

# Colorado Trustee

For Colorado Hospital Governing Board Members

Fall 2015

## BOARDROOM BASICS

### The Future of Hospitals: Outplacing the Inpatient

The health care environment is transforming. Most trustees have heard this for some time; so much so that it may have become tiresome. Regardless, trustees must assess how transformation has or should impact your decision-making, strategic planning and visions of the future? Hospital trustees must understand the significant implications of change on the future of health care delivery, and use these shifts as a springboard toward a new future for their organizations and the community health care provided.

According to statistics reported by the American Hospital Association, inpatient admissions are declining, average length of stay is declining, and outpatient visits are increasing. Similarly, the percentage of inpatient surgeries is declining, while the percentage of outpatient surgeries is increasing. At the same time, emergency department visits have increased steadily since 1997.<sup>1</sup> The need for inpatient care still remains, but it won't continue to be the "central point of care" as it has been for hospitals in the past.

Many hospitals are reaching a tipping point and must decide who to partner and collaborate with, and how to provide the best and most appropriate channels of care. They must determine the role and level of involvement they want the organization to have in non-traditional outpatient care, telemedicine, virtual monitoring, and more. Consumers are looking for care that is not only more cost-effective, but is also individualized, faster, and convenient. Successful hospitals will find a way to balance the need for traditional inpatient

care with the increased demand for outpatient and in-home care, which when done properly can result in decreased wait times, lower costs, the same or better outcomes, and an improved overall patient experience.

#### Technology Continues to Advance, and Health Care is Catching Up

Health care has historically been slow in adapting to and integrating new technology. Many people remember when they went inside a bank for everything, wrote checks for all transactions, or were first introduced to ATMs. Most also remember driving to multiple stores to look for a particular item, or purchasing an item without reading reviews first. Consumers today are armed with more information than ever before. While it has been slower to adapt to technological advances than other industries,

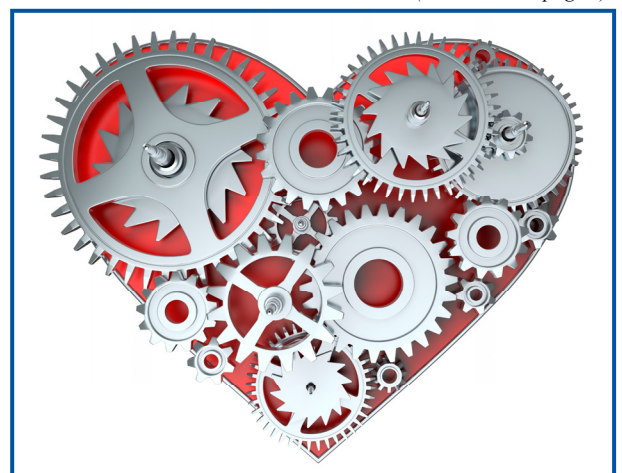
health care is now making the same transition.

According to the American Hospital Association's 2016 Environmental Scan, there are approximately 40,000 mobile health apps, hundreds of platforms aimed at improving health care communication and coordination, and new types of medical sensors or wearable devices that are continually emerging. Video consultations are projected to grow from 5.7 million in 2014 to 130 million by 2018, and nearly every major technology and mobile company (such as Samsung and Apple) are working on biometric devices that measure health vital signs like blood chemistries, vitamin levels, blood pressure, heart rate and more.

#### Consumers Want Immediate Access at Competitive Prices

As society has grown adept at using technology in nearly every aspect of life, an expectation for immediacy, responsiveness, and price comparison has emerged. Most mobile and computer-users

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## PRESIDENT'S NOTEBOOK

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**D**ear Governing Board Members:

CHA is proud to bring you another insightful edition of *Colorado Trustee*. With articles on the changing dynamics of the role of hospitals in the health care industry to ideas on capitalizing on market disruption to a thoughtful piece on creating an influential board – this issue will certainly get you thinking about the impact you and your board can and should have on your hospital.

The Association is also committed to challenging our own assumptions and making sure we fully understand the opportunities and challenges facing CHA and Colorado hospitals and health systems. That is why this year, as part of the development of CHA's three-year strategic plan, the Association partnered with the Colorado Health Institute (CHI) to explore the environmental trends impacting our industry and our hospitals. This led to the creation of the [2015 CHA Environmental Scan](#) – a strategic document that highlights seven key trends:

- Integrated Care is the New Normal.
- New Competitors are Narrowing Service Line Margins.
- It's All about Maintaining Loyalty.
- Technology Promises New Solutions ... at a Price.
- Regional Capacity is the Next Frontier.
- Risk is Here to Stay. Get in the Game.
- Are Hospitals in the Hot Seat?



**Steven J. Summer**  
**President and CEO**

In each of the seven trends, CHA and CHI also detailed the impact on Colorado hospitals and health systems and the disruption that is likely to result. The intent is to encourage a discussion in the hospital board room, executive suite and the local community about the ways these trends are emerging and what the future possibilities might be. If your board has not already examined the [CHA Environmental Scan](#), I strongly recommend that you review it at your next meeting. A companion [PowerPoint presentation](#) is also available, as the Association recommends that this information be shared hospital leadership teams, community leaders and the medical staff.

The CHA Environmental Scan is available on the CHA governance portal website – [www.chahospitaltrustees.com](http://www.chahospitaltrustees.com) – along with numerous other resources, such as white papers, toolkits, technical guidance, reports and interactive educational programs. This portal was built exclusively for trustees at Colorado hospitals, so for your facility-specific login and password, contact Danyel Stewart, CHA communications coordinator, at [danyel.stewart@cha.com](mailto:danyel.stewart@cha.com) or 720.330.6042.

As always, thank you for your commitment to the success of our Colorado hospitals and health systems. This is a crucial time of change and opportunity for health care, and we need well-informed leaders like you to help our hospitals succeed. Enjoy this issue of *Colorado Trustee*!

Sincerely,

A handwritten signature in black ink that reads "Steven Summer". The signature is fluid and cursive.

Steven Summer, President and CEO  
Colorado Hospital Association

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### Do you have ideas for future issues of *Colorado Trustee*?

Our goal is to provide you with the information and knowledge you need to lead your hospitals forward in today's rapidly changing environment. Tell us what you think, and what you'd like to see in future issues of *Colorado Trustee*.

**Write or call:**

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in the United States can order and receive an item within 24 hours, and some deliveries are on the doorstep within one hour. But patients have to wait for a health care appointment for weeks or perhaps months, and then wait for another undetermined amount of time to find out test results or receive referral information.

Consumers expect one-click service, want immediate access to results and information, and want to be more involved in their health care decisions. They also expect competitive pricing, particularly as high deductible health plans have increased patient financial responsibilities. The charge for one day in the hospital in the U.S. averages more than \$4,500. Technology that allows at-home monitoring can reduce the cost and increase patient comfort and control. According to a survey by PwC's Health Research Institute, consumers are willing to leave traditional care venues for more affordable and convenient alternatives. Nearly half of the PwC's survey respondents said they would choose new options for more than a dozen medical procedures, such as using an at-home kit to diagnose strep throat or having chemotherapy administered at home.<sup>6</sup>

There are many instances where the inpatient care provided by the hospital is not only necessary, but ensures the delivery of concerned, compassionate follow-up care necessary for the patient's well-being. However, there are an increasing number of situations where a patient may be cared for at home, in combination with outpatient care and an increased use of technology. Hospital stays are typically characterized by a prevalence of conversation, lights, alarms and other disturbances that occur throughout the night. What if patients could get the same quality of care with the same outcomes, but at home?

Hospitals must put patients at the center, which includes deciding which service lines to continue, which to modify, and which should potentially be replaced by new approaches.

### Seamless Patient Care from Beginning to End

To remain viable, hospitals must be involved across the continuum of care. The focus on overall community health must welcome pre-acute care (preventive care, primary care), acute care, and post-acute care equally. Payment incentives are beginning to encourage this care coordination, and as bundled payments take hold the financial incentives will grow significantly.

Some hospitals and health systems are already recognizing not only the value to consumers, but the potential for pre-acute connections into the health care system. More providers are partnering with emerging on-the-go clinics, retail-based clinics and urgent care centers. But coordination must extend well beyond this one point of care. Technology allows for patients and providers to combine data and information to make more informed decisions. Health care organizations can help elevate that decision-making and care coordination. If they don't, patients will take their business elsewhere. Healthcare Futurist, Anders Sorman-Nilsson, put it this way: "The patient is tired of waiting and is taking their personal health plans into their own hands. Health care needs to be a fusion of the physical episode and the preventive digital arc."<sup>4</sup>

### It's More About Chronic Care, Not One-Time Events

Chronic illnesses consume approximately 75 percent of total health care expenditures (about \$1.5 trillion). Nearly half of all Americans have at least one chronic illness or more, and 85 percent of all Americans over age 65 have at least one chronic illness. In addition, depression is the leading cause of disability worldwide, but it is estimated that 60 percent of adults with mental illness received no mental health services in the previous year. Statistics also indicate that individuals with mental illness are the costliest patients to the U.S. health care system, yet they receive inadequate care.<sup>2</sup>

### The Emergence of "Bedless Hospitals"

While it's clear that acute care will remain necessary in the future, it's not necessary at every facility. Some organizations are making the transition to "bedless hospitals," either referring more complex cases to other facilities within their own health system, or to other nearby hospitals and health systems that focus on inpatient care. Below are a few examples:

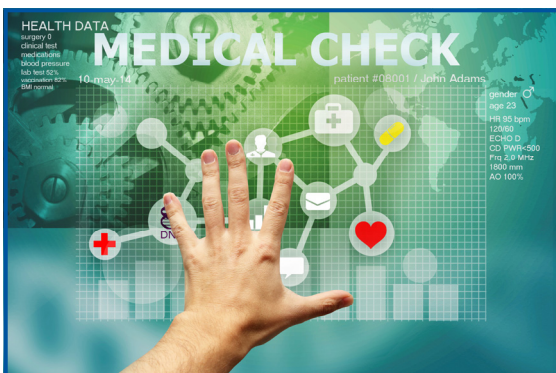
- Earlier this year Lakewood Hospital in Lakewood, Ohio announced plans to close the hospital, and replace it with a \$34 million ambulatory health center and emergency department. The remaining three hospitals within seven miles will continue to offer acute care, allowing Lakewood to hire additional primary care physicians and focus on community health needs such as diabetes, obesity, heart disease and mental illness.<sup>5</sup>
- Tenet Healthcare's Detroit Medical Center (DMC) is building the new Children's Hospital of Michigan Specialty Center in Troy, Michigan. The hospital has everything except inpatient beds – including a 24-hour pediatric emergency room, operating rooms, and outpatient care in several specialties, including cardiology, neurology and oncology. One of the benefits of having the bedless hospital is the ability to separate minor procedures from more serious cases, rather than intermixing the two. This plays a big role in improving patient experiences through reduced wait times.<sup>3</sup>
- In 2014, Montefiore Medical Center opened a bedless hospital in the Bronx in New York. Like the new Children's Hospital of Michigan Specialty Center, the hospital has no inpatient beds but includes operating rooms, exam rooms, a headache clinic and imaging facilities. Both of these hospitals rely in part on technology that allows patients to avoid staying overnight for observation. An iPad at home allows patients to follow discharge instructions, review medication information, and video chat with a nurse.<sup>3</sup>

The solution for these chronic challenges is not acute, one-time care. Preventing and managing chronic conditions requires strong primary care and a medical home that ensures the community is empowered, educated and has access to the necessary services. This transformation will require greater collaboration between hospitals, physicians and other community organizations, particularly those with a focus on primary care. Currently, the U.S. has more specialty physicians than generalists, yet an increase in primary care physicians has been linked to lower mortality rates while increasing the supply of specialty physicians is not.<sup>2</sup>

Despite the strong connection and need for primary care physicians, the medical culture in the U.S. continues to elevate the role of specialty care providers over primary care. In the future, experts predict that health care resources will focus on the care that occurs before and after acute care, including preventive care, primary care, mental health, rehabilitation and therapy services, home health, long-term care, skilled nursing, and hospice. Hospitals and health systems that plan now for this shift will be the most successful at not only achieving their financial goals, but in fulfilling their mission to improve the overall health and well-being of the community.

### What Will the Future Hospital Look Like?

No one knows for sure what the future hospital will look like. It will likely be different for each organization, depending on community size and location, hospital size and type, and the prevalence of competition. While there will still be a



### Is Your Board Making the Acute Care Transition?

1. How does your hospital provide and coordinate care outside of the traditional realm of acute, one-time events? Knowing that chronic illnesses consume approximately 75 percent of total health care expenditures, how should the approach to chronic care change, if at all?
2. Given new types of market competition and the growth in non-traditional low-priced, consumer-friendly services, are there services your hospital or health system should expand, cease, or modify? How does your strategic plan account for these market shifts?
3. Does your board of trustees understand the current and future projected trends for telemedicine, mobile health, and virtual monitoring and care?
4. Is your organization currently involved in at-home monitoring? Do you have the technology to become a “data surveillance center” for patients being monitored at home?
5. Is there a culture within your organization and community that elevates specialists, to the detriment of primary care physicians? If so, how can the board set the tone to emphasize the critical role that primary care physicians play in the future of health care in America, while still maintaining the importance of the care delivered by specialty providers?
6. Does your board structure, including committees and task forces, need to evolve to respond to the increased focus on improving community health through a combination of pre-acute, acute, and post-acute care?
7. Does your board need to take a more active role in the community to truly understand and impact the future of the organization with both an acute and non-acute care focus?

need for acute inpatient care, it’s clear that an increasing amount of care that previously was inpatient will become outpatient, or may be offered in an alternative, non-traditional manner. It’s also clear that hospitals and health systems have opportunities to transition some (or perhaps all) of their acute care resources to other areas, such as outpatient care, partnerships with other health care organizations, telemedicine, mobile health, virtual monitoring, and community-centered services that emphasize population health and chronic disease management.

How do hospital trustees prepare for this level uncertainty? One way to start is by asking “what if” and “so what” questions. For example, “What if our patient volume continues to decline as preventive and wellness efforts succeed in improving our community’s health, as our initiatives succeed in reducing readmissions, and as care continues to move to outpatient settings?” “What if health care is no longer hospital-centric?” “What if retail pharmacies become a preferred source of diabetic care?” “What if we formed a partnership with...?” “What if we look at this differently?”

Boards move a step closer to becoming visionaries when they also ask: “What could that mean to us? What implications does it have for our hospital?” and most importantly, “What could or should we do to be prepared?” The answers to these questions can help boards develop visions in specific areas. For example, what is your technology vision? What is your community health vision? What is your partnership and collaboration vision? What is your vision for the hospital facility itself? Thinking through these critical questions will help hospital and health system leaders set a clear path for the future, narrowing the focus and removing some of the uncertainty in this rapidly changing environment.

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## Understanding and Capitalizing on Market Disruption

As environmental changes have accelerated in pace, certainty about the future has become more elusive. The life of strategic plans has shortened from ten years to five to three, ultimately becoming rolling plans in which long, medium and short-term strategic goals and initiatives are revisited frequently. To keep pace, astute, forward thinking board members must continually ask themselves “What do we know today that we didn’t know yesterday?” Adding to the challenge are new, innovative and unknown sources of health care that are drawing predictions and promises not only of market competition, but market disruption across the health care system.

**H**ealth care transformation was set in motion to achieve the Institute for Healthcare Improvement’s Triple Aim: to improve the health of a population, to enhance the patient care experience (providing high quality care, access and reliability) and to lower or control per capita cost. Transformation is a process intended to drive significant changes that results in improvements. Market disruption, however, interrupts the norm and replaces it with something new and different. Harvard Business School professor Clayton Christensen is quoted by *Forbes* describing market disruption as “displacing an existing market, industry or technology with something more efficient and worthwhile, creating businesses, products and services that are better – less expensive and more creative, useful, impactful and scalable.”<sup>1</sup>

### Sources of Market Disruption in Health Care

The sources for health care market disruption come from a variety of directions. Many are generated or enabled by advancement in technologies. Some have the potential to be more disruptive than others. Combined, they create a force that boards of trustees must not only anticipate, but ask “What does this mean for us?” “How will this change the way services are delivered, or even the need for

our services?” and “How can we prepare for or take advantage of these changes?” Boards must recognize that the disruptions also signal a shift in consumerism.

Patients are seeking to be more than passive recipients of care as a greater percentage of responsibility for paying for the costs of care have shifted to patients, personal responsibility for health and nutrition is emphasized, and as technology puts tools and information in the hands of the consumer. They are increasingly shopping for value (high quality at an affordable cost), demand to be informed, seek greater control, and want to be engaged in decision-making.

### *New Forms of Competition are Becoming “Mainstream.”*

Although the concept of retail-based clinics isn’t new in health care, it is gaining momentum. It’s not only the concept, but also the reach of national and global retailers that will contribute to market disruption. Among the largest drugstore chains, Walmart, Walgreens and CVS each offer consumers the convenience of local access and extended hours, and each is elevating the role it

plays as a health care provider. Technological advances enable retail clinics and others to increase the scope of services they are able to offer, many of which have historically been provided by hospitals and physicians’ offices.

In addition to offering a privately branded stop smoking program, diabetic supplies and four dollar generic prescription medications, Walmart offers a health care insurance exchange in partnership with DirectHealth.com. Although it has leased space to health care providers to operate independent clinics in its stores, the company has opened Walmart Care Clinics in select stores, providing wellness and preventive care, acute care diagnosis and treatment, chronic condition management and specialty care referrals.<sup>3</sup>

Walgreens is also extending its reach, and in late 2013 Walgreens and Johns Hopkins partnered to improve community access to health care services. In 2015, Walgreens announced a similar collaborative effort

with West Coast Providence Health and Services, including coordinated care and electronic health records.<sup>4</sup>

***On Demand Care.*** New models of urgent care provide convenient, cost effective access for patients that need care now, but don’t require an emergency department. For example, the GoHealth mission is “to revolutionize the way people access and experience healthcare through an effortless patient experience, a culture of care, and seamless integration with our health system partners –

allowing people to get back on the pathway to health, quickly and easily.” GoHealth develops urgent care networks in partnership with health systems. It currently operates in New York, NY and Portland, OR, but is planning expansion into multiple markets.

**“[Market disruption is] displacing an existing market, industry or technology with something more efficient and worthwhile, creating businesses, products and services that are better – less expensive and more creative, useful, impactful and scalable.”**

**-Clayton Christensen,  
Harvard Business School  
professor**



Zoom is another model of on demand care. Launched in Portland, OR, Zoom has quickly established multiple neighborhood clinics that provide urgent, primary and specialist care, including dental, along with on-site pharmacies and labs. Its objective is to revolutionize health care, promising customers “twice the health at half the cost and ten times the delight.” Zoom recently opened a “super” clinic, has launched its own health insurance program and has plans for services that embrace a wider-scope of health and wellness. The model is designed to be replicable in other cities.<sup>5</sup>

**Telemedicine.** Telemedicine is becoming increasingly commonplace, with a growing number of examples like the Veterans Affairs telemedicine network, which provides access to 300,000 rural veterans, and the Mayo Clinic Arizona’s emergency neurological consulting, which cares for stroke patients at 16 rural hospitals in four states. The American Hospital Association projects the growth of video consultations from 5.7 million in 2014 to 130 million by 2018.<sup>2</sup>

Telemedicine also includes companies like Doctors on Demand and HealthTap, which provide consumers direct access with a physician through a computer or mobile device. Supporting growth in telemedicine are tools like MedWand™ that enable remote medical examinations. MedWand™ utilizes vital sign measurement and examination devices, transmitting information through computers and mobile devices directly to physicians as well as into electronic health records.<sup>6</sup>

**House calls.** Technology isn’t only enabling virtual consultations and care, it’s also contributing to an increase in house calls. Heal, Pager, Dose, and Curbside Care are among app-based companies providing on-demand physician care in a manner similar to Uber. Using a mobile app, patients in select geographies can request a house call from an on-call physician in their proximity.<sup>7</sup>

**Direct-to-Consumer Testing.** Direct-to-consumer (DTC) or direct access testing allows individuals to order certain lab tests without a physician’s order. Consumers are raising the demand for DTC testing as they look for ways to limit their health care expenses and increase their knowledge and control of personal health care. Companies like Therasanos are making DTC testing even more convenient, establishing test sites in partnership with Walgreens and others. DTC is state regulated and therefore not available in all states.

**Social Media.** Social media enables multiple ways of engaging large groups or communities of people and benefiting from their collective intelligence. Clinovo, a cloud-based eClinical software company, projects that crowdsourcing has the potential to reduce clinical trial costs, accelerate research and development, increase trial participation, and improve disease understanding. The company also projects the potential to break down cultural barriers, improve treatment options and reduce competitive obstacles.<sup>8</sup>

Many people rely on word of mouth when looking for physicians, clinics, hospitals and other providers. They too are leveraging crowdsourcing, soliciting online recommendations and information about physicians, hospitals and other health care providers when seeking care.

### Payer Influences

Employers have long struggled with the costs of employee health care, often questioning the value they receive in return for the premium paid. Many are implementing wellness programs and other health plan benefit designs to control costs, improve employee health and increase productivity. Employers are not alone.

Insurers and individuals seeking to control or manage health care costs are also influencing health plan benefit designs.

While narrow networks are not new, they are growing in popularity and prevalence as payers seek to control costs by limiting the network of available providers. The popularity of narrow networks is also driven by Accountable Care Organizations (ACOs) and health care providers for whom increasing percentages of revenue are in risk-based agreements. Payers are also using benefit plan designs to steer individuals with complex or high cost care needs to Centers of Excellence.

### Capitalizing on Market Disruption

Increased competition, competition from new and innovative sources, continued shifts away from inpatient care, video consultations, data transmissions, and a consumer-driven market have multiple implications for the leadership of hospitals and health systems. Forward thinking boards will ask questions that generate a deeper understanding of new paradigms. They must challenge the assumptions and status quos that hold the organization back, and consider a variety of potential scenarios and possible actions to capitalize on the forces for change. They must be their visionary best.

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## BOARDROOM BASICS

## The Influential Board

Recent attention has been focused on the results of a study linking board engagement with clinical outcomes. Quality of care should top the list of board priorities, but it's not the only area where the board is expected to influence hospital and health system performance.

**F**inance, strategy, community perceptions and partnerships, and organizational culture are other critical areas of board influence. While the board and management do have separate and distinct roles and responsibilities, the board's role in setting policy and providing consultation and oversight, while not treading on management responsibilities does not exclude it from actively engaging in actions that influence higher performance.

### Quality

In 2009, a Harvard survey reported that half of hospital board chairs indicated their boards didn't include clinical quality as one of their top two priorities. However, the authors of the survey noted a link between those boards that did prioritize quality with hospitals that performed well on quality measures.<sup>1</sup>

A new study published in August 2015, confirmed board influence in two areas significant to hospital quality performance. First, the study reported that when boards pay more attention to clinical quality, their management more carefully monitors quality performance. Boards of higher performing hospitals were found to spend a greater percentage of board meeting time discussing quality and management performance. Secondly, the study found that when boards effectively use clinical quality metrics, management staff performs better in setting targets and managing operations. In this finding, CEO compensation was linked with quality performance, and management was able to better balance metrics set by the board with those set by the government and regulations.<sup>2,3</sup>

### Financial Performance

The board is responsible for the financial success and long-term viability of the hospital or health system. It has a responsibility to protect and ensure the cost-effective utilization of resources and the establishment of both long-range and short-range financial plans, and its financial planning direction and decisions should flow out of the hospital's long-range strategic planning. How well the board is equipped to plan and carry out its governance accountabilities is a factor ratings agencies take into account. For example, Moody's rating methodology for not-for-profit hospitals and health systems includes five key factors: 1) market position; 2) operating performance; 3) balance sheet and capital plan; 4) governance and management; and 5) debt structure and legal covenants. Considered by Moody's to be the core of their non-quantitative factors, their assessment of governance and management performance is particularly important.<sup>4</sup> For more detail about the governance measures focused on, see the sidebar *Governance Factors Considered in Moody's Rating Methodology*.

### Strategic Focus

Building and maintaining focused, accountable and visionary trustee leadership is one of the principal challenges for hospitals in today's turbulent health care environment. As noted earlier, it is something that ratings agencies pay particular attention to. Hospital boards face difficult choices in a time of heavy governmental regulation, inadequate reimbursement, increasing competition, shifting community needs and consumer demand. Complexity, financial

### Governance Factors Considered in Moody's Rating Methodology

One of Moody's five components to its rating methodology for not-for-profit hospitals and health systems includes an assessment of governance and management performance. Key factors considered by Moody's include the following:<sup>4</sup>

- **Composition of board and senior management.** Among the board attributes Moody's considers as strengths is a mix of seasoned board members who can contribute institutional history and continuity and new board members who may contribute new perspectives. Another attribute is the professional diversity, knowledge and capacity of the board, including expertise in areas of risk management, compliance, financial statements, multi-year financial and capital plans and investment strategies.
- **External disclosures and internal controls.** Recognizing the critical importance of external and internal controls, Moody's assess a number of factors, including board-approved financial policies, conduct of the chief executive officer's performance evaluation, internal audit function reporting to the board, defined board committee structure and responsibilities and trustee term limits.
- **Integrated short and long-range planning.** Moody's uses a number of criteria to assess board and management ability to manage financial plans and budgets to meet the organization's long-term goals.
- **Ongoing self-assessment and benchmarking.** Moody's assessment of government and management takes into consideration factors that give them a good indication of how the board assesses the organization's performance and market position, and its contingency planning, such as benchmarking against best practices, regular review of key performance indicators, contingency planning, leadership performance evaluations and market or environmental awareness and responsiveness.



strain and demands for a greater level of governance accountability require motivated, knowledgeable trustees who understand how to think and lead strategically in today’s demanding environment. Strategic focus and planning is an ever evolving process of examining the market, forces for change, and other current information that helps the board to understand changing dynamics, and continually reshape or fine-tune the hospital’s strategic direction.

In the study “Hospital Boards and Hospital Strategic Focus: The Impact of Board Involvement in Strategic Decision Making,” researchers noted that the traditional roles of hospital boards have been to monitor executive management actions and to serve as advisors. It was further observed that if boards were not well-informed on issues or were not consulted, the board provided little value. However, the study revealed that when boards had an early and more participatory role in decision-making, the organization’s strategic goals had greater focus on external issues. The board’s role in those circumstances included raising and clarifying issues and generating alternatives. The range of board member expertise combined with board engagement resulted in even greater

impact, a particularly critical consideration in a complex environment.<sup>5</sup>

**Community Health**

Improving the health of the community is the driving mission for most, if not all, not-for-profit hospitals. The shift from a volume-based, fee-for-service payment system to a system based on value is a key driver of the attention now focused on community health. Multiple factors influence the health of a community’s population, many of which are outside the hospital’s control, or may exceed the hospital’s resources. This reality is prompting a number of health care organizations to consider the partnerships or collaborations necessary to succeed. Trustees should recognize that they are an important network and resource for potential partnerships and collaborations, and that acting as ambassadors for a healthier community is a valuable role for board members.

**Culture**

Culture is the true reflection of what the hospital or health system values and is evident in everything it does. The board sets the tone for an organizational culture that expects and values excellence, and that has a strong ethical center. Board members should also recognize that the culture needs to be supported with the leadership and resources that will drive the organization to success. Periodic review of the organization’s mission, vision and values provides the board with the opportunity to assess, define and prioritize the culture it wants for the organization. The values and ethics set by the board should be consistently applied in governance decisions, and should set the example as a factor in the board’s relationships with stakeholders, including employees, physicians, vendors, partners and others.

The board must ensure the CEO and executive team are well-aligned with the culture the board envisions and that they have the leadership capacity to make any changes needed to achieve cultural excellence. Once expectations are set, financial incentives that are linked to

performance can be set. Challenges to an effective culture can be found in dysfunctional leadership, inconsistent performance evaluation processes, lack of clarity in organizational structure and functions, and employee feelings of underappreciation. Poor communication that results in lack of transparency or shared information, poorly communicated mission, vision or strategic direction, misinformation and mixed messages can significantly undermine the organization’s culture. The board should establish and periodically review indicators of the hospital or health system’s culture, which may include employee satisfaction, medical staff satisfaction, employee turnover, patient satisfaction, complaints, and audit findings.<sup>6</sup>

**Confidence in the Board’s Influence and Effectiveness**

The board’s responsibility for accountability and effectiveness stretches will beyond bylaws, budget reviews, monitoring and advising. It requires understanding the board’s role in achieving the hospital or health system’s mission, vision and values, and its service to the community. It requires action and accountability that influences the organization’s success. The board’s responsibility requires trustee confidence in answering this critical question: “If our board didn’t exist, would it matter?”

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