Profiles in Healthcare Leadership

A Fine Choice

An Interview with Peter S. Fine, FACHE
President and Chief Executive Officer
Banner Health
These profiles are the result of interviews with transformational leaders in today’s healthcare industry—men and women who have demonstrated courage, ingenuity and the hard work needed to create dramatic, measurable and sustainable improvements in their hospitals. They challenge assumptions, see things differently and enable remarkable breakthroughs. These leaders freely convey insights that we all can use to improve the way we deliver healthcare, and in the process, give us new ideas on how to make better American hospitals.
Key Lessons for Hospital Leaders

TO MAKE A LASTING IMPACT

If the status quo is unacceptable and the future looks bleak without change, disruption becomes an organizational necessity. Only focused change agents who can disrupt without “blowing up” their organizations will make a lasting, positive impact on patients’ lives.

CHANGE

• Attack your organizational history.
• Honor, but don’t be handcuffed by, the legacy.
• Decide on your agenda, then turn off the static—in other words, turn off the noise.
• Send one simple and clear message for your entire organization to rally around.

LEADERSHIP

• Change agent leadership is personally visible and visibly personable.
• Say what you’re going to do, and do what you say. Serve—don’t soothe.
• Have a passion for complexity and a high tolerance for ambiguity.
• Show your hospital leaders opportunities for future growth and that their misery is optional.
• Care about what people accomplish, not how hard they work. Outcomes matter.
• Don’t risk not taking risks.

FUTURE VISION

Embrace the dreams and lose the memories. Don’t be afraid to envision what the organization will need to be in 20 years and set a path in that direction. Plan the work and work the plan. It doesn’t have to be perfect, but it does have to accomplish one simple goal: “Make a difference in people’s lives through excellent patient care.”
Traveling Down The Wrong Path Quickly Led to A Fine Choice

In 1999, Lutheran Health Systems in Fargo, North Dakota, and Samaritan Health System in Phoenix, Arizona, merged to become Banner Health (Banner). By the end of 2000, Banner was struggling with the chaos of clashing cultures and the complexities of the merged businesses.

The system was going down the wrong path fast, both financially and operationally. Consequently, the Banner Health Board started the search for a new leader.

The Board needed a results-oriented leader with a clear vision for the future—a leader who could successfully merge the clashing cultures and integrate Banner’s complex financial, clinical and operational systems into a finely tuned, cohesive and efficient hospital company.

- A leader who would cherish complexity, embrace ambiguity and be personally visible and visibly personable.
- A leader who would focus on quality care first and business second. One who would make a difference in patient lives through excellence in care.
- A leader who would focus on the dream of what healthcare could be, not memories of former achievements. One who would honor legacy, but not be handcuffed by it.
- A leader who would be a change agent.

That choice could make all the difference in the world.

The Banner Board made a Fine choice in November of 2000. They chose Peter S. Fine, and it did make all the difference.

Under Mr. Fine’s leadership, Banner Health, headquartered in Phoenix, Arizona, is now one of the largest not-for-profit, secular, multi-state systems in the country. In 2009, Banner generated $4.86 billion in revenue. With over 36,000 employees, Banner works with thousands of physicians in twenty-three hospitals and healthcare facilities in seven different states.
Successful leaders are judged not by their words or actions, but by their results. Here are some:

**Fine Results**

- Banner Health is one of the 2010 Top 10 Health Systems in the country, based on clinical performance as determined by Thomson Reuters.
- Banner is one of the 2010 Top Integrated Healthcare Networks in the nation, as determined by SDI, based on operations, quality, scope of services and efficiency.
- Banner was named one of the “Best Places to Work in Arizona” for the last three years.
- The system was also named one of the “Top 100 Hospitals to Work For” by *Nursing Professionals* magazine.
- Banner Health provides more than $80 million a year in charity care.
- Banner is building for the future with over $1 billion in construction projects underway or recently completed.
- Mr. Fine was recently honored with the:
  - 2010 CEO IT Achievement Award, by *Modern Healthcare* magazine and the Healthcare Information and Management Systems Society.
  - 2010 Most Admired CEO Award, by the *Phoenix Business Journal*.
  - 2010 Healthcare Leadership Award, by *Arizona Business Magazine*.
  - 2007 National Healthcare Award, B’nai B’rith International

**The Interview**

Compass Clinical Consulting’s Chief Executive Officer, Dr. Cary Gutbezahl, and Managing Director, Kate Fenner, sat down with Banner Health President and CEO, Peter Fine, to find out—in his own words—how he views the role of a senior hospital leader. We wanted to learn how he developed a twenty-year vision for Banner that incorporated change, innovation, growth and long-term success.
Compass Clinical Consulting (CCC): What were some of the immediate challenges you were confronted with when becoming CEO? You had a remarkable impact on Banner almost immediately. What were some of the priority items you had to address early on?

What Do You Do?

Peter Fine (PF): The first significant move was to restructure the Senior Management Team (SMT). I took the time to interview our top staff (24 leaders), questioning each person for an hour and a half during the first couple of weeks. After two particular staff members were interviewed and they had left the room, I realized I had absolutely no idea what they did.

This was a clear indicator of the need for change—for me and them. An hour-and-a-half interview seems to me to be enough time for people to explain what they do. That realization must have been apparent to others as well, for shortly after I started, there were significant changes in personnel and the SMT was reduced to ten.

CCC: Can you describe those changes?

PF: Many people voluntarily left. Some departed on my urging. Some received enhanced responsibilities and/or promotions.

The next big decision was to refocus leadership’s orientation to Banner. We communicated to everyone that we were acting like a Holding Company, but that we were going to function as an Operating Company. We did that quickly, then we began to communicate and describe what an Operating Company was. The significance of that mind-shift is tremendous.

An Operating Company plans strategy and execution; a Holding Company accumulates assets and lets each guide its own fate.

The third significant early move was in relation to establishing a corporate headquarters, which involved a “relocation” of sorts. At the time I got here, Banner was starting to build a new corporate office just outside the Denver airport. They had the land, were preparing it and had completed the architectural
drawings. I asked the Board why they were intending to spend seven million dollars of capital on a building like that and add six billion dollars in overhead costs. Whatever the reasoning for the building was in the past, those reasons weren’t critical for the forward success of the company as I viewed the strategic direction of the organization.

After a fact-based presentation to the Board three weeks after I arrived, they gave me the authority to close down the project.

CCC: That’s a big symbolic message because a lot of health systems have an Edifice Complex.

New Rules for A New Day

PF: Correct. That was one of the first messages we sent, and it was clear. Then I published a listing of new ground rules for the organization. The first ground rule was, “Misery is optional.”

It’s a choice—yours, mine, everyone’s. That was a clear message about attitude and one’s control over attitude, regardless of circumstances.

The next rule we established was that, “All points of view are welcome.” And in meetings, who says what stays confidential.

The third rule was, “Criticism of things does not mean criticism of the individual.”

The fourth rule was, “Plan the work … work the plan.”

CCC: The other “rules” are?

PF: Basic, but very important rules.
1. Take accountability for assignments.
2. Say what you’re going to do, and do what you say.
3. Assume that your team members are doing the right thing for the right reason until proven otherwise.
4. Take what is good from the past, and build into the future.
5. Utilize each other’s skills, talents, and experience.
7. Own and express your opinions and feelings.

Simple and easy to understand, these ground rules started percolating and permeating through the organization.

**Agendas . . . Everybody Has One**

At the same time, we communicated our future vision—our agenda. We explained where we were going and how we planned to get there.

The problem with agendas is that everybody has one. Individuals, regardless of their positions, have their own agendas. They’re the most important things in their minds. But those agendas don’t necessarily line up with the company’s direction. Everyone had to get behind our system’s agenda and filter out all of their personal agendas.

*“Decide what your agenda is, and turn off the static.”*

Some people around Banner have called these “Peterisms.” I call it knowledge and wisdom acquired through the years from great mentors and personal experiences.

**Peterisms—A Banner Leadership Model**

I just participated, as I always do, in our New Leader Experience, which is an orientation for all new leaders. The first thing new leaders see and hear during
this orientation is me for half an hour. I talk to them about ground rules and things to do to ensure they will be successful and thrive at Banner. I’m not trying to make them robots, but I am simply stating what it takes to succeed in this company in terms of a leader’s performance.

So right from the beginning in 2001, we began to express this leadership model for Banner.

**CCC:** What’s the most important “Peterism” for hospital leaders?

**PF:** If you want to be an effective leader, a trusted leader, you must be visible.

*“Visibility breeds credibility; credibility builds trust. If you want to be trusted, you must be visible.”*

If you are a desk jockey in this organization, you will not succeed. You will not last. This philosophy began to filter out people who were more comfortable in front of a computer screen than among other people.

Leadership has changed dramatically in this organization. We now have leaders who are personable people, visible people, people who are good communicators.

**Attack Your History**

**CCC:** You’ve talked about the people and leadership changes you started implementing immediately. What about organization of the business itself?

**PF:** We began an intensive situational asset analysis of the whole organization. We drilled down and evaluated the hard assets in the organization from three perspectives:

1. Financial performance
2. Capital needs
3. Critical strategic value
It was revealing and critically important. Because of this analysis, we decided at the end of 2001 to divest ourselves of about ten acute care and long-term care facilities.

At the time, these facilities represented 8% of our revenue and very little of our income. But looking closely, we realized we did not have the capital to invest in those facilities. More importantly, the services they provided didn’t represent any strategic advantage for Banner. Above all, we thought these operations were better off in the hands of some other local organization that had the need and desire to invest capital in that particular mission because it met a strategic advantage or was more closely aligned with a core mission.

We realized a return of approximately $130 million in savings. We were able to take that money and build a new Banner hospital in an underserved community that fit better with our vision and plan.

So, the situation analysis challenged the organizational history.

That analysis yielded critical information that allowed us to focus on our vision and work on our plan.

In order to move forward, we had to attack history and change context. To change the context, we needed leaders who could get out in front of people and be convincing. That sent a clear message to our staff that a key skill set for success as a leader in the organization was to be an excellent communicator who could be a convincing change agent.

### Banner’s 2020 Vision

**CCC:** Change is hard. Change is long. Is this when your 2020 Vision plan originated?

**PF:** Yes. In my second year, we produced the 2020 Vision. We laid out what we were going to do for 20 years, making it clear, simple and easy to understand.
2020 Steps to The Future

• **Fix It** – Turnaround, 2000-2002
• **Do It** – Performance, 2003-2006
• **Grow It** – Growth, 2007-2010
• **Change It** – Innovation, 2011-2015
• **Lead It** – Industry Leadership, 2016-2020

For the 2020 Vision plan to succeed, our operating organization model boiled down to seven critical success factors:

1. Single Board
2. Single organization
3. Single culture
4. Strategic, data-driven decision-making
5. Accountability
6. Focus on clinical outcomes
7. Significant investment in information technology

Being Out Of Your Mind Might Be Necessary

A lot of people in this industry with whom I shared this 2020 Vision thought, “You are out of your mind! Twenty years?” It seemed ambitious then, but it was necessary to point the organization in the right direction.

So, we began methodically going through the plan, working it.

We spent two years focused on fixing this company, taking it from a losing operation to a financially successful organization. Then we began to plan for the next stage—focusing on performance.
We needed information systems that could gather, arrange and provide the information in a way that would allow us to benchmark ourselves against anybody. This meant investing in IT systems.

We began to build the idea that we were only as good as the best of the best—not the best with the data. So we began to benchmark.

**Transparency Motivates Positive Change**

We then took those benchmarks and put them online on our intranet. It was important for every part of the organization to be able to access the data. For example, take inpatient services. The measurements we were using were shared visibly and broadly, so everybody could see. It created a lot of tension, but it got the competitive juices flowing.

Total transparency—it’s refreshing but, make no mistake, it is difficult to manage.

**CCC:** So if you were running a hospital where you were at the bottom of the barrel, with unacceptable outcomes compared to your peer group, everybody knew it.

**PF:** Yes. That created a lot of peer pressure—pressure to perform, motivation to change. We built this process of total transparency and accountability into the organization. It became part of the fabric of the company.

**Accountability Provides Investments for The Future**

Accountability produced results that then positioned us to spend a few billion dollars during a three-phase plan to grow the company by first focusing on investments in present campuses and towers—reinvesting in our facilities. Second, we started building new campuses, or what we call Greenfield projects, that are quite advanced from an IT perspective, incorporating design and technology that have been very well accepted by our patients.
A great example is our new Banner Ironwood Medical Facility and the development of the Cardon Children’s Medical Center, the first new pediatric hospital in Arizona in decades. The third phase was acquisition, with the purchase of another system called Sun Health.

Fix. Do. Grow. Three one-word methodologies we’ve used to grow our organization so far.

Clinical Quality Company

Now we’re moving into our next phase—innovation. We started communicating it last year. We are no longer a healthcare delivery company; we have become focused on becoming a clinical quality company.

You have to be in the top quintile of every clinical measure to be a true stand-out as a clinical quality company. Measure, benchmark, execute and improve. That’s the plan.

CCC: How will you communicate that to your people?

PF: If you really want to move and improve an organization, you need a mission statement that is clear, crisp and simple. You can’t have 1,500 different answers from people when you ask them about your mission—your reason for being. The mission became something everyone could repeat, remember and understand. So, early on, I would go around and ask people what our mission was, and I would get many different answers. But, we kept at it, reinforced it, asking, “Why are we here?”

Shortly thereafter, you could go throughout the organization asking that question and get the correct answer.

“To make a difference in people’s lives through excellent patient care.”

That’s our mission statement. Not a page full of words, just one simple statement.
The mission needed to become something everyone could repeat, remember and understand. Early on, I would go around and ask people what our mission was, and I would get many different answers. But, we kept at it, asking, “Why do we exist?”

Are we getting results? I think so. In a recent survey of our 36,000 employees, 83% understood and knew this mission statement.

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**Successful Change Requires Losing The Legacy**

**CCC:** You’re leading through a turbulent and constant sea of change. What is your advice for leaders struggling with “legacy” issues in their organizations?

**PF:** Change is difficult. Legacy organizations can be like a ball and chain. At Banner, we had to get rid of the legacy organizations. We got rid of the “Lutheran” name and the “Samaritan” name, with the exception of keeping our Good Samaritan facility, because we had a 100-year history there.

We took the legacy organizations, locked them in a closet and threw away the key.

We changed all the names of the hospitals. Everything became “Banner” by either adding Banner or our logo to the facility name. We needed to reinforce the cohesion of our system and kill the notion of separate, sometimes competing entities.

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**Plowing the Legacy Minefields**

**CCC:** How did you deal with the local entrenched community’s response? There’s always that refrain, “I’ve donated to this hospital every year of my adult life and it’s always been Lutheran.” Did you plow right on by?

**PF:** We just kept moving forward. My assessment was that we could explain what we were trying to accomplish. In fact, if fundraising is a good indicator of whether this was really an issue, our fundraising has gone up substantially. Our
fundraising in the last four years has been greater than the fundraising in the previous decade by a large number.

It took a lot of courage to do some of the things we’ve done. They weren’t without risk. And, yes, they did have significant potential to do damage. But, they didn’t. So we plowed ahead. Recently, we also changed our vision statement to move us forward on our plan.

**Clinical Quality Vision**

Our vision is to become a national leader recognized for clinical excellence in innovation, preferred for highly coordinated patient experience and distinguished by our people.

That’s our vision statement, and it is in step with our 2020 Vision plan.

We began to commit to becoming a national leader recognized for patient quality. We’re sending the message home to people—it’s all about clinical quality. I tell people that all the time in orientation. It’s not about how hard they work; it’s about what they get done to improve clinical outcomes.

**We Only Care about What You Get Done**

We’re a results-oriented organization. People who aren’t accountable, or can’t get things done, don’t last. We only care about what you do and expect people to perform in an ethical and appropriate manner. People who are delivering results at Banner are creative, innovative and figure out solutions.

**CCC:** What attributes do you look for in people when hiring or recruiting?

**PF:** You have to have two attributes to survive in healthcare: a passion for complexity, and a high tolerance for ambiguity.

If you have those two things, you will do very well in Banner or in healthcare in general. If you cannot deal with those two things in healthcare, you have to find another industry to work in.
This is a complex business, unlike any other. The answers aren’t very clear. You have to be comfortable with that kind of environment.

**CCC:** *Next steps for you?*

**PF:** All of this then leads to the innovation stage in our 2020 Vision stair step to the future. Now it’s really about how we can innovate the company around clinical quality. How can we do things differently? How can we change processes to improve clinical outcomes.

For example, we built the Banner Health Simulation Center to help us innovate better and quicker. It’s one of the country’s largest simulation educational programs to train physicians, nurses, health providers and emergency responders. It has 55,000 sq. ft. of simulated clinical space filled with mannequins, simulators and virtual-reality programs that are used to offer the next generation of learning.

Those are unbelievable but achievable results. These are some of the very innovative things being done in our Simulation Center.

**CCC:** *Do you see other innovations impacting the bottom line yet?*

### Making Positive Change

**PF:** Last year for the first time we had a negative contribution to our malpractice insurance after investing in five years of development for our Peri-Birth system in the Labor and Delivery rooms. It used to be our highest source of malpractice awards and claims. We also have implemented E-ICU, or what we call ICare, in 407 ICU beds. This system has resulted in a 19% reduction in ICU length of stay and a 23% reduction in mortality. If we were structured differently, we could never have implemented these two systems.

**CCC:** *Do you see a direct causal relationship between system implementation and the liability/insurance reductions?*

**PF:** Yes, because of the system we put in place. So, we have experienced a direct
cause-and-effect relationship between innovative solutions and various positive outcomes, even a little bit ahead of the desired timetable set out in our 2020 goal for industry leadership.

**CCC:** How did you extend your vision throughout the organization? Leaders have ideas and values they want to communicate to the senior team, but it’s hard to make them permeate throughout the organization. How did you get those levels of management to continue to promulgate “Peterisms” until they became woven into the fabric of Banner?

**PF:** By being consistent, repetitive and clear.

**Fear Slows The Speed of Change**

**CCC:** Comparing what you’ve done in the past ten years with what several other large non-profit systems have accomplished, what you’ve done in a year has taken others five years. The overriding speed bump to change frequently is fear.

**PF:** Yes. It certainly can slow change if you let it.

**CCC:** How did you get over that speed bump? Often, senior executives have a personal fear that makes them think, “I like this job. I am getting paid well right now. It’s not great, but it’s not bad. I’ll just keep inching along.” How did you overcome that need for security in executives?

**PF:** I remembered three things. First, I was brought here to become a change agent, a disruptive force. Second, I had to create an atmosphere where change was good—not a thing to be feared. Third, I had to make the legacy organizations disappear and get people focused on where we were going, as opposed to where we had been.

**Good Change**

What does that mean? It means I couldn’t blow people out of the water when they took a risk and it didn’t work. I had to set the expectation that I wouldn’t be
too rigid. I had to be willing to change my mind based on a good presentation, filled with data and facts. I had to demonstrate that people who had the right behaviors and who accomplished objectives would have increased opportunity.

The result was that we became a more of a fact-based organization than an emotion-based organization.

One of the things I did to foster the right expectations was talk to people around the organization who had very strong opinions about a lot of things, but attempted to pass their opinions off as facts.

Whenever I saw somebody do that, I would say, “That’s a very interesting point. What data supports your opinion? And where is the data coming from?”

When you consistently question people like that—requesting data that supports their opinions—people begin to understand that you’re a fact-based decision-maker, not an emotion-based decision-maker.

It’s a clear message, and people begin to trust you.

**You Can Tell Doctors “No,” But Never Fail to Answer Them**

Also, I’ve never been somebody to mince words. Being clear, direct, and timely were the keys to being trusted. One of the things I have learned is that when you’re dealing with doctors, you can always tell doctors “no,” but you can never not give them an answer. So we became an organization that had to be responsive. We didn’t have to give the answer everybody liked, but we had to give an answer.

This is an effective way to move things forward.

Get the information, the facts, and then make a decision. It stops the “delay by debate” tactics that often paralyze an organization.
Physician Alignment

**CCC:** Physician alignment is critical to any great healthcare organization. But it’s also extremely difficult. How did you bring physicians into this new Banner process? How do you get their participation and buy-in?

**PF:** We have thousands of physicians in our many different organizations, so it’s tough. There’s really only one way to do it—hire leaders who are good communicators with physicians. A physician lives in this microcosm of a world that revolves around his or her practice. Physicians are not living in the world of Banner—the macro organization. Rather, they’re focused on the world of their practices.

We recognized that clinical leadership was critically important to our future success. We put employed medical directors into all of our big hospitals, and they became key communicators to the physicians within those hospitals for clinical quality issues.

We began focusing on clinical quality as opposed to business. Those are truly separate and distinct issues. You have to communicate the difference, and then prove you mean what you say—visibly, personably.

Champions of Quality Care

Our medical directors are not focused on business relationships; their focus is on how to improve clinical quality in the organization.

Identify Key Communicators

Then we began to identify key physician leaders within all of our hospitals who were good communicators. We were looking for reasonable, thoughtful people who could help communicate the clinical quality message and, conversely, uncover information relevant to medical staffs.
**CCC:** Did you recruit physician leadership externally for those medical director roles based strictly on competency? Did you recruit inside, outside, or did it matter?

**PF:** We recruited inside and out. For example, our Heart Hospital Chief Medical Officer came from the University of Michigan, where he was part of the academic faculty. We have others who have come from inside the organization. It’s strictly based on their roles and their suitability for the position.

**CCC:** The medical director’s role, as you describe it, is much different than at most organizations; it is much narrower. But if you have the right person in the role, it certainly could be much more powerful in terms of influencing physicians to buy into a vision and move it along.

**A Team of C-Level Players**

**PF:** Yes. The person must be a good-to-great communicator. The Chief Medical Officers (CMOs) of our hospitals all report to the CMO of the region, who reports to the CMO of the system. The same is true with the CFOs and HR executives. This matrix structure is a major principle of our organization, so you have to learn to work with it. Within the hospital, the leaders are a team. The CEO can request that someone be removed from the team, and the request is almost always honored. But, the CEO can’t fire that person, because that person reports up to somebody else. They have to learn to work as a team unless there are extraordinary circumstances.

**CCC:** You demand behaviors from your CEOs that are very different from the typical hospital administrator role.

**PF:** If you are an autocratic, command-and-control executive, you will not survive here. It is a team-based model.

**CCC:** The focus and training is on being a great communicator and a team-builder?
PF: Yes. Those are critical success factors that we require here. You have to learn how to manage a team, not function as an individual. The CEOs have to manage a team of people, including some key people who don’t report to them. The CEO could get these people fired, but they don’t technically “belong” to the CEO.

CCC: It’s an interesting dynamic—truly matrix.

PF: It is very matrix. Some find they can’t perform under this system. We’ve brought people here and, after the fact, found they were command-and-control type executives. We didn’t discover this trait when we recruited them, and they didn’t last.

It is very important that people win the day based on their:

- Oratorical abilities
- Logic
- Use of data
- Capability to be convincing change agents

If they are aggressive leaders who try to force their positions based on how loud they can get, they don’t succeed.

Firing Up The Living Dead

CCC: A lot of organizations are filled with people who don’t believe they can get fired. How much do you think the credible threat of actually being terminated for not doing their jobs is driving employees to undertake all of these unusual, but critically successful changes throughout your organization?

Clear Messages, Clear Expectations

PF: When I reduced the senior management team from 24 to ten people after my first six weeks on the job, a clear and credible message of expectations was established. If you want to move forward, you must remove the obstacles that are
in the way, including high-level leaders it that’s what’s necessary. Is it hard? Of course. Is it necessary? Absolutely.

**The Real Threat Is Inaction**

**CCC:** I keep coming back to courage. We advise so many organizations where you’ll sit with the CEO and hear, “I know I should move Nancy out, but she’s been here a hundred years. The doctors will go crazy; the nurses really like her . . .” Then these leaders build processes and teams around the person’s limitations that result in a Rube Goldberg kind of system; a dysfunctional, overloaded leadership structure designed to “soothe not serve.”

**PF:** That’s the fear of the unknown. This fear causes people in this industry to become timid and intimidated. There is a certain amount of leadership risk-taking and courage required in this business—no doubt. But, when you really understand it, you know that there are many more people removed for doing nothing than there are people who get in trouble for doing something.

Still, many leaders are afraid of taking action, when the real threat to your organization is inaction—maintaining the status quo.

When I took this job, I knew what I was coming here to accomplish—what I was asked to do upon appointment. I couldn’t do my job by passively trying to get to our stated goals, since the company was going down a failed path, both financially and operationally.

Today I think it’s absolutely miraculous to see the accolades our company is getting, based on where we were in November of 2000.

**Quick, Visible Impact**

At that time, we had a Board that knew exactly where they wanted the company to go, but we were stuck in a legacy organization and couldn’t get there. We had to do certain things to make an impact quickly and visibly.
As I discussed earlier, we started by stopping the development of a new corporate office, reducing the size of the senior management team, then quickly completing a total operational and financial situational analysis. These things caused the organization to look at itself differently.

**CCC:** So the key is, can you create disruption without blowing up the company?

**PF:** That was the challenge. And so these specific things were put into place because we believed that they created the necessary disruption, but wouldn’t have the effect of blowing up the company along the way.

It’s a delicate balance, but one that must be sought. In the end, it is almost impossible to make progress without disruption and some risk. But if the status quo is unacceptable, and the future bleak without change, disruption becomes an organizational necessity.

### Changing Culture

Remember, we’re a merged organization. There are two ways to deal with a merged organization.

You have to honor and respect the past, yet you cannot be handcuffed by it. Many people in a merger are handcuffed by the past and afraid to move forward. Then the merger lingers and stall.

You can accomplish a successful merger in one of two ways. Some mergers are slow and some are “let’s get it done.”

Both can be successful, depending on the organization. In this situation, I deemed the slow and methodical option would have led to failure, as compared to creating a sense of urgency.

**CCC:** We analyzed the way you acquired the Sun Health system. That would not be termed slow and measured by any stretch of the imagination. Would that be your general approach if you were to look at another acquisition tomorrow? Would you do it the same way?
PF: Each situation has different facts and circumstances that determine the approach. In this situation, many members of Sun Health’s senior leadership team were retiring. It was a picture-perfect merger, financially, operationally and in terms of relationships. We implemented our systems and got them up and running in thirteen months. We had to totally change the culture to do that. How did we do that? By setting objectives and timetables and inserting highly accountable leaders.

CCC: Were they all non-keepers, or is that what you wanted?

PF: Most of the former senior team either chose to retire, or decided to take other opportunities outside of the organization and collect their severance pay.

So, we deliberately forced a culture change. We already had the right people within the Banner organization. So, we literally moved in one day to the next, began new operational and financial systems and had some marvelous results to show for that effort.

CCC: When you look back over the past ten years, which things blew up? Is there anything that you would have done differently in hindsight?

Managing Talent

PF: Yes, we made some people mistakes. We picked some wrong people, and it hurt us from a time perspective. So a few years ago I brought in a new person from an entirely different insutry outside of healthcare. We gave him a clear message. We weren’t interested in having a “Human Resources Officer.” We told him to forget that term, and we created a new department and title, “Talent Management.” So his title was Senior Vice President for Talent Management.

Our key critical success factor for the future is talent: finding it, grooming it, developing it and keeping it. We want Banner to be the journey of a lifetime for leaders.

CCC: How do you foster talent?
PF: We review the top three levels of leadership with the entire senior management team every year. We grade people. We rate people. We talk about them. So, the top leaders of this organization of 36,000 are reviewed annually during succession planning sessions.

We know what’s happening with them—what training programs they’re taking, what roles they have and have had. We’ve already assessed their development program and know what they need for their next move up.

We’re building a team of talent at the top to fill current and future needs.

CCC: So you’re constantly examining the high potential talent for the next move or need?

PF: Yes. We affectionately call them “Hi-Pos.” The Hi-Pos of our organization are on the list. Most of the more structural roles already have Hi-Pos plugged in to be the next in line to take the job. Where we don’t have an inside Hi-Po, we will either train someone or go outside the organization and recruit.

CCC: It’s good to occasionally bring in an outside person. It adds flavor to the stew.

PF: Yes, but we’re trying to groom for our top leadership positions so we don’t have to go outside. We think there’s a lot less risk in hiring people we know than people we don’t. We’re striving to develop a talent pool within the organization that is three or four levels deep so that we can just train people and move them up the ladder.

CCC: So, at Banner, you have an internal recruitment strategy where you are constantly renewing your own talent pool.

PF: Yes.
No Cause-And-Effect Excuses

**CCC:** You are a results-oriented organization. However, we often see a lot of other hospital systems where the results aren’t where they were targeted to be. People come up with cause-and-effect models (or excuses) that justify why they can’t achieve the results expected. How do you handle that?

**PF:** This is a “no excuses” organization. You’re paid to be effective. You’re paid to find solutions. That’s your job as a leader. You can tell me all of the things that got in the way, but in the end, you still didn’t get it done. We hold our leaders accountable by job or by the use of our incentive program. Our executive compensation program is all geared toward results. A substantial amount of pay in a leader’s compensation is at risk and is tied to competitive results.

**CCC:** When you say “substantial,” what percentage are you talking?

**PF:** It varies by position, but for many it is as much as a third of their total compensation.

**CCC:** That’s impressive.

**PF:** When I came to Banner, a significant amount of risk compensation was based on subjective criteria. Today, the measures are objective, and they are linked to the system’s driving strategies.

Focus on Dreams, Not Memories

**CCC:** What was your relationship with the Board when you first arrived?

**PF:** The Board was created with seven people from each of the two organizations when they merged. Then, they picked one outside Board member to be the fifteenth. The Board was focused from day one on where they were going, as opposed to where they had been.

It was about dreams, not memories.
Today, the Board’s agenda is highly focused on:

- Corporate strategy
- Financial stability
- Clinical quality

Because the Board meets four times a year, they focus on governance—and that works. We also have brought in three new Board members since the company was created. We have excellent talent and great diversity on the Board. In addition, they come from different locations: Arizona, California, Colorado, Minnesota and Missouri.

**CCC:** I’m fascinated by the fact that the Board had the vision to say, “We are not looking to the past; we are looking to the future.” But the management was still more focused on the past. Did the CEOs opt to leave, or did the Board direct the changes?

**PF:** One CEO retired after six months, and the other CEO retired when I arrived, 14 months after the merger.

**Leaders Need to See Opportunity**

**CCC:** When you were recruited, why did you choose Banner? What about Banner called you?

**PF:** Opportunity called. I saw a lot of opportunity to make things happen at Banner, and I saw governance that would allow that to occur. I actually turned down a higher paying system job to take the Banner job. When I did, the Chairman of the organization I turned down called me and wanted to know why.

Here’s the answer as I explained it to him. It was a single issue. During my interview with the seventeen members of their Board, at a luncheon, we sat around a table. By the end of that lunchtime interview, I could tell you which member at the table was representative of which of the legacy organizations that created the system.
When I interviewed with the members of the Banner Board, I could not tell you who came from which of the legacy organizations. They were a Board focused on the future. The other Board was focused on the legacy of the past.

That’s why I took the Banner job—the clarity, cohesiveness and forward-looking vision of the Banner Board.

**Board Compensation—Commitment**

**CCC:** One issue that often comes up with Boards we have worked with (and, a painful discussion for not-for-profit Boards) is the concept of Board compensation. I’m an advocate of it. If you are going to ask for their time and attention, reward it, even if it is symbolic. How is it handled at Banner?

**PF:** We do compensate our Board. I’ve been here ten years now, and there have been about 40 Board meetings, I’ve had one Board member who has missed a full Board meeting, and three that missed half a meeting. We’ve had close to 100% attendance. Is it because we pay Board members? I don’t think so, but I can tell you they certainly feel a commitment. When we recruit Board members, they are clearly informed by the nominating committee that 100% attendance is the expectation.

**CCC:** Well, if you only have four meetings a year, Board members can plan their calendars for attendance unless there is a real emergency.

**PF:** I challenge you to find any Board in this industry that can make that claim of that kind of attendance—having only one Board member miss a full meeting over the course of 40 meetings.

**CCC:** I applaud the compensation of the Board members. I think even though you can never fully compensate them for their worth, it creates a value around the Board and recognition of its contribution.

**PF:** The other thing is—between the compensation and the four meetings a year—Board members are discouraged from seeing the organization as a volunteer activity and they are kept involved at a true governance level, rather
than at a management level.

**CCC:** The risk is Board members thinking, ‘I’m giving you my time; therefore, I have the ability to dabble internally?’

**PF:** Yes. Many times a Board member’s behavior as a Board member is different than the behavior that they exhibit in their own businesses. I have never understood why the professionalism that they demonstrate outside doesn’t carry through to their Board roles. But our Board has shown that professionalism because they are treated as professional Board members, not simply volunteer leaders.

### Innovation Phase

**CCC:** You’re on the fourth step of the 2020 Vision plan—the Innovation stage. Do you have a specific Research & Development (R&D) budget or R&D organization?

**PF:** No. We spend a lot of money on innovation but do not have an R&D budget in particular. We do have a lot of creative solution teams. There is no organization for R&D, *per se*, but there are solution teams filtered throughout this organization that are working on new and unique approaches to solving age-old problems. We’ve built solution teams throughout the whole organization. So there’s a lot of R&D going on, but it’s not structured in a traditional way.

**CCC:** So, R&D is just woven into Banner’s fabric, not an academic institution grafted onto your hip.

**PF:** That is correct; it is part of the fabric of the organization, not an appendage to the organization.

**CCC:** That is more consistent with your commitment to the complexity concept, of letting innovation emerge from within the organization, rather than directing it from the top.

**PF:** Yes, so the solution comes from within the organization, not from an external appendage organization.
Unambiguous Commitment to Complexity

CCC: Many of the things you talk about are things that one could say are analogous to what the best industries do—for example, General Electric—in terms of the management of the top high-potential people. There are a number of things that are very similar. But, one of the things that is different is the commitment to complexity, even as innovation is becoming the top theme for the organization.

PF: We try to franchise everything we do. We integrate it. From small community hospitals to larger community hospitals, the medical record screen you see in Wyoming is the same medical record screen you see in Arizona or Alaska. That’s how we do it. And so, our small hospitals have things that larger hospitals outside of our system never even think about having.

Structural Regulatory and Reimbursement Challenges

CCC: What’s ahead for Banner, your biggest challenge?

PF: Our main issues revolve around government structural regulations, reimbursement and the change in the business that’s going to occur in the next ten years because of healthcare reform. We’re going to have to adapt to those changes. So we are doing a lot of talking around here about things like:

- Can we live with the new Medicare rates across all payor categories?
- How could we do that?
- How could or would we restructure our cost base to do that?
- Can we develop models in conjunction with physicians that can take on risk?
- And, most importantly, would we be prepared to do that?

A lot of activity, thinking and planning that is going on now is about structural changes—to respond to what we believe will be a highly tricky and dynamic business. That does cause me to wake up at night. For example, I think about the
potential of getting penalized for something we had no intention of doing, but that we know happened—the potential of something going wrong. Think about it. In this business, you basically have to be right every time, get a hit at every bat and score a touchdown on every drive.

And, if you don’t, the regulators or auditors attack you for something that someone three levels down didn’t manage correctly. For example, someone misses a contract being signed within two days. The penalty is to wipe out all of the revenues that doctor brought to your organization for the last two years? Does that make sense? But things like that are bound to happen. Not because someone was trying to do something devious or inappropriate, but simply because they just missed it. The penalties and potential for mistakes are worrisome.

**Don’t Risk Not Taking Risks**

**CCC:** *Were you to do it over again, would you?*

**PF:** My career has been very different. I’ve had my ups and downs. Luckily, the ups have been far greater than the downs. I have been able to be associated with some great organizations, like Aurora Health Care, Northwestern Memorial, and now Banner Health. At one point, I led a hospital for fourteen months then resigned. The improvements and opportunities to make a real difference were not materializing for me there, and they never would. So, I left.

Realize now what that meant—I had no job. I had a family, a dog, a cat, three kids, a mortgage and wife that liked her life. People said, “You’re nuts.” I said, “Well, I can’t make a difference, and it’s not tolerable.”

I decided to go after a job that had the potential to help me help make a difference. How did I do that? I made 250 phone calls in the first two weeks after resigning, which led to 150 follow-up phone calls. That led to three jobs opportunities, which led to a new hospital CEO position. I did all that in 10 weeks.

**CCC:** *So the overriding message from both the organizational and personal story is not taking a risk is the riskiest position.*
There are a lot of people who are change-focused or change agent-oriented, and they want to keep rolling, keep moving. They want to go from organization to organization, but you kind of built-in change by creating the Banner 2020 Vision.

PF: Absolutely, I have no intention of leaving Banner. Yes, I moved around to move my career. But once I got to the capstone here ten years ago, I wanted to make a real difference. So this plan had more than a decade of opportunity to keep me excited. I’m fifty-nine years old, and I want to work another ten or eleven years.

I believe that, over the next ten years, there will be the greatest degree of consolidation this industry has ever witnessed. We will be active players. Come 2014-2015, just when all kind of chaos is breaking loose because of healthcare reform, we’re going to be in a very good position. I also think there will be another wave of growth for Banner in the last part of this decade.

I oversee a company that is, we think, the largest not-for-profit, secular, multi-state system in the country. We have created and nourished innovative change agent mindsets and woven them into the very fabric of Banner Health. We have an exceptionally skilled and proven leadership team facing some of the greatest growth opportunities in the history of healthcare. This past year, we were named one of the Top 10 Systems in the country based on clinical care by Thomson Reuters and a Top 10 Integrated System by SDI.

The future is going to be exciting and intellectually stimulating.
About Peter S. Fine, FACHE, President and CEO of Banner Health

Peter Fine was appointed president and CEO of Phoenix, Arizona-based Banner Health in November 2000.

Banner Health is one of the nation’s largest secular, non-profit healthcare organizations, operating hospitals and other services in seven states. Banner employs more than 36,000 people and is Arizona’s second largest private employer.

Prior to his appointment, he was executive vice president and COO of Milwaukee-based Aurora Health Care—a large, integrated system serving all of eastern Wisconsin. His previous position with Aurora was president, West Allis Memorial Hospital.

Before joining Aurora, he served in several hospital leadership positions, including president and chief executive officer of Grant Hospital and senior vice president of operations at Northwestern Memorial Hospital, both in Chicago, and assistant administrator of Porter Memorial Hospital in Valparaiso, Indiana.

Fine received his bachelor’s degree from Ohio University and his master’s degree in healthcare administration from George Washington University. He is a fellow in the American College of Healthcare Executives and previously served as a member of their Board of Governors. He is also a member of the American Hospital Association, Health Management Academy, Greater Phoenix Leadership, Business Coalition Leadership Council and serves on the board of directors of the Translational Genomics Research Institute and the Heard Museum. In addition, he has served on the Arizona Commission on Medical Education and Research, the Citizen’s Task Force on the Maricopa County Health Care System, the Citizen’s Finance Review Commission for the state of Arizona and the Board of Directors for Premier, Inc.
A number of prestigious organizations have honored Fine, including *Modern Healthcare* and Healthcare Information and Management Systems Society with the 2010 CEO IT Achievement Award, *Phoenix Business Journal’s* Most Admired CEO Award 2010, *Arizona Business Magazine* with the Healthcare Leadership Award in 2010, B’nai B’rith International with the National Healthcare Award in 2007 and The Maricopa Community College Foundation with the Heroes of Education Award in 2006.

**About Kate Fenner, RN, PhD**

Kate Fenner understands how hospitals work. First as a nurse, and later as an education leader and consultant, she has the ability to problem-solve and communicate at all levels of an organization—from staff members to Board members. As Managing Director of Compass Clinical Consulting, she uses this talent to help clients meet their clinical and cultural goals. Kate obtained her doctorate in Ethics and Law in Healthcare, and also holds a Master’s degree in nursing.

In addition to her numerous national speaking engagements and papers, Kate has authored a leading college text in law and ethics in healthcare, was senior author of Aspen’s *Manual of Nursing Recruitment and Retention*, and with Richard Coffey & Sheryl Stogis co-authored the Jossey-Bass text, *Virtually Integrated Health Systems: A Guide to Assessing Organizational Readiness and Strategic Partners*. Dr. Fenner can be reached at kfenner@compassgroupinc.com.
About Cary D. Gutbezahl, MD

Cary understands what it takes to make, “Better American Hospitals.” In addition to being a seasoned consultant, Cary has worked as interim hospital CMO in three different organizations, as well as served as medical director for two multi-specialty medical groups and several HMOs. Cary has a solid history of leading medical staff through improvements in utilization management, changes in peer review practices, and corrective action procedures. As Chief Executive Officer of Compass Clinical Consulting, Cary is armed with a diverse background in hospital, medical group, and managed care settings, and has immersed himself in developing the strong knowledge base and extraordinary skill set needed to successfully improve today’s hospitals.

While Cary served on active duty in the U.S. Navy, he was Head of the Quality Assurance Department of the Navy Medical Command, National Capital Region, in Bethesda, Maryland. Cary is board certified and completed a laboratory medicine residency and an immunohematology fellowship at Washington University in St. Louis. In addition to his numerous national speaking engagements, he has authored a number of publications including, *Hospital Service Recovery, Journal of Hospital Marketing and Public Relations*. Dr. Gutbezahl can be reached via email at cgutbezahl@compassgroupinc.com.

About Compass Clinical Consulting

Compass Clinical Consulting (Compass) has been caring for hospitals for over three decades so that providers can deliver efficient, effective care to patients. We have walked miles of hallways at hundreds of hospitals. We bring experienced eyes that have seen just about every kind of issue possible. We have achieved remarkable results, working in close collaboration with our clients. Compass assists leaders of hospitals in reducing the cost of delivering safe, quality patient care through workforce planning and productivity, management of clinical departments, patient throughput and case management, executive leadership, board development, physician relations, accreditation and regulatory compliance (surveys, immediate jeopardy and CMS recertification).
Compass Clinical Consulting

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