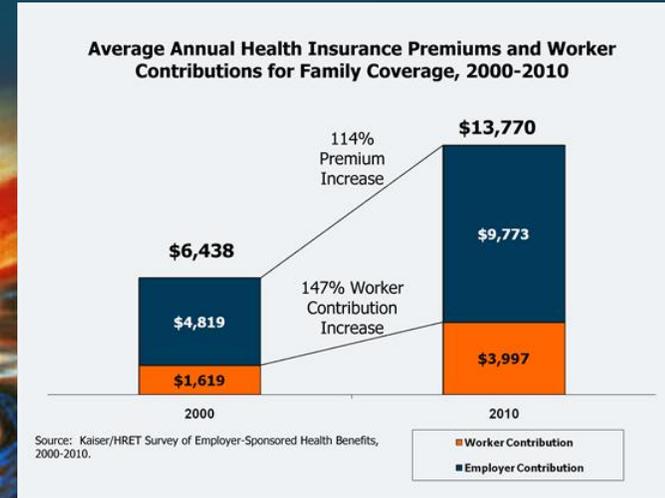
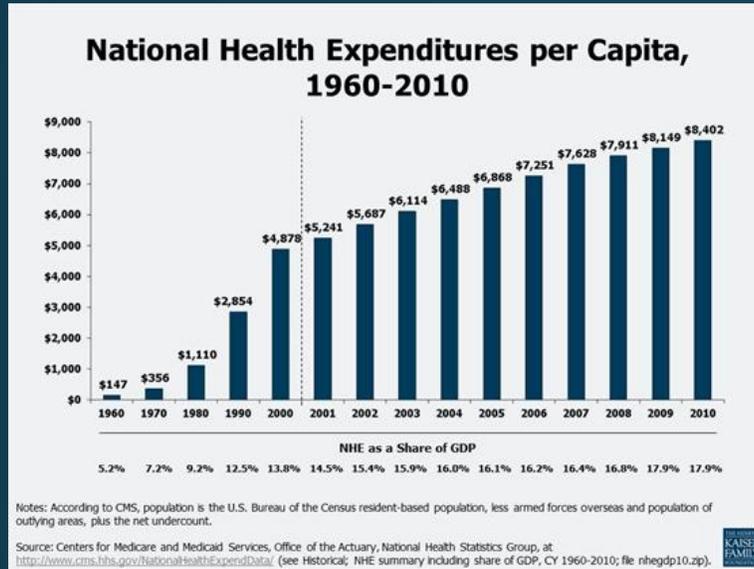
Please put the lists in the envelope, seal and write your address on the front.

# Challenges of health care organizations

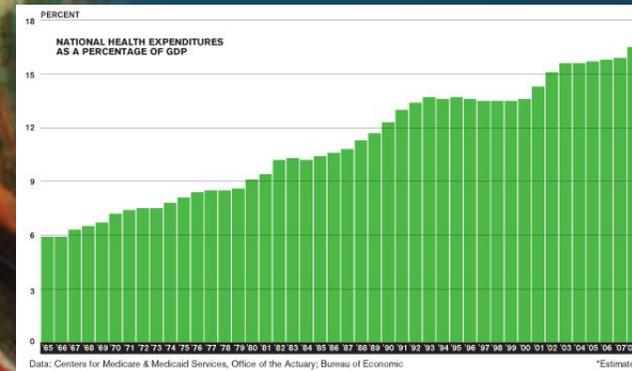
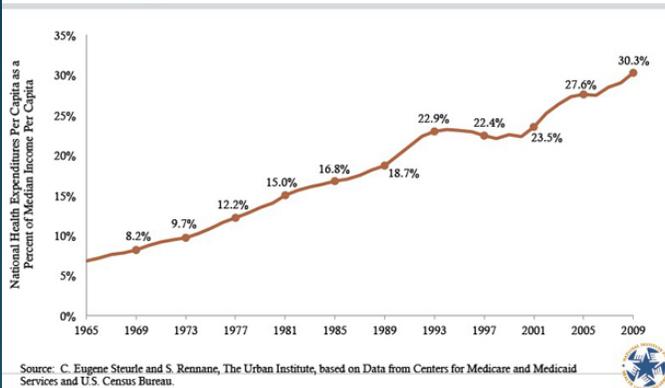
- Extremely diverse range of key stakeholders
- Increased demands for improved efficiency at the same time as improved quality of care
- Population growth and ageing and changing nature of some chronic diseases
- Increasing expectations and knowledge of patient
- New technology



# Is the Health Care System is doomed?



## National Health Spending Per Capita Now Equals 30% of Median Income



# Doctors are going to help lead the transformation of health care



# The Affordable Care Act reinforces strategic activities underway across sectors of health care

## Continued shift to retail and consumerism

- Public exchanges open in 2014
- Private exchanges are taking root
- Employers will look to defined contribution models
- Retail pharmacy positions to provide comprehensive primary care services
- Prestigious medical organizations position to compete nationally and internationally

## Continued migration to value based models

- CMS funding and reimbursement reforms will continue to stimulate the shift to Fee for Value (FFV)
- The value-based trend has developed independent momentum with commercial insurers and employers
- Budgetary pressures will force governments to find innovative ways to control healthcare spending

## Continued transformation of healthcare to an information business

- PPACA (along with the earlier 2009 stimulus bill) have already funneled billions into EMRs; adoption rates are past a tipping point
- New business models built around information enablement services are emerging, and will fundamentally change the healthcare ecosystem



# Why do we need to understand this?



...Good financial management

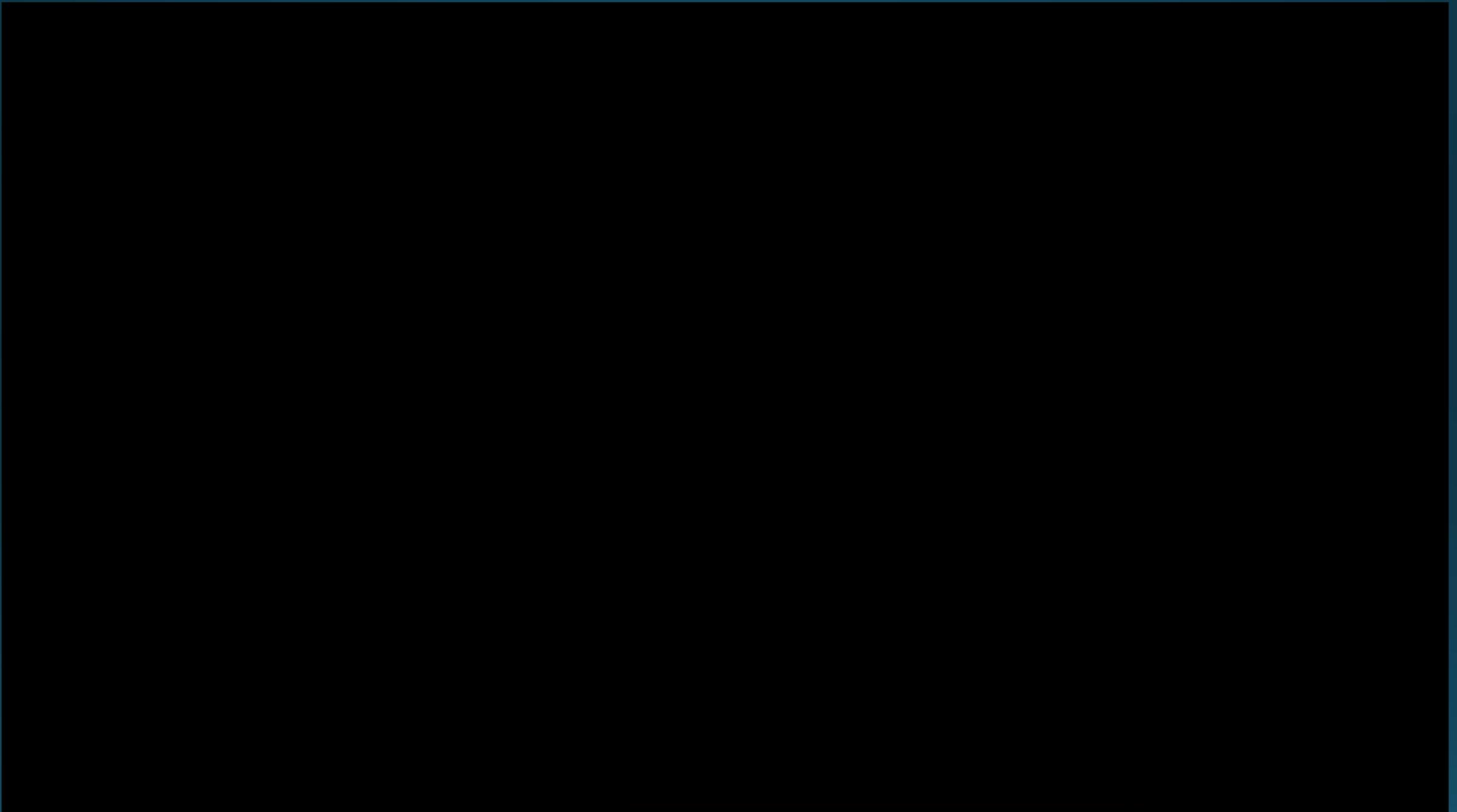


...Efficient Practice Operations



...Enhanced Patient Care and Satisfaction

That is why we ALL need to understand



# Basic financial concepts

- Different language
- Provides the knowledge necessary to be part of the conversation
- Basic components of strategic planning for your practice



DEBIT	CREDIT
ASSET	LIABILITY + OWNER'S EQUITY
increase: + put values in debit side. decrease: - put values in credit side.	increase: + put values in credit side. decrease: - put values in debit side.

# The Basic Accounting Equation

Assets	=	Liabilities	+	Owner's Equity																																								
<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><th colspan="2">Assets</th></tr> <tr><th style="width: 50px;">Debit</th><th style="width: 50px;">Credit</th></tr> <tr><td style="text-align: center;">+</td><td style="text-align: center;">-</td></tr> </table>	Assets		Debit	Credit	+	-	=	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><th colspan="2">Liabilities</th></tr> <tr><th style="width: 50px;">Debit</th><th style="width: 50px;">Credit</th></tr> <tr><td style="text-align: center;">-</td><td style="text-align: center;">+</td></tr> </table>	Liabilities		Debit	Credit	-	+	+	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><th colspan="4">Paid-in Capital + Retained Earnings</th></tr> <tr><th style="width: 50px;">Debit</th><th style="width: 50px;">Credit</th><th style="width: 50px;">Debit</th><th style="width: 50px;">Credit</th></tr> <tr><td style="text-align: center;">-</td><td style="text-align: center;">+</td><td style="text-align: center;">-</td><td style="text-align: center;">+</td></tr> <tr><td colspan="4" style="text-align: center;"> <table style="width: 100%; border-collapse: collapse;"> <tr><th colspan="2" style="border-bottom: 1px solid black;">Expenses and losses</th><th colspan="2" style="border-bottom: 1px solid black;">Revenues and gains</th></tr> <tr><th style="width: 50px;">Debit</th><th style="width: 50px;">Credit</th><th style="width: 50px;">Debit</th><th style="width: 50px;">Credit</th></tr> <tr><td style="text-align: center;">+</td><td style="text-align: center;">-</td><td style="text-align: center;">-</td><td style="text-align: center;">+</td></tr> </table> </td></tr> </table>	Paid-in Capital + Retained Earnings				Debit	Credit	Debit	Credit	-	+	-	+	<table style="width: 100%; border-collapse: collapse;"> <tr><th colspan="2" style="border-bottom: 1px solid black;">Expenses and losses</th><th colspan="2" style="border-bottom: 1px solid black;">Revenues and gains</th></tr> <tr><th style="width: 50px;">Debit</th><th style="width: 50px;">Credit</th><th style="width: 50px;">Debit</th><th style="width: 50px;">Credit</th></tr> <tr><td style="text-align: center;">+</td><td style="text-align: center;">-</td><td style="text-align: center;">-</td><td style="text-align: center;">+</td></tr> </table>				Expenses and losses		Revenues and gains		Debit	Credit	Debit	Credit	+	-	-	+
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# Common Financial Terminology

- Gross Charges (Revenue) – Total Patient Revenue generated (price x quantity)
- Deductions from Revenue – Amount of gross charges not collected due to
  - Uncompensated care – charity and bad debt
  - Contractual allowances – difference between charges and payments for all payers
- Net Patient Service Revenue – Total amount of cash collected from gross charges
- Income From Operations - Total Operating Revenue less Total Operating Expense (operations bottom line)
- Non Operating Revenue - Income from Non Operating Activities – such as investments, gains/losses on disposal of assets, etc.
- Net Income (Excess of Revenue over Expense) - Income from Operations plus Non Operating Revenue
- Days of Cash – Cash and Investments/ Average daily cash expenses
- Price/Payment/Cost – Different Definition for provider vs payer vs patient

## Balance Sheet December 31, 20X3

<b>Assets</b>				<b>Liabilities</b>			
<b>Current assets</b>				<b>Current liabilities</b>			
Cash	\$100,000			Accounts payable	\$ 80,000		
Short-term investments	50,000			Salaries payable	10,000		
Accounts receivable	75,000			Interest payable	15,000		
Inventories	200,000			Taxes payable	5,000		
Prepaid insurance	<u>25,000</u>	\$450,000		Current portion of note	<u>40,000</u>	\$150,000	
<b>Long-term investments</b>				<b>Long-term liabilities</b>			
Stock investments	\$ 40,000			Notes payable	\$110,000		
Cash value of insurance	<u>10,000</u>	50,000		Bank Loan	35,000		
<b>Property, plant &amp; equip.</b>				Mortgage obligation			
Land	\$ 25,000			Deferred income taxes	<u>80,000</u>	<u>300,000</u>	
Buildings and equipment	\$150,000			Total liabilities		\$450,000	
Less: Accum. depreciation	<u>(50,000)</u>	<u>100,000</u>	125,000	<b>Stockholders' equity</b>			
<b>Intangible assets</b>				Capital stock			
Goodwill		275,000			\$300,000		
<b>Other assets</b>				Retained earnings			
Receivable from employee		<u>10,000</u>			<u>160,000</u>		
Total assets		<u>\$910,000</u>		Total stockholders' equity		<u>460,000</u>	
				Total liabilities and equity		<u>\$910,000</u>	

- The **balance sheet** reveals a company's financial position
- The **income statement** discloses the company's operating performance
- The **statement of cash flow** reveals the sources and uses of cash

Income Statement			
For the Year Ending December 31, 20X9			
<b>Revenues</b>			
Sales			\$660,000
Less: Sales discounts		\$ 5,000	
Sales returns & allowances		<u>2,000</u>	<u>7,000</u>
Net sales			\$653,000
<b>Cost of goods sold</b>			
Beginning inventory, Jan. 1			\$120,000
Add: Purchases	\$230,000		
Freight-in	<u>10,000</u>		
			\$240,000
Less: Purchase discounts	\$2,400		
Purchase returns & allowances	<u>3,600</u>	<u>6,000</u>	
Net purchases			<u>234,000</u>
Goods available for sale			\$354,000
Less: Ending inventory, Dec. 31			<u>71,000</u>
Cost of goods sold			<u>283,000</u>
			\$370,000
<b>Gross profit</b>			
<b>Selling expenses</b>			
Advertising	\$ 70,000		
Freight-out	4,000		
Depreciation	28,000		
Utilities	11,000		
Salaries	<u>29,000</u>		
			\$142,000
<b>General and administrative</b>			
Salaries	\$ 63,000		
Depreciation	17,000		
Utilities	22,000		
Insurance	44,000		
Rent	<u>24,000</u>		
			170,000
<b>Other</b>			
Loss on sale of land	\$ 2,000		
Interest expense	<u>7,000</u>	<u>9,000</u>	
			<u>321,000</u>
<b>Income before tax</b>			\$ 49,000
Income tax expense			<u>10,000</u>
<b>Net income</b>			<u>\$ 39,000</u>

## Statement of Cash Flows For the Year Ending December 31, 20X9

### Operating activities

Cash received from customers	\$ 720,000	
Cash received for interest	15,000	
Cash paid for salaries	(240,000)	
Cash paid for rent	(115,000)	
Cash paid for other items	<u>(300,000)</u>	
Cash provided by operating activities		\$ 80,000

### Investing activities

Purchase of land		(250,000)
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### Financing activities

Payment of dividends		<u>(35,000)</u>
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### Decrease in cash

\$(205,000)

### Cash, January 1

397,000

### Cash, December 31

\$ 192,000

“Hope is not a  
strategy”



# Strategies solve real problems

## A good strategy

- Makes an accurate diagnosis
- Creates a guiding policy for problem solving
- Has a coherent administration of tactics
- Focuses on risks and how to mitigate them
- Understands competitive advantage



# A strategy without leadership will fail



# Strategy and Planning

- Strategy formulation important but useless without implementation
  - Challenge: The ability to exercise strategy crucial for success
- Crucial to be aligned with overall vision
- Translate strategy to operational terms

# Understanding Your Market

- Market analysis
- Market segmentation
- Competition
- Pricing
- Advertising and promotion

Influences your Strategy  
and Implementation



# Profit is the outcome of smart business design

## Conventional Approach

- ✓ Gain market share
- ✓ Profitability will follow



## Reinvention Approach

- ✓ What is important for the customer?
- ✓ How are customers changing?
- ✓ Where can we make a profit?
- ✓ How can we gain market share in that space?

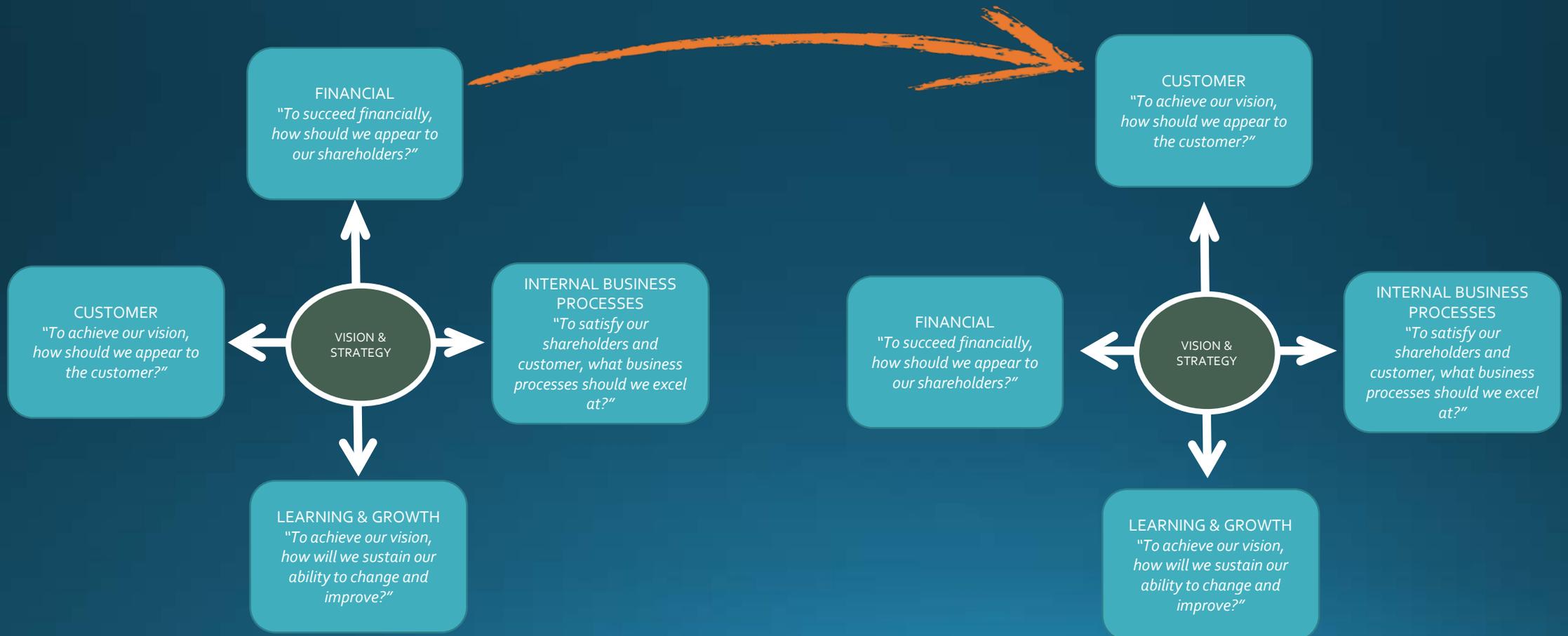
# Introduction to Balanced Score Card



# Rearranging objectives to mirror health care

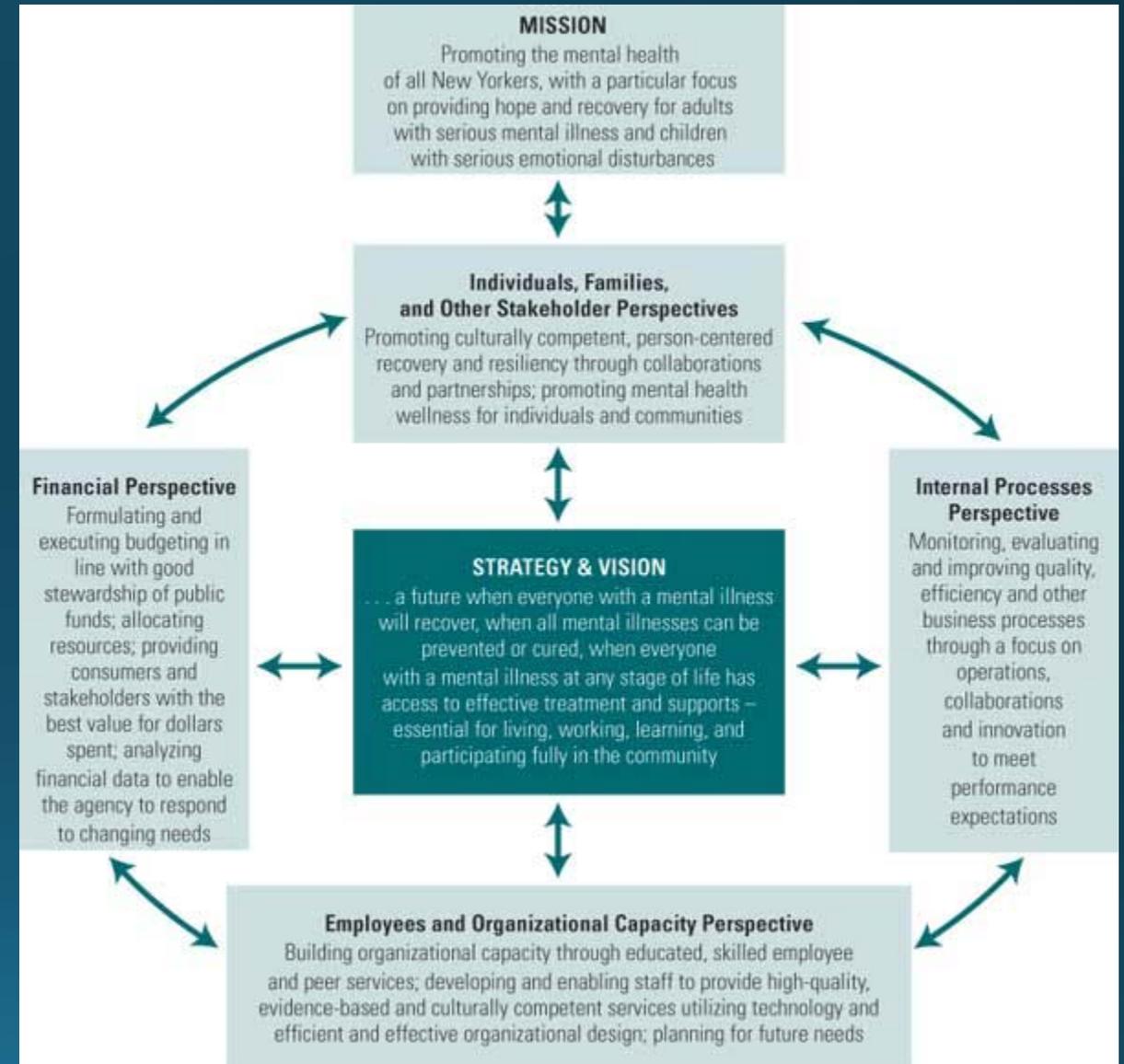
- Traditional

- Adapted



# Example:

- Strategic plan for NY State Office of Mental Health
- Major release of the Plan every 5 years
- Clear plan of why, what and how for each individual in the organizations



# SWOT Analysis

		Helpful to objective	Harmful to objective
INTERNAL ORIGIN	STRENGTHS		WEAKNESSES
EXTERNAL ORIGIN	OPPORTUNITIES		THREATS

# Jan. 2015

Helpful to objective		Harmful to objective
INTERNAL ORIGIN	STRENGTHS	WEAKNESSES
	<b>Cover broad area</b> <b>Collective knowledge</b> <b>Great docs!</b> <b>Primary care focus</b> <b>High quality care</b>	<b>Lack of unified vision</b> <b>Letting specialist drive primary care</b> <b>Demoralization of providers</b> <b>Access to specialty care</b> <b>Cost</b>
EXTERNAL ORIGIN	OPPORTUNITIES	THREATS
	<b>Lots of resources</b> <b>Identify areas of unmet needs</b> <b>Lead and create culture</b> <b>Higher population health</b> <b>Higher education and accountability of patient on self care/prevention</b>	<b>Market share; insurance companies; current system not sustainable</b> <b>Sicker/older patients</b> <b>Metrics requirements</b> <b>Too much time tracking data</b>



# Example of Components in a Business Plan

- **Executive Summary**

- Highlights
- Objectives
- Mission Statement
- Keys to Success

- **Marketing**

- Market Analysis
- Market Segmentation
- Competition
- Pricing

- **Appendix**

- Start-Up Expenses
- Determining Start-Up Capital
- Cash Flow
- Income Projection Statement
- Profit and Loss Statement
- Balance Sheet
- Sales Forecast
- Milestones
- Break-Even Analysis
- Miscellaneous Documents



# Exercise

- In your groups, use the template provided and start building parts of a business plan for a fictional practice.
  - After each chapter, prepare to present key ideas to the group
- 15 min./Chapter+ 10 min. group debrief



# Executive summary

- Description of organization – top level only
- Mission Statement
- Objectives
- Highlights
- Keys to Success

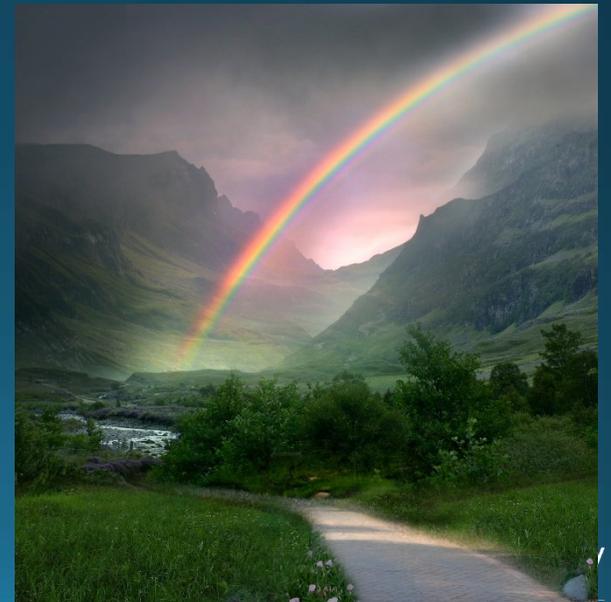
# Description of the organization

- What is it:
  - Type of business
  - Location
  - Interior
  - Hours and operation
  - Services
  - Suppliers
  - Service
  - Management
  - Financial management
  - Summary



# What is a Mission Statement?

- A Mission statement:
- Defines the present state or purpose of an organization;
- Answers three questions about why an organization exists:
  - **WHAT** it does
  - **WHO** it does it for
  - **HOW** it does what it does.



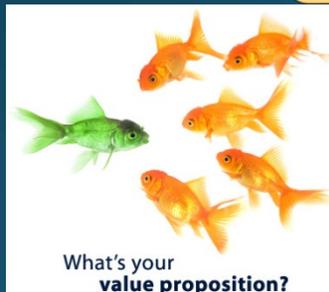
We can eliminate our default future by:

**Choosing to Re-write the  
Default Future**

**Putting Language to our  
Alternative Future**

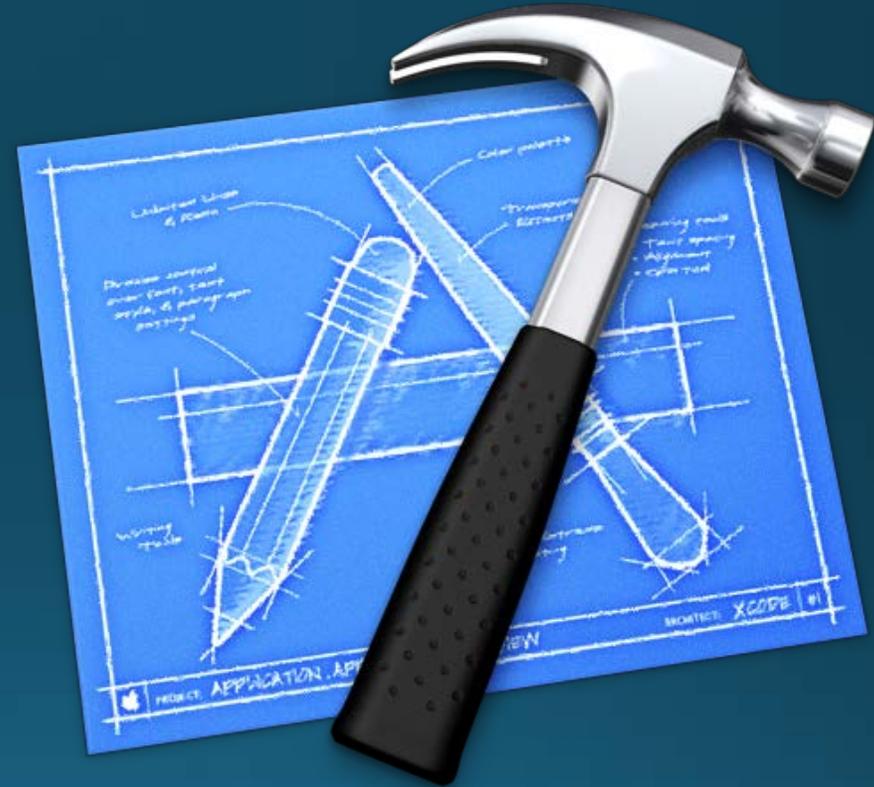
**Creating a Vision of that  
Future**

**Creating a Good Strategy to  
Get There**



# Project

- Revisit team rules
- Analyze the project:
  - SWOT Analysis
  - Balanced Score Card
- Map out a BSC
  - What needs to be done?
  - Who does what?
  - Challenges for the project?
- Plan next steps



# Thank you!

- Don't forget to check out NCMS/UNCPN website for slides and updates!