WittKieffer

# Building Sustainable Leadership in FQHCs

## A Comprehensive Report on Board Challenges and CEO Succession

2023 – 2024 WittKieffer Executive Survey Results

# Table of Contents

# Executive Summary

WittKieffer conducted a comprehensive survey of board chairs and CEOs at Federally Qualified Health Centers (FQHCs) to explore their structure, planning practices, and priorities. To enrich the survey findings, we also carried out proprietary research on the career paths of more than 350 FQHC CEOs across the U.S.

## BOARD OPERATIONS

- The top priorities among FQHC boards were maintaining financial viability while aligning with community needs. For sustaining operations, boards must support the career development and conduct succession planning for top leaders.
- A significant proportion (55%) of respondents perceive gaps in skills and experience among their board directors.
- Recruitment challenges persist for half of respondents, citing difficulties in securing experienced and interested candidates for the board.

## CEO SUCCESSION

- FQHCs are experiencing a dynamic transformation, marked by a 20% CEO turnover rate in the past two years. This transition brings forth a cohort of younger, highly educated, and diverse leaders who will be instrumental in shaping the industry's trajectory.
- Despite a substantial majority (61%) indicating that their organizations have either implemented or are in the process of developing a formal succession plan, only 4% currently have a qualified internal candidate prepared to assume the CEO position.

## WORKFORCE CHALLENGES

- Prevalent workforce challenges faced by FQHC leaders include talent attraction, retention, and burnout.
- Amid ongoing staffing concerns, FQHCs need to foster a collaborative organizational culture that bolsters their frontline staff.
- The cultivation of a positive organizational culture is a gradual process influenced by various factors, including effective leadership and strategic planning practices.

Source: WittKieffer FQHC Executive Survey, 2023; WittKieffer proprietary research on the career paths of 355 CEOs at U.S. FQHCs, November 2023.


# The FQHC Landscape

Federally Qualified Health Centers (FQHCs) play a pivotal role in the United States healthcare industry, serving approximately 30 million patients, primarily from low-income, minority, or rural communities. The conclusion of the Public Health Emergency (PHE) and ongoing Medicaid redetermination add stress to an already burdened system, with 85% of health centers surveyed by the National Association of Community Health Centers (NACHC) anticipating significant financial and operational challenges.[1] In an increasingly competitive landscape, Boards, CEOs, and executive teams seek to partner with both private and public organizations to share resources, stabilize their patient base, and generate revenue. Workforce issues that must be managed include a trend toward unionized labor, challenges of aligning clinical and administrative staff, and the need to staff virtual care and home-based services.

Strong leadership is essential, particularly in addressing such pressing issues. This necessitates the recruitment and development of exceptional board members, often sourced from the patient base or local community, and the nurturing of dynamic CEOs and executives for the future. These leaders must embody traits of proactivity and innovation, and be adept at forging partnerships with community organizations and local health systems alike to creatively address workforce shortages and seamlessly integrate new technologies. Swift action is imperative to address these challenges appropriately and put FQHCs on a path to future success.

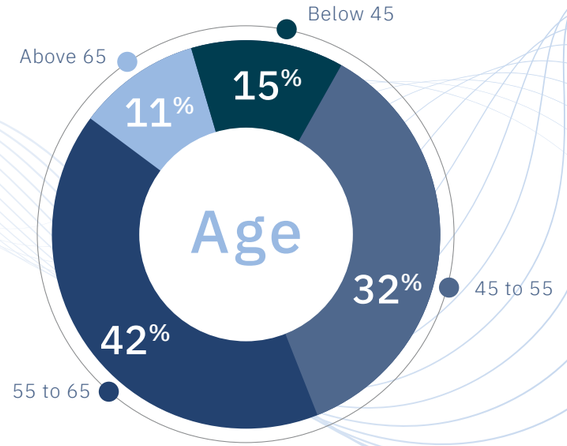
# FQHC Leadership Profile

Executive leadership in FQHCs is undergoing substantial change, evidenced by a significant 20% turnover rate of CEOs appointed in the last two years, mainly due to retirements and career advancements. Diversity is prominent among FQHC CEOs, with 43% female and 41% representing ethnically diverse backgrounds. The majority hold advanced degrees—32% with a Master's, 24% with an MBA, and 32% with a Doctorate as their highest level of education.[1]

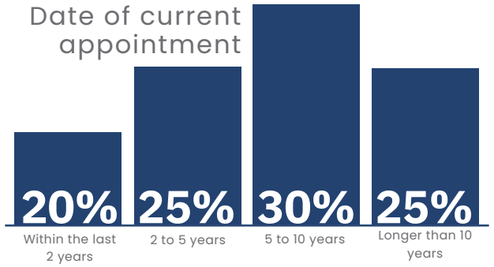
## CEO Demographics

**43%** WOMEN

**41%** PEOPLE OF COLOR




## Current Position




**7.3Y**
Tenure in current position

**31%** INTERNAL PROMOTIONS

EXTERNAL APPOINTMENTS **69%**

## Academic Background

**32%** MASTER'S

**24%** MBA DEGREE

**14%** MD

**18%** Other Doctorates (PhD, JD, etc.)

Source: WittKieffer proprietary research on the career paths of 355 CEOs at FQHCs nationwide, November 2023.

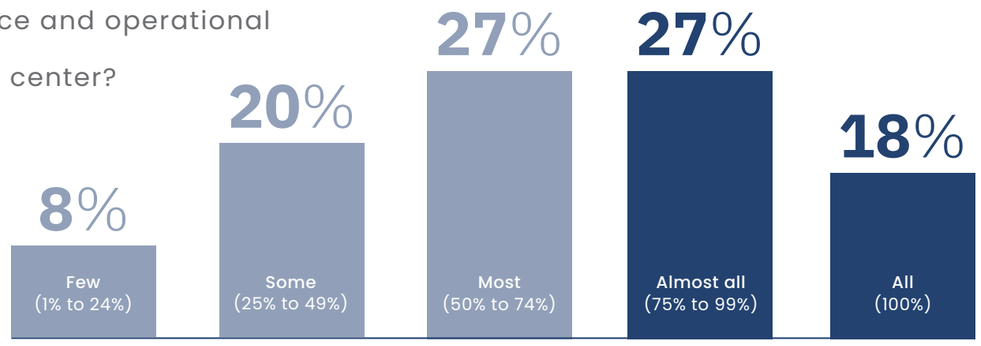
# The Board
## Composition

Federal regulations rigorously govern FQHC board size and composition in an effort to ensure valuable input from patients and varied community members. More than half of board members must be patients of the center.[1] While these regulations effectively ensure the patient's and local community's voice in center decision-making, the structure might limit the pool of available board members, especially those with prior governance experience and/or critical board competencies (e.g., in finance or technology). Training for new or existing members can be difficult due to the fact that some individuals are constrained by a lack of resources for essentials such as housing and child care, may be non-native English speakers, or may be uncomfortable in formal educational environments – all factors which can inhibit development and participation.

Given that FQHCs represent the communities they serve, the experience and expertise of membership can vary widely from one FQHC to the next. Some 28% of FQHC leaders surveyed believe that "few" or "some" members have the requisite skills and experience needed for their roles, while one-quarter (27%) indicate that "most" members are equipped for the role, suggesting room for improvement. On an encouraging note, nearly one-fifth (18%) believe all members are fully capable to carry out their duties. Further, most boards have a size which allows the recruitment of directors with diverse skill sets.

How many board members are currently serving the organization?


What percentage of the directors on your board have the skills and experiences necessary to provide strategic guidance and operational oversight to your center?



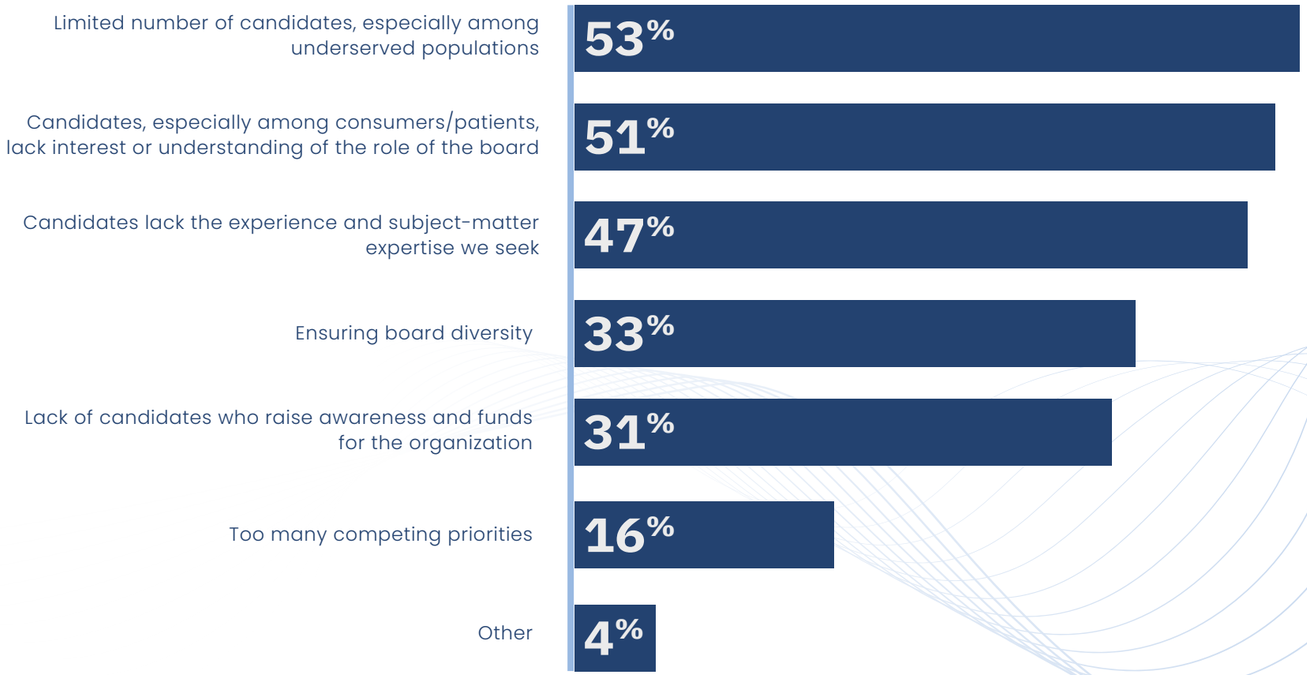

**55%** **More than half** acknowledge a **skills gap** among their board directors.

Source: 42 CFR Part51c Subpart C

# The Board
## Recruiting

FQHCs encounter formidable challenges in recruiting and nurturing boards equipped to provide both basic governance and strategic vision. Our survey reveals that nearly half of respondents face substantial obstacles in locating qualified and interested candidates from their local communities.[1] This underscores the need for proactive measures such as coaching and mentoring for current and prospective board members, strategic planning for board succession, and thorough exploration of local talent pools. It is imperative that the competencies of board members align closely with the strategic imperatives of the organization. Achieving effective governance is an ongoing journey, requiring FQHCs to continuously exercise their recruiting and retention efforts to ensure optimal board performance and to build upon past achievements.

### When it comes to recruiting new board directors to your board, what are the most significant challenges you face?




Sources: 1. WittKieffer, FQHC Executive Survey, 2023

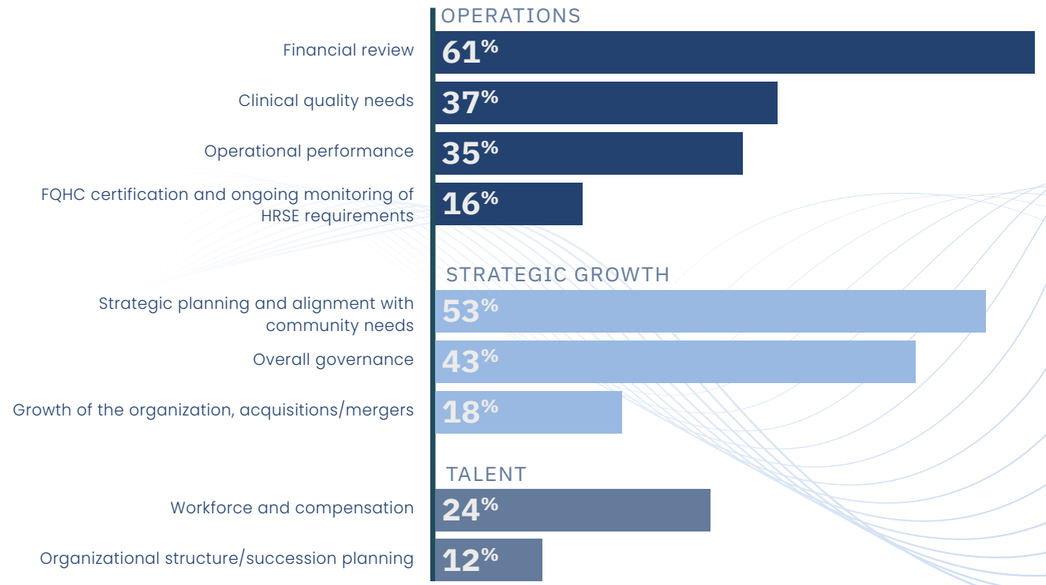
# The Board
## Operations

Survey respondents emphasized a significant focus of their boards on center operations and strategic growth over the past 12 months, with 61% conducting financial reviews and 53% aligning strategic planning with community needs.

While these initiatives are vital for addressing ongoing workforce shortages and financial challenges, the data suggests that boards may be neglecting other critical responsibilities essential for the long-term viability of their institutions. Only 24% indicated their boards had prioritized workforce and compensation, with a mere 12% dedicating attention to enhancing organizational structure and succession planning this year. Proactively tackling future staff shortages and deliberating on the types of leaders required for future guidance are imperative endeavors for ensuring the sustained success of FQHCs.[1]

Boards may benefit from additional governance training, such as that offered by the NACHC and other reputable organizations, to assist in prioritizing and addressing activities that demand greater attention. This proactive approach can better equip boards to navigate the evolving landscape within the industry.

What activities has your board of directors primarily focused on during the past 12 months? Please select your top three.



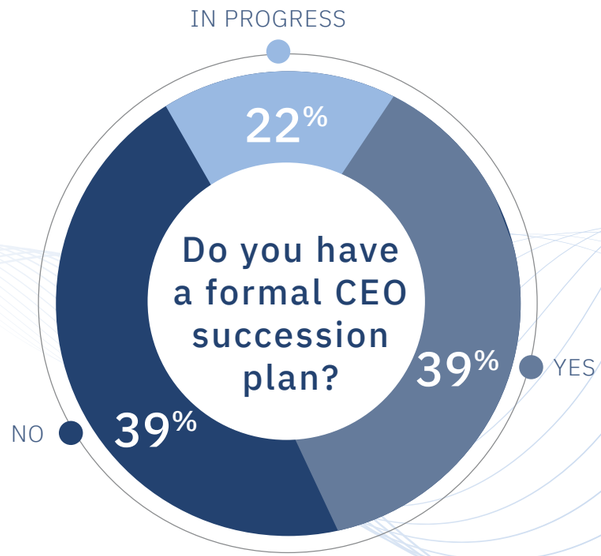
# CEO Succession
## Departure Plans & Candidates

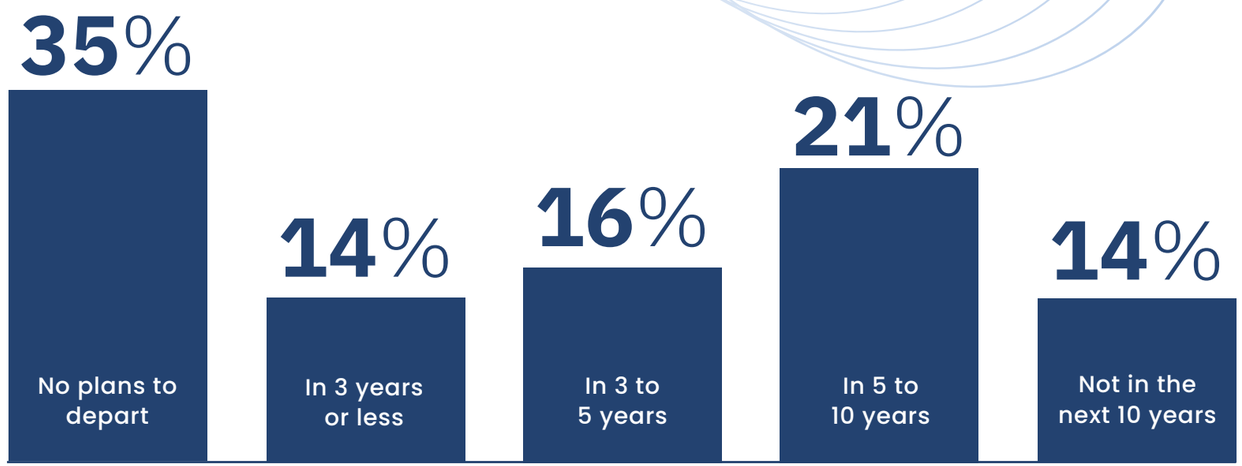
When asked about the future plans of their current CEOs, a third (35%) indicated their CEO had no plans to leave. However, given the high rate of CEO turnover today, there is a need for boards to proactively make preparations for their next chief executive. Four in 10 (39%) respondents noted that their organizations lack a formal CEO succession plan. Just 4% acknowledged having identified an internal candidate ready to assume the role immediately. This highlights a potential gap in proactive leadership planning which could hamper FQHC efforts to maintain strong leadership.

> *[Our]* ***long-tenured CEO has all of the external relationships.***
>
> *[We need to know]* ***how to address gaps of knowledge that will be leaving with him.***

Have you identified viable internal candidate(s) for the CEO role?

| 4% | 39% | 4% | 22% | 31% |
|---|---|---|---|---|
| Yes, ready now | Yes, but they need to be developed | Yes, but if offered they would not accept | In progress; we do not know yet | No |




If you/your CEO have current plans for retirement or departure, what are they?

# CEO Succession
## Planning Process

Among those who had established CEO succession planning, 84% placed responsibility for the process on the board and CEO. The primary activities within this framework include identifying potential internal successors (69%), defining a leadership profile (59%), and crafting development and transition plans (45%).[1]

A supplementary analysis of FQHC CEOs revealed a striking 69% were recruited externally.[2] This trend aligns with the complex nature of FQHC operations, where organizations often seek external expertise to bring in fresh perspectives and move their organizations in new directions. However, only 31% of boards with CEO succession processes include the identification of potential external successors among their activities. Other areas for improvement include a greater focus on internal candidate development as well as transition and onboarding support.

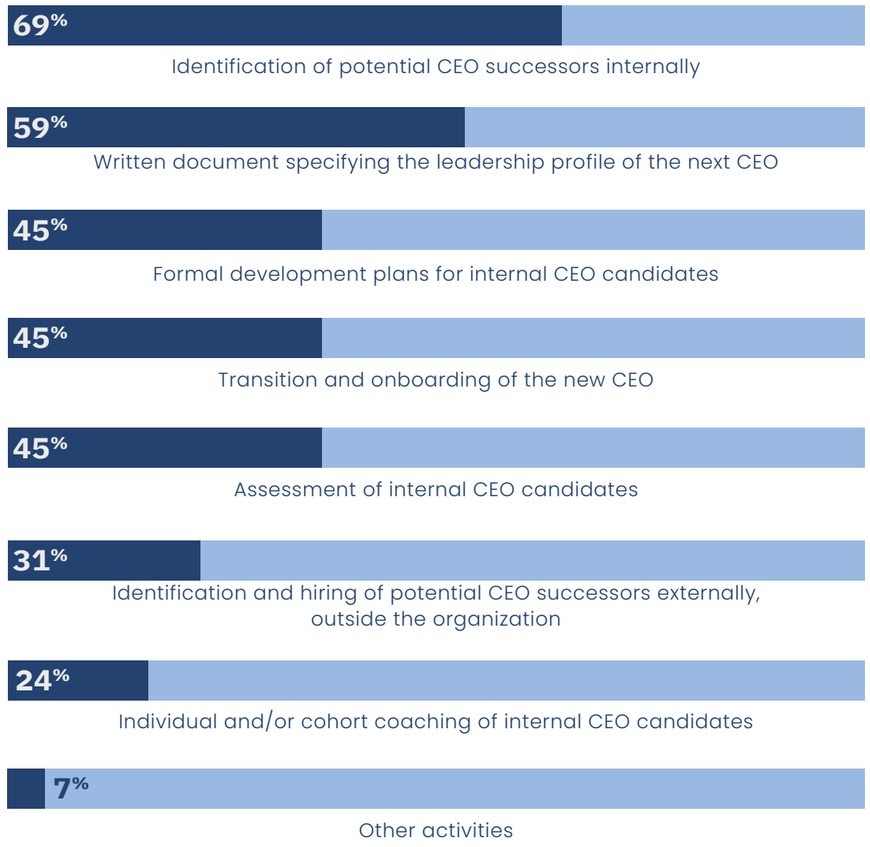
Furthermore, just 24% provide individual or cohort coaching for internal CEO candidates, missing an opportunity to enhance their skills and connect them with influential leaders in community organizations. This gap not only hinders the focused skill building of potential CEOs but also limits their ability to make a more substantial impact by fostering robust community connections, which is a crucial aspect of organizational success.


Who is responsible for CEO succession planning in your organization?

**9%** Governance Committee or equivalent

**7%** Other (Committees, CHRO, Chair)

What activities are included in your CEO succession process?*



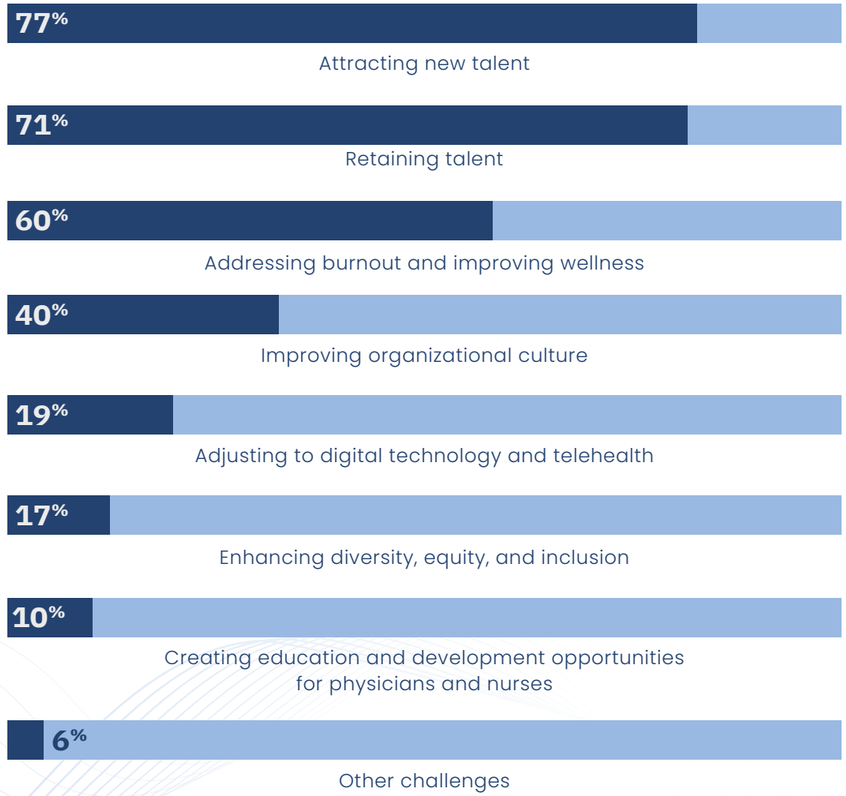

Source: WittKieffer's proprietary research on the career paths of 355 CEOs at FQHCs nationwide, November 2023.

# Workforce Challenges

Prominent workforce challenges at FQHCs revolve around attracting new talent (77%), retaining existing talent (71%), and addressing burnout (60%). Unfortunately, financial constraints are compelling several FQHCs to implement further cuts to staff and services, thus exacerbating a detrimental cycle that intensifies strain on organizational performance. Consequently, this poses risks to both quality measures and patient satisfaction goals. A smaller, yet noteworthy, portion of respondents identified challenges tied to proactive workforce measures, such as enhancing organizational culture (40%) and adapting to digital technology and telehealth (19%).

In response to queries about the governance or CEO succession planning process within their organizations, some respondents expressed concerns about staffing hindering their ability to attract top leadership talent. This insight illuminates the interconnected challenges faced by FQHCs, where workforce issues not only impact day-to-day operations but also influence leadership recruitment efforts.

What workforce-related challenges does your organization currently face? Please select the top three challenges.



# Recommendations for Leaders

## REFOCUSING BOARD AGENDAS

Given the current emphasis on center operations and strategic growth, it is imperative for FQHC boards to broaden their agendas. While aligning financial realities with community needs always takes priority, boards should equally prioritize leadership development and succession planning. This refocused agenda ensures long-term viability, aligning with the evolving needs of FQHCs and fostering a balance between operational efficiency and talent cultivation.

## IMPERATIVE OF SUCCESSION PLANNING

Acknowledging the substantial turnover rate of CEOs, FQHCs must recognize the imperative of robust succession planning. A formalized succession plan, encompassing internal candidate identification and development, is essential for organizational continuity. By addressing leadership transitions proactively, FQHCs can navigate challenges seamlessly and ensure a smooth transition of executive roles, safeguarding the stability and effectiveness of the organization.

## BUILDING A STRONG WORKFORCE CULTURE

In light of workforce challenges, FQHCs should prioritize the cultivation of a strong organizational culture. Beyond addressing attraction, retention, and burnout, efforts should be directed towards enhancing the overall work environment. This can involve proactive measures to improve organizational culture, as well as utilizing digital technology and telehealth to adapt to evolving workforce dynamics. By fostering a positive and supportive culture, FQHCs can not only address immediate challenges but also create a foundation for sustained workforce excellence.

## SUPPORTING BOARD MEMBERS

To address time and resource constraints among board members, FQHCs can provide proactive training and mentoring programs through organizations like NACHC, along with informal coaching opportunities. This approach ensures boards have skilled members, including retirees, who bring both time and expertise. This investment enhances current board capabilities and strengthens recruitment efforts by demonstrating a commitment to supporting and developing new talent within the organization.

# About the **AUTHOR**

**JULIE ROSEN**

PRINCIPAL AND PRACTICE LEADER, SOCIAL IMPACT & NONPROFITS

Julie A. Rosen (she/her), leader of WittKieffer's Social Impact & Nonprofits Practice, brings more than 30 years of experience working in healthcare and not-for-profit organizations and associations. Based in the firm's Boston office, Julie identifies C-suite and other senior leaders on behalf of community medical centers, hospitals, health systems, philanthropic and charitable foundations, social service organizations, and other leading not-for-profits and healthcare organizations. Before joining WittKieffer, Julie served as executive director of the Schwartz Center for Compassionate Healthcare in Boston. Before that, she was assistant vice president for public and community affairs at Tufts Health Plan and executive director of the Conference of Boston Teaching Hospitals. She also served in leadership roles with the Massachusetts Hospital Association, Massachusetts Medical Society, and American Dental Hygienists' Association. Julie currently serves as chair of the Hebrew Rehabilitation Hospital and is a member of the American Hospital Association Regional Policy Board. She has previously held board positions with the Schwartz Center, Vinfen, the Fishing Partnership Health Plan, and the Heller School Alumni Committee.

# Appendix:
## Demographic Profile of Respondents

| GENDER | SHARE OF RESPONDENTS |
|---|---|
| Male | 59% |
| Female | 37% |
| Prefer not to answer | 4% |

| RACE / ETHNICITY | SHARE OF RESPONDENTS |
|---|---|
| White | 82% |
| Black/African American | 8% |
| Multi-racial | 6% |
| Asian | 2% |
| Prefer not to answer | 2% |

| TITLE | SHARE OF RESPONDENTS |
|---|---|
| Founding CEO | 4% |
| Non-Founding CEO | 59% |
| Board Chair | 37% |