

Colorado Trustee

For Colorado Hospital Governing Board Members

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BOARDROOM BASICS

Building Community Connections in the Midst of Growth, Integration and New Partnerships

New payment structures are prompting hospitals to embrace population health and seek to better integrate care across the continuum. But as patient volumes decline and revenue growth lags behind rising costs, hospitals and health systems must also seek ways to find efficiencies and streamline operations. The changes underway have significant implications for boards of trustees, who must keep pace with their own governance transformations if they are to successfully lead their organizations into the future.

Mergers, acquisitions and new partnerships are on the rise among hospitals and health systems seeking capital resources, strong competitive market positions and growth. Health care consultant Paul Keckley advises boards “to understand the imperative: go big or get out.” While hospital boards want to focus on local health care and serving the local community, bigger organizations have better potential for not only survival, but to thrive: they have greater leverage with payers, more purchasing power with suppliers, they maximize information technology for clinical and financial uses, and they have better outcomes.²

But “going big” is never easy and it’s exceptionally difficult for many small and rural hospitals whose boards know that to “get out” might mean leaving their communities without health care options.

The Governance Dilemma

As organizations grow, acquire or merge, their governance structures often become increasingly complex. Adding to the

complexity is the fact that the governance of one subsidiary is not always consistent or aligned with another, and none may be in sync with the corporate parent. The complexity created by inconsistent governance structures is not only a barrier to the organization’s ability to be nimble, responsive and effective; it also consumes significant time and resources to administer.

The ability to streamline governance offers potential cost-savings that may be realized by centralizing some functions at the system level and eliminating redundancies among other levels of governance. There are a variety of examples of different governance structures among health care systems. Governance structures can range from highly autonomous governance systems in which the system board rarely exercises authority over subsidiary boards, to highly integrated systems in which all authority is retained by the system board and subsidiary boards

may be eliminated or become advisory in nature.

Many health care systems employ some variation of shared governance in which a system-level board maintains overarching governance authority. In many instances, the system board sets organization-wide strategic direction and performance expectations, retains authority over internal and external auditing, hires and evaluates subsidiaries’ CEOs, and maintains close oversight of the financial performance of the entire organization. The responsibilities and scope of authority allocated by the system to local boards varies widely, but often includes physician credentialing, local quality and patient safety, and understanding and communicating community needs and perceptions to the system board.

The governance dilemma for many communities is captured by the Rural Policy Research Institute (RUPRI) Health Panel in its paper, *Advancing the Transition to a High Performance Rural Health System*. It states that “with increased emphasis on integrated

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Overcoming Eight Barriers to Governance Effectiveness

In today's transforming health care environment, hospital and health system boards must evaluate every aspect of their governance processes, practices, meetings, and composition to ensure they are well-prepared for the changes ahead.

This article outlines eight common barriers that governing boards must overcome to successfully transform into the nimble, adaptive, responsive, and forward-thinking board their organization's rely on them to be.

Barrier 1: Rubber Stamping vs. Strategic Dialogue

The board's role has never been to "rubber stamp" ideas presented by the senior management team. Yet many hospital boards in America continue to serve a limited-scope role with little deep thinking or analysis. A lack of robust, high-level strategic dialogue, discussion and debate takes away opportunities from the organization, and limits the diverse talent, ideas and experiences trustees bring to the organization.

It is the board's job to question the status quo, think outside the box, and engage in rich dialogue that stimulates higher level thinking that ultimately elevates the organization's performance to better serve the patients, employees, and communities under the organization's care.

One way to ensure that the board is focusing on the right topics is to design the

agenda around the "25/75" rule. According to many governance experts, no more than 25 percent of meeting time should be spent discussing past issues, and on retrospective reporting and analysis. At least 75 percent of board time should be dedicated to issues in which the board has the greatest impact: planning, setting policy, making critical decisions, and setting future direction.

Barrier 2: Lack of Commitment to Continuous Learning

Boards that engage in deep, strategic dialogue must have the background information and understanding necessary to do so. Health care is moving at the fastest pace in history, and board members cannot rely solely on the information presented or provided by the senior leadership team.

Making sense out of complex issues, considering a range of possibilities, and offering creative solutions requires having a solid foundation about the ever-evolving health care environment, and how it impacts the organization and the communities it serves. Knowledge-building must be prioritized, budgeted for, and take place continuously through a variety of sources.

Barrier 3: Presence of Conflict of Interest

A conflict of interest exists when a board member, senior leader, or management employee has a personal or business interest that may be in conflict with the interests of the hospital. Conflicts of interest can be

complicated, and are almost always unintentional. In some cases no conflict actually exists, but the perception of a conflict of interest can be just as detrimental.

Boards should have multiple systems in place to safeguard against conflict of interest. Every board should have a clear conflict of interest policy, which is well-understood and agreed to by all board members annually. A process should also be in place for declaring real or perceived conflicts as they arise throughout the year. In addition, boards must have a proper

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process in place for recruiting and selecting new board members, and should encourage self-monitoring of real or perceived conflicts that may arise during board meetings. As physicians are increasingly integrated or employed by hospitals and health systems, organizations may consider seeking physician or other clinical representation on the board from non-employed physicians.

Barrier 4: Inconsistent or Limited Governance Assessments

Despite experts' recommendations to conduct a governance assessment annually, many boards do not conduct a self-assessment; those that do may not be as robust or comprehensive as necessary to ensure that today's hospital and health system boards are prepared to lead their organizations through health care transformation. According to the American Hospital Association's Center for Healthcare Governance 2014 National Health Care Governance Survey Report, only 57 percent of hospital boards reported conducting a full board assessment in the past three years. Only 33 percent reported conducting an individual board member self-assessment, and only six percent conducted a peer-to-peer assessment.

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Fast Forward Learning: Maximizing New Trustee Orientation

As health care complexity continues to increase, so does the work of health care boards. Trustees must address new payment systems and changes in revenue, mergers, acquisitions and new partnerships, heightened oversight of quality and safety, new and different market competition, advancing technology, pressures to reduce costs and improve efficiency, and more. Passing knowledge and general awareness are not enough in to keep new trustees from becoming lost in board deliberations about unfamiliar topics that are peppered with unfamiliar acronyms.

Trustees are fully accountable for their decisions and fulfillment of their fiduciary duties beginning with day one of their board term. Yet many will admit it takes at least one, if not two or more years for most trustees to truly gain the depth of knowledge and understanding needed to be an effective board member. Despite the challenge, many trustees are thrust into board service with insufficient orientation and little or no ongoing governance education. Even organizations with sound orientation programs in place may need to reconsider how to best prepare new trustees for the work and responsibilities of today's board.

A comprehensive orientation and ongoing board education are essential contributors to each trustee's ability to fulfill their governance responsibilities and fiduciary duties to the organization. A new trustee orientation should be thought of as an onboarding process that spans a trustee's first year of board service. It needs to be a process that, when thoughtfully designed, will speed up the trustee's depth of understanding, effectiveness and readiness to make valued contributions to the board.

Providing the Fundamentals

The first step in an effective onboarding process should happen before an individual is even asked to accept an invitation to serve on the board. Trustee candidates should receive a written description of board and trustee roles and responsibilities, including a realistic set of expectations to

ensure they have a clear understanding of the accountabilities they will be assuming and a readiness to commit the time required to carry out those responsibilities.

Once on board, the next step in the onboarding process is to give new trustees an introduction to the organization and a deeper understanding of the board and individual trustees' roles and responsibilities. This step in the process should take place before the new trustee's first board meeting, and typically includes the areas outlined below.

A broad overview. An initial orientation session should give new trustees a broad, high-level understanding of the organization, the health care environment and the issues they will be expected to address as board members. The board chair, Chief Executive Officer (CEO), Chief Finance Officer (CFO), Chief Medical Officer (CMO) and other hospital leaders should share the responsibility for presenting and discussing key topics. These include, but are not limited to, the overall governance structure and responsibilities, the organizational structure, mission and goals and service areas, financial information and key financial indicators, and the medical staff and quality of care.

Allowing time for questions and discussion not only gives leaders direction for subsequent onboarding sessions and governance education, but also promotes

collegiality between new trustees and existing leaders.

A tour of the hospital or health system.

The CEO and board chair should conduct a tour of the organization with new trustees prior to the trustees' first board meeting. Where possible, visits should include an introduction to the Chief Officer or Director of each area, with adequate time for a high-level overview of the area. For large health systems with multiple sites, a virtual tour, web meetings and profiles of each site can be useful in giving trustees a "nearly first-hand" introduction.

A "fast facts" summary. Help trustees "fast forward" their learning with a one or two page executive summary of key facts presented in bullet point format.

A governance manual. A well-done manual, whether provided in print format or electronic, gives new trustees a valuable resource for information about the organization and the board, and also serves as a reference for all trustees throughout their terms of service. The contents of a comprehensive manual should include:

- Information about the hospital or health system, including but not limited to its mission, vision and values, history, facilities description, programs and services, medical staff, and foundation;
- Governing documents, including board bylaws, policies and procedures, a statement of fiduciary duties, and the conflict of interest disclosure statement;
- Organizational documents, including a copy of the strategic plan, community needs assessment, annual report and Form 990 filing, and accreditation reports;
- Financial and quality information;
- A list of board members and executive staff with contact information, board committees and meeting schedules; and
- A glossary of acronyms and health care terms.

A mentor. Mentors play a key role in welcoming a new trustee to the board. They can be instrumental in advancing a new trustee’s knowledge and understanding of key issues by reviewing agendas with new trustees prior to board meetings and explaining the significance and nuances of important issues, making time to follow-up with new trustees after board meetings, and introducing new trustees to other board members and executives, drawing them into the board “community” and ensuring their engagement.

Beyond the Basics

Many organizations limit their orientation program to just the fundamentals, but as hospitals and health systems integrate,

Is Your New Trustee Board-Meeting Ready?

While the onboarding and learning process will continue for new trustees, early orientation sessions should prepare new trustees to answer the following questions:

1. How has the ACA changed health care delivery and spurred health care transformation? What other trends are at work in the health care environment?
2. What implications do the ACA, market forces and trends have for the hospital or health system?
3. What are the most critical health needs identified in the hospital or health system’s most recent community health needs assessment? How does the organization’s strategic plan address those needs?
4. What comprises the organization’s payer mix and has the payer mix changed since passage of the ACA? How are reimbursement levels impacting the organization’s financial status?
5. What is the organization’s financial status, including operational margins and margins from its lines of business?
6. What is the organization’s quality performance? What are the organization’s key quality and patient safety initiatives?
7. What are the three most critical issues confronting the board in the next year? What are the key initiatives and goals of the organization’s strategic plan? Are these aligned?

establish new partnerships and continue to transform, there is increasing recognition that boards must advance the experience, expertise and knowledge needed by trustees to successfully govern developing health care systems. Governing boards must be able to make sense out of very complex issues, and ask probing, insightful

questions. To prepare new trustees for the work ahead, the orientation program should be extended to include more in-depth sessions that address specific educational areas.

The Patient Protection and Affordable Care Act (ACA). Individuals entering trusteeship from outside health care may not realize the transformation the ACA has set in motion. Judging by media and political attention, many believe it’s only about insurance coverage. Before new trustees can fully grasp the issues, opportunities and decisions confronting health care boards, they need to understand the changes brought by the ACA. These include, but are not limited to, the shift from a fee-for-service payment system to one based on value (cost and quality), payment reforms such as readmissions penalties, bundled payments and Accountable Care Organizations (ACOs), measures of quality and patient satisfaction, continuity of care, community health needs assessments, and electronic health records.

Health care trends and forces for change. An awareness and understanding of the trends and forces at work are important factors in strategic assessments, planning and decision-making. These trends and forces will ultimately shape the future of health care. Trustees must understand what is driving health care transformation, the increase in hospital and health system mergers and acquisitions, changes in payment, pressures for transparency, workforce shortages, technology advancements and more.



Quality and patient safety. Gaining an understanding of clinical issues is a particular challenge for laypersons. Yet in a health care system focused on transforming to value-based care, managing population health, enhancing patient safety and delivering the highest quality of patient-centered care, it’s imperative that new trustees gain understanding and appreciation for the principles, key performance indicators and critical importance of quality and patient safety.

The market environment and competition. Trustees should review pertinent demographic, market and competitive information. These are key factors in fulfilling the board’s mission and in critical decisions the board will make.

The political environment. New trustees should be informed of key political relationships or concerns with implications for the hospital or health system. The role of politics may vary by state, community and hospital ownership—for example, trustees should know their state’s position on Medicaid expansion, or any political pressure for hospital taxation.

Fast-Track Board Readiness
Successful trustee orientation and education programs commit to onboarding new trustees, not just orienting them. The return on investment in developing a comprehensive, written onboarding program is found in the fast-tracked readiness of new trustees as well-informed, contributing and valued board members.

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In addition, two in ten of the boards that do conduct a full board assessment do not use the results to create an action plan to improve board, trustee or committee performance.

A strong and useful governance assessment process must secure anonymous, insightful trustee input on the critical fundamentals of successful governing leadership, and create an opportunity to address major issues and ideas in a non-threatening, collaborative manner. The assessment should be conducted regularly, with a follow-up meeting or retreat dedicated to discussing the results and developing an action plan to improve governance effectiveness.

Barrier 5: Lack of Emphasis on Quality and Patient Safety

Quality and patient safety should be ingrained throughout the organization’s culture. This begins with the board. Yet too often, boards of trustees assume that quality and patient safety problems are not an issue unless they hear otherwise.

The board’s actions set the tone or “culture” for the organization, including setting patient safety guidelines and priorities and dedicating the resources necessary to provide appropriate, effective and safe care. The board must understand health care’s complex systems, and physicians and clinical staff must be held accountable to providing good quality. The concept of a “Just Culture” represents the combination of understanding the board’s role in quality and patient safety, and fixing systemic issues that have the potential to cause patient harm while also holding staff accountable when there is reckless behavior (for example, not washing hands). This cultural concept encourages the reporting of all mistakes, regardless of severity, in order to learn and improve systems and processes.

Barrier 6: Lack of Transparency

In today’s environment, lack of transparency implies that an organization is hiding something. For hospitals and health systems, the two hot transparency buttons continually pressed by the media,

lawmakers and the general public focus on price and quality.

Although the challenges with explaining both are significant, patients and their families, lawmakers, insurance companies and the general public are demanding clear transparency in both areas. Bills should be clear, and advance and online information must be provided in an easy-to-understand format. Recent moves toward sharing a combination of price and quality online demonstrates the efficiency, effectiveness, and overall value of care provided. Hospital boards must ask senior leaders the hard questions to ensure that trustees not only understand the complexity of this challenge, but that the organization is proactively taking steps to increase transparency in these areas.

Barrier 7: Board Composition Based on Representation Rather than Competency

Governance succession planning is the key to not only filling an empty seat on the board, but to strengthening board and organizational performance. An analysis of board strengths and weaknesses, leadership challenges and future leadership needs can help the board to develop a list of specific skills, attributes and characteristics that are important for new trustees to possess.

The specifications should complement existing board members’ skills and competencies, and assist the organization in furthering its ability to provide high-powered, thoughtful, diligent leadership. In essence, instead of simply accepting any person who expresses an interest in serving on the board, or persuading a reluctant candidate to serve in fulfilling a representational slot on the board, the board should recruit trustees with the skills and personal characteristics that complement existing board members’ expertise and which results in a more well-rounded, competency-based board.

Barrier 8: Antiquated Board Materials and Processes

Hospitals and health systems’ resources are stretched to the limit. Boards and their

Overcoming Barriers to Governance Effectiveness

- ✓ Ensure robust, strategic dialogue
- ✓ Commit to continuous learning
- ✓ Identify and address conflicts of interest
- ✓ Implement an annual governance assessment, with follow-up action plans for improvement
- ✓ Ensure a strong emphasis on quality and patient safety
- ✓ Commit to transparency
- ✓ Seek board composition based on skills and competencies
- ✓ Maximize technology and update board processes

committees serve a critical and powerful function for every organization, but re-thinking the use of technology, meeting agendas and governance processes can minimize the administrative burden required to prepare for board meetings and the cost of printing materials. The use of iPads or other tablets can significantly reduce printing costs and time, and provides trustees with immediate access to materials. Electronic board portals can also provide background material, white papers, educational programs, and more for trustees to access at anytime.

A review of board practices and processes can also identify opportunities for improvement. Are there committees that have outlived their purpose and benefit? Are there areas where your board spends valuable meeting time because “it’s always been done that way?” Consider how frequently your board meets, how frequently committees meet and the types of committee used, if similar reports are being made at multiple meetings, and whether a consent agenda is effectively used. Boards should also evaluate their agendas to ensure that all active meeting discussion and dialogue keeps the mission at the forefront. If an agenda item doesn’t have a direct tie to the mission, perhaps it shouldn’t be on the agenda.

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governance, rural communities may be challenged by the tension between the desire for local control and the trend toward hospital and clinic affiliations with larger health systems whose system ‘home’ is not in the local community. Increasingly, this trend means that priority setting and resource allocation occurs centrally by the health system, with the expectation that the local member facilities align and participate in the system-determined goals and activities, which may not be congruent with local goals and priorities.”³

Regardless of the governance structure, maintaining connections with the community or communities the organization serves should be a priority for trustees. The public trust and loyalty that are earned through a genuine commitment to the community will serve hospitals well as they seek to manage and improve the health of their populations.

Giving Up Autonomy Does Not Mean Giving Up Community Centeredness

As noted by the RUPRI Health Panel, shifting authority from local hospital boards to regional or system boards often creates tension that can lead to community feelings of being disenfranchised. This may result in lost loyalties and declining satisfaction with the hospital and its system. That’s not only the case with mergers and acquisitions. New partnerships or the entrance of a management company can also signal a sense of lost autonomy for employees, medical staff and the community at large.

As hospitals and health systems evaluate what health care transformation, growth and being a system means for their organizations, board members at all governance levels—system as well as local—cannot allow themselves to become so consumed with organizational issues that they lose sight of the need and importance for strong relationships and authentic communication with their communities. As trusted stewards of the organization’s mission, values and vision,

Ensuring Community Centeredness: Board Questions to Consider

- Does the board know the health status of the various communities it serves? Is that knowledge “evidence-based”?
- What preventive and wellness programs does the hospital or health system offer the local communities it serves?
- Is the hospital or health system considered a leader in community efforts to improve the health and well-being of its residents?
- Are community programs offered by the hospital or health system closely aligned with each community’s most important health care needs?
- Are the programs well-used? If not, what is keeping them from being successful?
- What partnerships with other community organizations, social agencies and stakeholders does the organization collaborate with to promote preventive care and wellness?

trustees have a unique and powerful role as community liaisons for their hospitals and health systems. Strengthening community relationships and striving to improve community health are first and foremost the right things to do, and they drive the mission of most hospitals and health systems. Establishing and maintaining community connections also provides significant business benefits, including:

- Strengthened support and public trust;
- Strengthened potential to increase market share;
- Development of a stakeholder network to address common challenges;
- Credibility and leverage in representation and advocacy;
- Support for foundation fundraising;
- Increased public awareness of hospital and health care challenges and understanding of the hospital’s or health system’s commitment to addressing community needs;
- Strengthened employee morale and sense of purpose; and
- Preserving the hospital’s or health system’s not-for-profit status as the

community benefit it provides comes under increasing and more measurable scrutiny.

“With increased emphasis on integrated governance, rural communities may be challenged by the tension between the desire for local control and the trend toward hospital and clinic affiliations with larger health systems whose system “home” is not in the local community.”

-RUPRI Health Panel, in Advancing the Transition to a High Performance Rural Health System

Hospitals and health systems are often one of the largest employers in a community. They have significant influence not only on the physical health of the community, but also on its economic well-being. People want more from the nation’s health care system, including a sense of trust that their hospital or health system has not only their personal health and safety at heart, but also the well-being of their community. If trustees do not take steps to reinforce that trust, shifts in governing structure and authority can undermine community loyalty.

Building Effective Community Connections

Trustees should be asking themselves what the state of the public’s trust is in the hospital or health system. They should ask whether people in the community perceive the organization as being community-centered, and if not, why not. They should evaluate what is being done to ensure the entire organization embraces community accountability.

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Steps that hospitals and health systems can take to build and reinforce effective community connections are outlined below, but health systems must balance strategies and application of best practices with the populations, cultures and health care differences of each community. A “one size fits all” approach that fails to engage local stakeholders will only add to any tensions between a local community and the system. Potential stakeholders hospitals should consider partnering with include patients, families, schools, advocacy groups, businesses, churches, health policy makers, physicians, public health and social service agencies, insurers, government officials and the general public.

1. **Define the “community” (or communities)** the hospital or health system serves, creating a focus for the community health improvement initiatives.
2. **Develop genuine partnerships** with other community health care providers, government agencies and organizations that can bring diverse resources to the table.
3. **Develop a shared and collaborative community health mission**, values, vision and plan, including specific goals and measurable outcomes to track success.
4. **Create a “culture of community commitment”** throughout the organization, with the hospital’s and health system’s leaders setting the tone for the medical staff and employees.
5. **Conduct routine assessments** of the community’s health status, using the first assessment as a baseline by which to track progress and the success of community health initiatives.
6. **Develop community health status indicators** and routinely report them widely to all key stakeholders, including individuals in the local communities. Highlight areas of success as well as areas in need of improvement.

7. **Consider creating a board committee** to oversee community health partnerships, assess resource needs, and address barriers to progress—a step which helps to demonstrate board commitment to community accountability.
8. **Hold local and/or regional CEOs accountable** for achieving community health improvement objectives by developing specific, measurable outcomes that are mutually agreed upon with each CEO.
9. **Continuously integrate new initiatives** for community health assessments with existing ones.
10. **Build and sustain the concept of board responsibility** for community assessment, involvement and improvement, including an emphasis on community health at board meetings and in the board’s regular board self-assessment process.
11. **Develop a communications and public relations program** that enhances the organization’s transparency, builds community understanding of health care needs and challenges.
12. **Develop and enhance technology-based programs** that leverage the tools, access and influence of social media.



community needs, determine well-aligned health improvement goals and develop effective initiatives and action plans. Collaborative partnerships not only maximize resources, but also improve understanding and trust between the hospital or health system and the local community, expand the pool of advocates for local and regional health needs, and ensure organizational compliance for community health needs assessments that solicit input from interested third parties in the community.

Meaningful collaboration requires commitment from the board and the organization. Every partnership will be different, but trustees are well-positioned to be catalysts for developing successful community partnerships by focusing on shared goals and objectives, and creating a mutually agreed upon process for meetings and decision-making.

The most important benefit of effective health system and community collaboration is the powerful message to the community about the organization’s commitment to the well-being of the community and improving the overall health of its citizens.

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