

# BoardBrief

Prepared for Colorado Hospital Association Trustees

## Governance Strategies for Building Trust Through Transparency

The demand for increased transparency in health care organizations' operations is a major force today, due primarily to a combination of steadily increasing health care costs, growth in the number of uninsured Americans, scrutiny of hospital billing and collections policies and procedures, and actions by some organizations that have resulted in challenges to public trust.

**T**he growth of health care consumerism, where employees rather than employers increasingly influence or control the purchase of health care services, is resulting in more patient demand for easy-to-understand information that can help them make important health care decisions.

In addition, recent federal legislative and IRS scrutiny provides more clear evidence of the increasing trend in the demand for transparency in hospital pricing, quality, and governance practices.

### The Mandate for Transparency

A combination of governmental and market forces are coming together, resulting in growing frustration among the general public and an inability for consumers and payers to understand why they can have access to cost and quality information for all other products and services, except health care. The implication to some is that health care organizations don't want patients to know about costs, or that they simply don't believe consumers will understand them due to their complexity.

Health care organizations face a further challenge, as public confidence is eroded by rising health care costs and scrutiny about hospitals' billing and collections practices. As health care consumerism grows, maintaining and enhancing the public's trust will require increased transparency of information, including financial performance, quality and patient safety, community benefit and governance priorities and practices.

*What Does it Mean to Be Transparent?* There may be many definitions of transparency, but a good one for hospitals to follow by is "open sharing of information about prices, quality and safety, patient satisfaction, governance and other factors that inform public opinion and build public trust and confidence."

### Internal and External Transparency Builds Confidence and Understanding

Internal transparency requires continual open communication between hospital leaders and staff, including the sharing of organizational strategies and objectives.

This information may be shared with employees and board members through employee meetings, updates posted on the organization's intranet and in various locations around the hospital, and through mailed or emailed updates to employees and board members.

Internal transparency also includes employees sharing with leadership. For some organizations, this may require a significant cultural change, and the creation of a more open environment where employees can identify issues or challenges and propose improvement ideas without fear of retribution.

External transparency includes an open sharing of information about governance practices, costs, quality, safety and patient satisfaction with the general public. Although the method of sharing information and the type of information shared varies widely, many organizations are already putting this into practice.

For example, hospitals in California are required to publish their chargemasters; however, despite this open sharing of information consumers rarely utilize the information due to its complexity. In fact, even if a customer did request to view a chargemaster, they likely wouldn't be able to calculate the actual cost of their treatment unless they knew all of the procedures and medical devices involved. Even then, the prices may not be realistic, since generally patients do not pay the "charged" amount.

**Who Seeks and Expects Greater Transparency?** A broad range of hospital stakeholders and constituents seek and expect greater transparency today. The list begins with patients and families. But it extends beyond that, including the broad general public, advocacy groups and health care policy makers, the hospital's medical staff and employees, the media, insurers and hospital lenders.

Positive attitudes about the hospital among all of these stakeholders are vital to success. And while many view the necessity of transparency as a burden, others see it as a unique opportunity to communicate important information in meaningful and powerful ways that build awareness, understanding and long-term trust.

## The Perception Problem: The Case for Transparency

Studies tell us there is a significant pent-up frustration about health care driven by a lack of awareness and understanding of the current system and its challenges. People do not understand how hospitals are organized and managed, how they work, what they do to provide charity care, what they do in their communities as a part of their mission to provide community benefit and improve community health.

They do not understand the magnitude of the forces that are changing healthcare, including payment inadequacies, the negative impacts of overregulation, the dramatic increase in "disruptive technologies," changes in the work force and more.

In the absence of information and evidence, people rely on personal experiences, their own intuitive beliefs, and personal opinions to shape and sustain their belief structure about what's good and bad about health care. And it's extremely hard to impact peoples' strongly-held beliefs and perceptions.

The good news, however, is that hospital leaders have a tremendous opportunity in this area to help shape understanding about the relationship between costs and pricing, how to understand and use quality indicators, and the role of the governing board in providing sound leadership for the hospital's future.

**A Combination of Forces are Converging.** The call for transparency did not just appear as a brainstorm from some governmental agency or other group. Instead, it's an evolution of the information age, which has led to a dramatic increase in consumers who are empowered with a broad range of information, some good and some bad.

In addition, for a variety of reasons hospitals and health systems have come under increased scrutiny from a variety of business and governance practices, charity care policies, and commitment to community benefit, among others. These forces have led to a natural increase in the use of price and quality as competitive differentiators, a trend that will likely continue to grow as more and more information becomes available.

Finally, health care is a big story in America. Unfortunately, the nature of news cycles and reader and viewer interest has resulted in a general inability of the media to adequately convey the real story behind the important health care issues facing the nation today. Hospitals can capitalize on the interest in health care by the media by employing an aggressive strategy of transparency, as well as helping the media put these big stories into an appropriate local context.

**Who's Watching?** Hospitals and their governing boards today find themselves under a big microscope. Patients, the community, the media, the Internal Revenue Service, federal and state lawmakers and regulators, state attorneys general and the financial community are scrutinizing hospitals and their governing boards.

## Media Scrutiny

Unfortunately, too often there are negative headlines about hospitals and health care systems in America, and lawsuits and legislative oversight are only adding to the problem. About how the health care system is failing us, how trust is waning, and about the lack of confidence that many Americans have in our health care system. Stories are published about overcharging, medical errors, hospital infections, and hospital wrongdoing. These are the kind of headlines that shape public attitudes about health care.

The unfortunate reality is that much of the good that hospitals do for their patients, families and communities hovers below the radar screen.

Hospitals in America deliver over \$30 billion of community benefit every year. But we don't read that headline. Each and every day, hospitals across the country are doing extraordinary work to improve the lives and health of the people they serve.

Hospitals are among the largest and most prominent businesses in their communities. And a sound health care system is one of the key defining points of a vibrant, healthy community. But that is not heard about enough.

Greater openness and transparency have the capacity to educate, inform and consequently build trust in the hospital and its leaders. With increased transparency and board support, the positive stories will come through. And consumers, government leaders and others will better understand the intricacies of health care pricing and quality.

### The Three Corners of Transparency

The bottom line is that transparency builds trust. And perhaps one of the reasons why trust in health care organizations has diminished on many fronts is because of the lack of transparency in the field. Payers, consumers, businesses and governments are demanding that hospitals become more transparent in their pricing, quality and governance activities. These new expectations will not go away.

Transparent organizations seek ways to make price and quality visible and understandable. They develop meaningful charity care policies and procedures, and ensure that every patient care employee understands them and can communicate about them.

The boards of these transparent hospitals understand that the public, payers and government want more information about quality improvement initiatives, and they use this interest to broadly share the innovative quality and patient safety initiatives they have implemented. And because of the heightened interest in governance practices in all business sectors today, remarkable boards communicate in a variety of ways about their governance practices, policies and objectives.

They post on their websites photographs and biographical information about their trustees. They provide their bylaws, information about non-confidential issues they're dealing with, committee charters, their mission, values, vision and strategic direction, and more. They understand that the more people know about the organization and its leaders, the more transparent their activities are, the greater the opportunity for building trust that lasts.

### Hospital Pricing – A Complex and Complicated Issue

In theory, making prices transparent would allow patients to be better informed consumers of health care, choosing their physician or hospital according to costs, if that's their primary

concern. But the reality often doesn't match the theory. Hospital pricing is a very complicated issue. Charges for medical services vary depending on local market conditions, competition and payer arrangements, among others.

Hospitals by law must have a consistent set of prices that apply to all patients, but they have different reimbursement rates for Medicare and Medicaid patients and can negotiate rates with independent insurance companies.

As insurance deductibles rise and the uninsured population continues to grow, transparent pricing will become an even more important issue. In the past, with more health care paid by insurance, with small or nonexistent deductibles and co-pays, pricing was not as important to consumers. But as consumers are increasingly using more of their own money to pay for health care, many want to know precisely what a procedure is likely to cost. And many will increasingly "shop around" for the best buy, which is not always the best care.

Comparing prices for common health procedures can be difficult, as most procedures are complex and a total cost can be difficult to determine. Simply posting a price list on the

Nine Examples of Transparency	
The following are some specific things organizations can do to be more transparent:	
1	Engage family, friends, colleagues and neighbors in conversations about their perceptions of health care cost, quality, and the hospital's responsiveness.
2	Promote the hospital's community programs, and the economic and community benefit contributions that enhance the community's quality of life.
3	Establish community partnerships to maximize benefit and carry out a broad agenda to be transparent.
4	Assess various stakeholders needs and interests when developing their vision and strategic plan, and form community relationships to leverage success.
5	Meet regularly with community partners to discuss and assess progress in meeting current and emerging community needs.
6	Communicate efforts and results widely through a comprehensive, meaningful and personal community benefit report.
7	Collaborate with other organizations for legislation and regulation to address community health issues.
8	Regularly assess the clarity and "stickiness" of their community benefit stories and transparency efforts.
9	Include a focus on building transparency as part of the CEO's performance objectives.

hospital's website likely will not give patients enough information to understand the total cost of a procedure. Listing average prices for the top twenty-five outpatient procedures and common inpatient diagnosis-related groups (DRGs) would better help patients understand a potential cost range of a procedure.

## Quality Transparency

The increasing push for improved quality and patient safety has resulted in a number of publicly available quality reporting websites. The challenge of reporting hospital quality performance is daunting: hospitals perform a wide variety of services and procedures and each patient case is unique due to the patient's individual circumstances and co-morbidities. Nonetheless, these sites are the first attempt to capture and compare hospital quality performance.

As the health care reimbursement and delivery landscape changes and patients are increasingly responsible for paying a greater portion of their health care costs and making their own health care decisions, the availability of easily understandable hospital quality data will increasingly influence patient care decisions. In addition, public and private payers are increasingly paying incentives for high quality and disincentives for negative outcomes, such as readmissions or errors. This transition to "value-based purchasing" and other shifts in payment resulting from the Affordable Care Act directly influence hospital reimbursement.

## The Challenge of Reporting Hospital Quality is Highly Complex and Potentially Confusing

The increasing importance of patient safety and quality improvement is making quality transparency a more important issue among consumers, payers and governments. Along with price transparency, reporting quality provides consumers with more information to make better decisions about their health care.

- **Hospital Compare.** Quality information is available to consumers through a number of publicly available websites, most notably Hospital Compare. The CMS website publishes measures of hospital quality performance, initiated by the Department of Health and Human Services' (HHS) Hospital Quality Initiative. The number of categories and individual measures displayed about hospital quality performance continues to grow, including patient satisfaction, timely and effective care in a variety of areas, and readmissions, complications and deaths. The data is currently listed for each hospital, as

well as the average for the state that the hospital is located in and the U.S. average.

- **The Leapfrog Group.** The Leapfrog Group is a voluntary organization that seeks to mobilize employer purchasing power to "alert America's health industry that big leaps in health care safety, quality and customer value will be recognized and rewarded." The Leapfrog Group asks hospitals to adhere to four quality and safety practices, endorsed by the National Quality Forum. The four "leaps" in hospital quality, safety and affordability are:
  - Computer physician order entry, where hospital staff enters medication orders via computer linked to prescribing error prevention software;
  - Evidence-based hospital referral, where consumers and health care purchasers are encouraged to choose hospitals with extensive experience and the best results with certain high-risk surgeries and conditions;
  - ICU Physician Staffing, where intensive care units are staffed with physicians called "intensivists" who have special training in critical care medicine; and
  - The Leapfrog Safe Practices Score, which covers 30 so-called "safe practices" covering a range of practices that, if utilized, would reduce the risk of harm in certain processes, systems or environments of care.

The Leapfrog Group website provides a "Hospital Safety Score," which is a letter grade rating how well hospitals protect patients from accidents, injuries and errors. The score uses data collected from the Leapfrog Hospital Survey, CMS, and the American Hospital Association to calculate a letter grade safety rating.

- **HealthGrades** is a website that publishes provider ratings for hospitals and physicians and dentists. Hospital scores are based on mortality and complications, and are provided by category such as stroke, maternity care, or heart attack. Each hospital is given a "grade" for its performance, with five stars representing "best," three stars indicating "as expected" and one star indicating "poor."
- **The Joint Commission's Quality Check** website provides quality information about Joint Commission-accredited health care organizations throughout the country, listing each organization's overall accreditation status as well as detailed performance information. The quality reports are displayed with checks, pluses and minuses to help the general public compare organizational performance in a variety of key areas. The performance measures included

on the Joint Commission page are approved and endorsed by the National Quality Forum.

While all of this information is insightful and may be valuable, consumer confusion is too often the result. There are simply too many different organizations, defining quality in too many different ways. This confusion, however, creates an opportunity for the hospital to position itself as the single best, most credible resource for information about price and quality, with information presented and interpreted in a way that is meaningful and useful to patients and payers.

## Governance Transparency

Trust from a community and patient perspective means having complete confidence that the hospital will always do the right thing for the patients and families whose lives and health are entrusted to it. Communities want to have faith in the commitment and integrity of the hospital's leaders as responsible and accountable stewards of the hospital's future. In order for this to happen, people throughout the community must understand the challenges and issues that hospital executives, medical staffs and governing boards face as they try to shape health care organizations and services to meet the demands of the future. People in the community may ask: who are the leaders of our local hospital? What do they do? How do they think? Why are they qualified to lead and make decisions on our behalf? And why should we trust them?

Transparency helps build trust, the most critical intangible in ensuring an unshakable community loyalty and commitment to supporting the hospital. Loyalty happens when patients and community members have total faith and confidence in the integrity of the hospital and its leaders. And trust is the key to loyalty.

## The Road to Transparency Begins in the Boardroom

The road to transparency begins in the hospital boardroom - but it doesn't end there. And nurturing it requires preventive care, intervention and constant monitoring. It's an organizational ethic that boards must encourage, preserve and protect.

Perhaps one of the reasons why trust in health care organizations has diminished on some fronts is because of the lack of transparency by governing boards.

Trusted hospitals seek ways to make price, quality and governance visible and understandable. They develop meaningful charity care policies and procedures, and ensure

## Utilizing Your Website to Enhance Transparency

Your website can be used to provide the public with information about pricing for common procedures, quality and patient safety indicators, and governance information. A brief explanation of price and quality indicators and comparisons to benchmarks, such as state or national averages, can make this information more meaningful and easily understandable to patients.

- Governance information organizations may consider providing include:
- Governance principles the board abides by
- The trustee job description
- Governance roles and responsibilities
- Your conflict of interest policy
- Board orientation and education expectations
- Code of ethics
- A summary of the board agenda-setting process
- List of committees, task forces and advisory councils
- Your board self-assessment process
- Board meeting schedule

that every patient care employee understands them and can communicate about them.

They understand that the public, payers and government want more information about quality improvement initiatives, and they use this interest to broadly share the innovative quality and patient safety initiatives they have implemented. And because of the heightened interest in governance practices in all business sectors today, remarkable boards communicate in a variety of ways about their governance practices, policies and objectives. And they work in the community, building strong, durable community connections.

*The Board's Role in Promoting a Culture of Openness and Transparency.* Trustees need to be aware of the changing focus of transparency in the health care market. They should understand issues about pricing, charity care, bad debt, and hospital bill collection procedures.

Governing boards need to be aware of the hospital's pricing system— how charges are set, how they compare to the competition, and the hospital's response to the changing environment of health care pricing.

Hospital board members should also be prepared for an increasing release of data on pricing and quality, and ensure that a communications plan is in place to deal with any response the data released. And they should promote transparency widely through a comprehensive, interesting and informative community benefit report.

What Does a Transparent Board Look Like?
<ul style="list-style-type: none"> <li>• It conducts an annual board self-assessment and communicates its self-assessment process both internally and externally;</li> <li>• It posts on its websites photographs and biographical information about its trustees;</li> <li>• It provides its bylaws, information about non-confidential issues its dealing with, committee charters, its mission, values, vision and strategic direction, and more; and</li> <li>• It understands that the more people know about the organization and its leaders, the more transparent its activities are, the greater the opportunity for building trust that lasts.</li> </ul>

### Creatively and Consistently Conveying the Value Message

Creatively and consistently conveying the benefit and value the hospital creates for the community is accomplished through a community benefit report that defines and communicates the true benefit and value the hospital creates, not simply the economic value it provides, or the economic multiplier it generates. This is one of the best ways to be transparent about price, quality and governance and tell the story about why the hospital is the community's most cherished and needed asset.

Accomplishing that requires an organization to be willing to think differently about what benefit and value are, to be passionate about helping the community make the connection, and willing to make a community value and benefit reporting process more than a "flash in the pan," a one-time effort that's undertaken because it's the solution of the day.

It's not. Instead, it's the bedrock for building a lasting foundation of community understanding and community willingness to join the fight to improve health care funding, remove unnecessary governmental and regulatory barriers, and ensure the long-term future of the hospital. It's useful as a community support and loyalty-building tool, an advocacy tool, a business-building tool, a volunteer-raising tool and a board recruitment and orientation tool.

### Community Benefit Report

Hospitals should think of their community benefit report like a not-for-profit version of a corporate annual report. It should be easy to read, and clearly articulate the precise benefits, or

return on investment, that the community receives from the hospital.

In order to accomplish that, the report needs to define, measure and interpret the full range of the community benefit activity, and tell the hospital's story in a compelling, personalized way, using pictures, stories, examples, and other techniques that will grab people's attention and convey memorable messages that build public trust and confidence.

### Action Agenda

There are five actions the hospital can take now to ensure that the board is working to stimulate greater, more meaningful organizational transparency:

1. Ensure a trustee understanding of pricing and contracting methods;
2. Review what organizations report on the hospital's quality, and how the hospital stacks up;
3. Enact governance transparency;
4. Build community trust, confidence and loyalty through a community benefit report that "opens the books" and shines a light on hospital operations and services; and
5. Make transparency a competitive advantage.

Typical Community Benefit Report Content
The community benefit report should be one of the most important, transparent reports an organization produces for their community. It should include the following:
<input type="checkbox"/> A brief message from the CEO and the board chair that outlines the importance of the hospital to the community, and that highlights many of the important community benefit successes that you've achieved in the last year.
<input type="checkbox"/> A discussion of emerging health issues and potential community health risks and outline ways the hospital is working to address them.
<input type="checkbox"/> Education about price and quality issues, and demonstration of the hospital's commitment to disclosure of meaningful information to help consumers make wise choices.
<input type="checkbox"/> A variety of statistics, but more importantly, the results of the community benefit activities.
<input type="checkbox"/> A visualization of the value that has been created for the community as a result of the community benefit activities, using photographs, simple charts and other graphic elements that enable readers to interpret the results of the hospital's initiatives.