



## Recession Reaction

What the economic downturn means to hospital and health system CEOs

BY JIM GAUSS

Hospital and health system CEOs are deeply concerned about the impact of the current economic crisis on their institutions, employees and the nation's delivery system. Additionally, they're re-evaluating their own financial security and plans for job moves, retirement and/or relocation.

These are among the findings of a recent Witt/Kieffer survey of 1,557 hospital and health system CEOs to gauge reaction to the crisis. Among the findings of the confidential survey:

*The economic toll on their employees keeps CEOs up at night.* Ninety-one percent of respondents are concerned about the human impact of the downturn including employee layoffs and salary cuts. Executives across the country express fears about the potential for layoffs due to declines in access to capital, excess margins and elective procedures.

*Economic conditions today will reshape health care's future.* Many respondents believe that what's happening on the economic front will change the "underlying economics of health care." One executive believes the downturn will signal the death knell for employer-based insurance; another thinks the uninsured and underinsured will exacerbate a delivery system already in crisis.

*CEOs will delay retirement plans.* Before the downturn, one-third of respondents planned to retire in more than 10 years. Now 51 percent expect to retire in that timeframe.

*Better pay, retirement benefits and relocation assistance weigh heavily—and equally—in career move decisions.* Higher compensation, enhanced benefits/retirement and a relocation package have equal weight today in whether a CEO will accept a new position. While 77 percent say higher compensation is somewhat or most

important, 80 percent say the same for enhanced benefits/retirement offerings and 77 percent for a relocation package.

*Relocation is a major issue in the decision to take a new job.* While 44 percent of respondents agree or strongly agree that they would consider relocating now, 41 percent disagree or strongly disagree. Ninety-three percent say moving expenses would be somewhat or most important in their decision, followed by purchase of existing home (81 percent) and temporary housing (72 percent).

*Generational differences change perspective on the economy's impact.* There are clear differences in how generations react to economic conditions including those under 55 who, not surprisingly, express more optimism than older CEOs. CEOs under 50 see opportunities for rethinking business models and making career moves given the skills needed to be effective in this environment.

*Considerable pessimism notwithstanding, some CEOs remain optimistic.* Despite what is likely to be long-term impacts on the health care industry, there is general agreement that the current cycle will last for two to three years. In the meantime, some health care leaders believe that anticipating and adapting to change will successfully position organizations in their markets. "Winners will be determined by the ability to anticipate better than others, thereby positioning the organization to succeed as market conditions change and improve," concludes one CEO. ●



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