

LEADERSHIP >> Patrick Reilly

Executive suite squeeze

Retiring CEOs don't see enough talent to replace them

When John Frobenius ended his 17-year tenure as chief executive officer of 676-bed St. Cloud (Minn.) Hospital and its parent, CentraCare Health System, on New Year's Day, he became part of a monster wave of executive retirements.

"It was time to realize the long-term plan of stepping down," said Frobenius, 61, who said his departure was eased by the recent completion of major projects such as a 325,000-square-foot ambulatory-care center and a new 90-room patient wing.

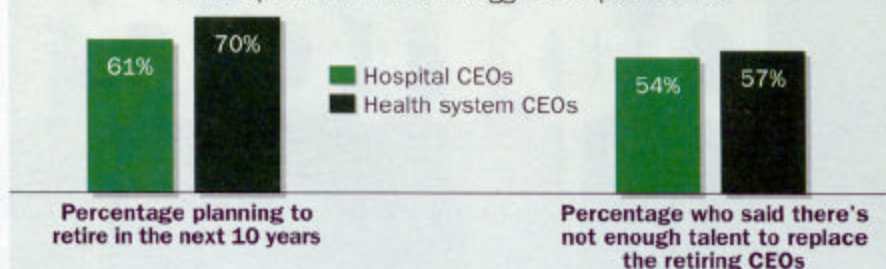
Many other hospital and health system CEOs are following close behind. A nonscientific survey by Chicago-based recruiter DHR International shows a majority expect to retire within 10 years. Some 30% of hospital CEOs and 39% of health system CEOs anticipate retiring even sooner—

within five years. Surveys were sent in October to 900 CEOs, with 157 responses. The results were released exclusively to *Modern Healthcare*.

Largely, it's a function of age: 47% of hospital CEOs and 43% of health system CEOs were 55 or older, and 17% of hospital CEOs and 13% of health system CEOs were 60 or older. The average amount of time hospital CEOs had spent in their current roles was 7.7 years, while system CEOs had an average of 6.5 years. Significantly, a majority believed the industry lacks sufficient talent to replace those executives who will retire in the next decade. They said future candidates lack financial acumen, interpersonal

IRREPLACEABLE?

Most hospital and healthcare system CEOs say they will retire soon and expect it will be a struggle to replace them



Source: DHR International

MH/Adam Dol

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"The survey gives a clear indication of the challenges ahead in replacing retiring CEOs," said Fred Halstead, executive vice president of DHR. "I don't view this as a bleak situation, but it is one that is going to require the attention of the current leaders."

Such concerns echo those of the heads of some large healthcare systems who in November 2001 formed the National Center for Healthcare Leadership, a new organization to nurture future leaders. It was a move that angered some existing professional societies and health management educators (April 29, 2002, p. 6).

Thinner profit margins and lower Medicare reimbursements have made the field a "little less attractive," said Gail Warden, president and CEO of Henry Ford Health System, Detroit, and chairman and CEO of the NCHL.

Unlike a majority of his peers who responded to the survey, Frobenius said he was confident his board would find competent successors. His replacements were Terry Pladson, a physician who was named president of CentraCare Health System, and Craig Broman, who became president of St. Cloud Hospital.

"I thought there was a pool of good candidates," said Frobenius, who is now a consultant to St. Cloud. "I have a sense in talking with other colleagues that wasn't always the case" in recent searches at other systems. <<