

# CEO Viewpoint

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As a Southern Californian since the age of two, Mike Murphy is right at home as president and chief executive officer of Sharp HealthCare, a San Diego-based not-for-profit integrated health system with four acute-care hospitals, three specialty hospitals, two affiliated medical groups and a full spectrum of other facilities and services, including its own health plan. He is a graduate of California State University at Long Beach, is a certified public accountant and served as chairman of the board of the Greater San Diego Regional Chamber of Commerce in 2005. Under the direction of the 51-year-old Murphy, who has been CEO since 1996, Sharp has dedicated itself to what it calls The Sharp Experience, a sweeping performance improvement initiative involving its 14,000 employees, 2,600 affiliated physicians, 2,000 volunteers and service-market population of over three million in Southern California. It's no mere marketing slogan: Sharp was named a recipient of the 2007 Malcolm Baldrige National Quality Award.

## What are the top two or three issues you face as CEO of Sharp HealthCare?

The top issue encompasses many issues: ensuring that we're able to operate in a way that produces a financial return while allowing us to invest in technology, people and facilities to deliver quality healthcare services. We have to consider reimbursement, the uninsured, workforce shortages, supply and technology costs and now the equity market and access to capital issues. That's more than just one issue, but to ensure our success we must manage them all effectively. We require a financial return to deliver on our mission and vision.

The financial crisis has heightened our need to manage and prioritize capital. It's a challenge. Forget government reimbursement. Access to capital is extremely tight and affects us in myriad ways, including layoffs in the community, impact on the uninsured and the Medicaid program. We're in for a challenging period.

That said, Sharp's most significant capital projects are either complete or close to completion—we will open a new hospital in January and in March we're completing the addition of 90 new beds at another hospital—so we're not having to cut back significantly. But we've



MICHAEL W. MURPHY

become very guarded of our capital in the last few months.

## Will these issues change under a new administration in Washington?

I don't foresee the overall financial challenges changing in the short term. If you take out the stock market and credit problems and focus on healthcare issues, those are not going to change for us.

## What advice would you give to the new administration and congress regarding healthcare?

If they didn't have all these other challenges to start off with—war, economy, oil—healthcare would be higher on their agenda. But in the last six months it has dropped in priority. Absent those other challenges, my advice would be to engage in significant reform instead of merely effecting changes on the edges—cover the uninsured and focus on achieving quality outcomes and the most cost efficient delivery. We can't have minor changes. I understand that's hard to do politically. People on Medicare don't want major cutbacks; employers only want to see costs reduced; payers and Big Pharma have their agendas. We all have our interests.

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### Can you identify two or three benefits that IT has had on your organization?

IT has had huge benefits. Just about every project is an IT project. Scanners, lab devices and other medical devices all involve IT today. Within our own organization, access to PACS and the ability to retrieve and move images has allowed our clinicians immediate access to the best clinical information. Infusion pumps are now wireless and can be controlled centrally. We're getting significantly better information around how those pumps are used and that gives us better controls over quality. Those are two big examples.

Our ambulatory EHR produces huge benefits to our clinicians and our patients, especially in dispersed clinics where it allows nurses and doctors to access medical records across the Sharp organization.

### Have CEO/Board of Directors relationships changed over the past five to 10 years?

Yes, many factors have brought the Board heightened awareness and discipline. The focus on business and fiduciary responsibility has increased since the Sarbanes-Oxley Act in 2002 and brought new attention to quality, public reporting and transparency that didn't exist five to 10 years ago. Also, healthcare providers are huge employers with significant impacts in the community. There's a responsibility to take the Board role very seriously and ensure our organizations are successful in the long term.

### Has your organization developed different relationships with physicians over the past five to 10 years?

I'd have to say no in the sense of large scale relationship changes. We've always focused on our relationships with physicians and have had a foundation model with a 450-person medical group since 1985. Since the early 1990s we've had an IPA with 800-plus physicians.

### What management skills have been most important/helpful in your experiences?

The ability to communicate, establish trust, listen to people you work with and execute on the plans. You have to engage people in where you're going and get them to believe in what they're doing, which makes a significant difference for them and the patients they care for.

### What advice would you give a young aspiring manager entering the healthcare field?

Recognize that in healthcare we have a special gift we don't always appreciate. Our work has such great purpose, is so rewarding and worthwhile, and makes such a difference to the people we touch. You need to recognize that the higher up you go in healthcare the more challenging and difficult it becomes, demanding leaders who are creative and collaborative. Communication, trust and integrity are paramount to lead a team.

### How do you relax and escape from the pressures and responsibilities of being CEO?

I spend time with my wife Sandy and our three daughters—a college freshman, a high-school junior and an eighth-grader. I enjoy golfing and am a pretty big sports fan, especially baseball and football.

### What do you believe are the most significant near term challenges that could be addressed by enabling Information Technologies?

One of our biggest near-term challenges is to work with IT companies to continue to improve the products and platforms they give us and make them more usable and user-friendly.

Once we have mastered the functionality within our respective organizations, we need to achieve the vision of interconnectivity across organizations. While there's lots of discussion and attention around this, we still lack the universal standards to do this.

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