Trend Perspective

From Healthcare CFO to CEO

An interview with a finance executive who transitioned into the top job.

Healthcare CEOs and CFOs tend to lose sleep over many of the same issues: shrinking reimbursement, payer uncertainty, and moving the needle on population health, value-based care and consumer engagement and experience. Indeed, according to a recent Advisory Board survey, the primary concerns of CEOs are dominated by finance-related issues. Every healthcare organization, for example, seems eager to boost outpatient access and market share, reduce expenses, control utilization, and investigate new revenue streams.

Healthcare CFOs increasingly possess the knowledge, skill, experience and leadership savvy to ease into COO and CEO positions in hospitals, healthcare systems, and other entities along the continuum of care. But the pathway from CFO to CEO is neither predictable nor easy, according to an analysis of CFO roles in global companies from McKinsey & Company.

To identify the opportunities and constraints facing CFOs looking to transition into COO and CEO roles, consultant Michael Raddatz interviewed **Bill Masterton**, president and CEO of University Medical Center New Orleans. He shares insights on career motivations, perceptual barriers, CEO challenges, CFO strengths, and advice for moving from CFO to CEO.

What motivated your transition from healthcare CFO to CEO?

Masterton: As a CFO, I liked the hospital and CEO for whom I was working. Yet I wanted new challenges. When a COO position opened up, I thought it would be an excellent opportunity to leverage my financial background and still contribute to the same hospital, team and CEO. Then eventually the CEO role opened up and I welcomed that challenge as well.

How did you convince decision-makers that you were ready to take on a CEO position? What career experiences played into your recruitment as CEO?

Masterton: I was in finance and needed to take the interim step of becoming a COO before the organization would consider me for a CEO role. Once I transitioned into the COO role [at Atlanta Medical Center], I was able to demonstrate that I could adapt to and address operational concerns. As a CEO candidate, I had to convince stakeholders that I could build programs and work with the medical staff. Throughout these transitions I worked hard to involve myself in growth and engagement initiatives at the hospital that didn't require my direct involvement but permitted me to participate outside of my immediate position. That, in turn, led to leadership roles.

What were your most significant early challenges as a CEO? What responsibilities or functions had the most significant learning curve?

Masterton: My early challenges involved understanding—on an experiential level—the external facing nature of the CEO role. While I grasped the CEO role intellectually, it's different when you see the reach of a hospital's influence within a community. The hospital board, medical staff and community look to the CEO for confidence, a sense of direction, and a positive outlook.

To what extent did you receive coaching, mentoring, or support from peers on leadership style, skills, knowledge or business and clinical needs?

Masterton: I was fortunate. I worked for a large investor-owned system that put the COOs of their largest hospitals through a year-long training program in addition to fulfilling responsibilities of the COO position. Part of this training included coaches who helped COOs integrate lessons learned into hospitals and communities.

What do CFOs bring to the CEO role that makes them attractive candidates? What CEO functions came naturally to you because of your finance background?

Masterton: Sister Irene Kraus is credited with giving healthcare the phrase, "No Margin, No Mission." It sums up how an executive with a finance background can become an attractive candidate. One of the biggest criticisms facing healthcare is its unsustainable cost at 17 percent of GDP. Healthcare finance and reimbursement are complicated. Attend any finance committee meeting with community business people and it's not long before the issue of complexity comes to light. One question: "What do you mean you don't get paid what you charge?" One CEO function that flows naturally from a finance background is resource allocation: the identification of operational and capital resources that support the organization's mission.

What advice would you give to a CFO or financial executive looking to transition to a CEO or COO position?

Masterton: My first rule is to do well in the job you have. In my career, I benefited from additional opportunities because the finance functions for which I was responsible performed well. Second, participate in a series of successful initiatives with measurable results you can document. Third, make your intentions known. I remember an organization asking me not to interview for a CEO position that I thought I was qualified to get. The response I received was a wakeup call. The organization didn't know I was interested in a CEO position.

About the Interview

Bill Masterton is President and CEO of University Medical Center New Orleans. He previously served as CEO of Piedmont Medical Center in Rock Hill, South Carolina. He was also CEO at Coastal Carolinas Hospital in Hardeeville, South Carolina, and COO and CFO at Atlanta Medical Center.

Michael R. Raddatz, Jr., consultant, has been with Witt/Kieffer since 2006 and has expertise in a variety of healthcare C-suite searches, ranging from CEOs, COOs and CFOs of health systems to leaders of independent community hospitals.

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