

Is a health care executive on board?

The health care industry is one tough business — breeding a pool of board candidates experienced in dealing with the most difficult challenges facing Corporate America today.

BY LYNN SHAPIRO SNYDER AND SANDRA VAN TREASE

IN THE UNITED STATES, most companies, regardless of industry, are health care companies. That is because our health benefits system is based primarily upon having employers pay all or part of the premium costs for an employee's family health care insurance benefits. The amount these employers spend on health care premiums has been increasing every year — increasing more quickly than any other company expense. It is no longer unusual for an automaker to spend more on health care — for each car it produces — than on steel. As a result, it is no surprise that a Hewitt Associates study of 650-plus major U.S. firms found 96 percent of CEOs and CFOs “critically or significantly” concerned with corporate health benefits costs.

Despite the concerns circling health care costs, only 7.1 percent of U.S. Fortune 500 boards currently include someone who might be a great resource to management for tackling this particularly challenging issue — a health care executive. (This statistic is based upon a random sample of

Fortune 500 boards that was then reviewed by the WBL Foundation in November 2007.) Nor do these companies realize that health care executives also could guide them through other tough business challenges based on the lessons these executives have learned from managing a business in the health care industry.

Do not be fooled by the word “care”: While the health care industry is predicated on caring and healing, it is one tough industry.

For example, executives in the health care industry battle severe workforce shortages, federal and state regulations, frequent mergers, vertical integration schemes, disintegration, outsourcing, conversions, bankruptcies, public offerings, and much more. All of this is happening in an industry representing 16 percent of the U.S. gross domestic product — nearly \$2 trillion and growing.

Put their skills to work

Health care executives working in such a dynamic industry sector possess invaluable business skills.



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They have extensive experience dealing with the most difficult challenges facing business today. The time has come for Corporate America to put those skills to work for the benefit of all industry sectors by including a seasoned health care executive on each board of directors. Consider the following:

- *Recruiting and Retaining Skilled Workers:* The health care industry, which employs more than 11 million workers, faces significant workforce challenges. For example, specialized nurses now top the list for the most recruited profession. Health care executives seek and use creative solutions to combat labor shortages in both clinical and non-clinical fields. Recruiting and retaining challenges run the gamut from housekeeping and food service to specialized physicians and researchers.

- *Complying with Regulations:* The health care industry is highly regulated. State governments and the federal government play a significant role in the health care industry as the largest purchasers of health care goods and services in the world. Not surprising, the health care industry has been at the forefront of developing and maintaining effective corporate compliance programs. These programs are not just financial in nature, but also include safety and clinical oversight requirements. In addition, many health care executives have successfully weathered extremely intense health care investigations.

- *Navigating a Dynamic Market Environment:* The health care industry is rife with mergers, vertical integration schemes, disintegration, conversions from nonprofit to for-profit, and public offerings. Furthermore, the health care industry faces disintermediation by nontraditional market entrants such as banks and retail outlets. Significant challenges stemming from top-line revenue reductions (government reimbursements), combined with increasing labor and supplies costs, abound. Additionally, health care companies are not immune to bankruptcies. Dealing with such market dynamics and transactional activities provides excellent experience for other industry segments.

- *Diversifying Leadership:* A recent report has shown that the health care industry has the highest percentage of senior executive women of all major industries, with 22 percent of the industry's CEOs being female. (*ZoomInfo Insite Report*, "Gender and the Executive Suite," available at www.zoominfo.com). Another recent report by Catalyst, a nonprofit organization dedicated to advancing women

in business (see www.catalyst.org), found that companies with the highest percentage of women in senior management performed the best financially, with the highest return on equity and total return to shareholders. Companies with three or more women board members fared the same, demonstrating greater return on equity, greater return on sales, and increased return on invested capital, according to Catalyst ("The Bottom Line: Corporate Performance and Women's Representation on Boards," 2007).

Despite the expertise of these professionals, only a small percentage of boards include a senior executive woman from the health care industry.

A seasoned governance resource

Diversifying leadership has been cited as a new best practice for corporate governance. Indeed, the Women Business Leaders of the U.S. Health Care Industry Foundation (www.womenleadinghealthcare.org) was formed to provide senior executive women in the health care industry with greater visibility and networking opportunities so they might be a critical source of supply for the increasing demand for independent directors.

Those boards interested in achieving greater gender diversity in the boardroom may be particularly interested in adding a senior executive woman from the health care industry to the board. A new report released by the WBL Foundation found that these women are responsible for more than \$250 million in revenue per year, and that a majority of these women have experience with board governance owing to their roles in managing the board of their own company or through nonprofit or for-profit board roles that they may hold.

When the CEO or board chair next decides it is time to add a new director to the team, he or she should seriously consider recruiting someone who is a seasoned health care business executive. This candidate is likely to be an excellent governance resource for a challenging future regardless of your industry sector. ■

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