

# BoardBrief

Knowledge Resources for Governing Effectiveness

## *The Transformative Board* Rethinking Governance

Holding on to the status quo, no matter how successful it might have been, will not propel today's hospitals into the future. Communities across the nation depend on for hospitals for health care, employment and economic stability. As their leaders, boards of trustees should embrace governance changes that will enable them to guide their organizations in a complex, competitive health care world that will not be the same tomorrow as it is today.

In their report "Redefining the H," the American Hospital Association (AHA) highlights five paths for hospital transformation:<sup>1</sup>

- Becoming a high-performing specialty provider (such as a children's hospital or rehabilitation center);
- Strategic partnering for greater horizontal or vertical reach, efficiency and access to resources;
- Redefining to a different delivery system (oriented toward more ambulatory or long-term care);
- Experimenting with new payment and delivery systems (such as bundled payment, accountable care organizations (ACOs), clinically integrated networks or medical homes); or
- Integrating with other services across the continuum of care.

Determining which path or combination of paths might be right for the organization cannot be accomplished with the same meeting agendas, the same reports, the same presentations, the same thinking or the same expectations that may have served the board well until now. For example, one of the driving forces of the Affordable Care Act (ACA) is the shift from fee-for-service to a payment system based on the delivery of high quality care at an efficient cost. Yet the 2014 National Health Care Governance Survey conducted by the AHA indicates that nearly one-quarter of hospital boards are either "not engaged" or are only "somewhat engaged" in quality and safety issues. In addition, one in five CEOs are not held accountable by their board for the organization's quality performance.<sup>2</sup>

### Advancing Governance

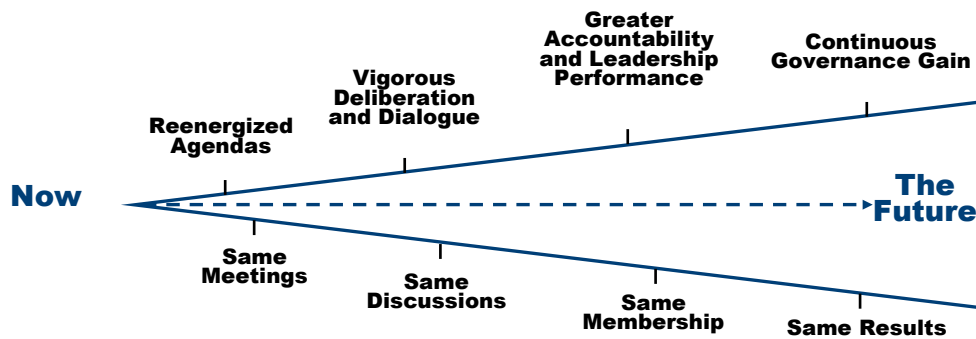
As hospital and health system leaders, boards need to be thinking ahead to the future. Advancing the pace of board leadership means:

- *Advancing trustee knowledge* about health care transformation and its implications not only for health care in general, but for their hospital and health system in particular;
- *Advancing boardroom discussions, deliberations and respectful confrontation* about the challenges and issues confronting the organization not only today, but also future concerns that need to be anticipated and planned for now;
- *Advancing trustee thinking*, engaging in visionary and creative scenario planning for the organization's future and how to achieve it;
- *Advancing the board's leadership skill* in adapting to change, organizational complexity, and uncertain futures as it strives to overcome barriers and improve the health of the community; and
- *Advancing organizational progress* toward delivery of the best quality, best outcomes, best service, best cost and fulfillment of the hospital or health system's mission.

### What Do We Need to Rethink?

Members of highly effective boards are able to walk away from a board meeting with the knowledge that the meeting was a valuable use of their time and expertise, and that their

## What Direction Do You Want Your Board to Take?



leadership is guiding the organization closer to its vision and contributes to the fulfillment of the mission. These become the fundamental standards by which board members can assess the board's function and value. Do meetings represent time well-spent? Is the organization advancing on its vision? Are the board's discussions and decisions aligned with the mission? In today's rapid fire, complex health care environment, the following considerations are good starting points for rethinking and advancing governance.

**Rethinking Performance Priorities.** As health care evolves, the board's performance in the following areas becomes critical. Boards should rethink and assess their strengths in these high priority areas: 1) knowledge of the ACA, its objectives, and the forces and trends it has set in motion; 2) knowledge and understanding of quality, patient safety and other clinical care issues; 3) systems thinking and leadership of complex organizations; 4) understanding and responsiveness to community needs; 5) cultural competency; and 6) visionary and strategic thinking. If a frank and forthright assessment of strengths comes up short in these areas, rethinking governance education, trustee performance expectations and targeted succession planning is needed to advance the caliber of the board's performance.

**Rethinking Board Composition.** The board should be comprised of individuals who display a diversity of opinions, independence and objectivity in their thoughts and actions. Oftentimes, professional diversity is the first focus of board succession planning. Yet, with accountability for mission fulfillment, board members are called upon to address their community's health care disparities and to strengthen cultural competency. To eliminate disparities and inequities of all kinds, and to gain from new and different perspectives, insights, and understanding, rethinking the board's composition should

extend to encompass not only diverse professional expertise, but also race, ethnicity, gender and age.

Many boards would also benefit by advancing from representational composition to a board composition based on competency. Competency-based boards provide the overarching expertise, experience and perspectives needed to successfully govern into the future while still reflecting the community or communities served.

**Rethinking Board Meetings and Agendas.** Active discussion, inquiry, deliberation and debate are the board's best tools for engaged governance and leadership. Yet just over 40 percent of boards report that they spend more than half their board meeting time in active discussion, deliberation or debate rather than listening to reports and presentations.<sup>2</sup> A consent agenda should be used to free up time for board members to deliberate over issues, ask penetrating questions, envision various scenarios and ultimately reach well-considered decisions. If board meetings and discussions have become routine and monotonous, re-energize them with retreat style round-table or small group discussions. If decisions are rote and "rubber stamp", encourage board members to challenge assumptions. If needed, the board chair or other member of the board should take the role of "Devil's Advocate," posing contrarian views for the sake of prompting deeper thought and consideration of issues.

A quick scan of board meeting agendas should indicate if the board is spending its time where it's needed most. Studies of evidence-based governance best practices show that high-performing community health systems spend nearly three-quarters of their time equally on strategic thinking and planning (24 percent), financial performance (24 percent) and patient care quality and safety (25 percent). Remaining time on high performing board agendas is also devoted to oversight of

## “Jump Start” Your Governance Rethinking

Trustees should consider the following questions to “jump start” their rethinking:

- ✓ What are the greatest challenges your organization will face in the next three to five years?
- ✓ What potential scenarios has the board envisioned for the organization’s future? What initiatives have been undertaken to prepare the organization for those scenarios?
- ✓ Are you personally ready to provide the leadership required to navigate the trends and health reform implications shaping the health care environment? Is your board ready?
- ✓ Does your current governance structure best position your entire organization for long-term success? If the board were to develop its governance structure today, would it be the same or different? What would you change and why?
- ✓ Does the board continually incorporate new information and new ideas to reshape its strategic thinking?
- ✓ What does your board need to rethink?

community benefit programming (10 percent) and board development (e.g., education, performance evaluation, succession planning, recruitment) (10 percent).<sup>3</sup>

**Rethinking Board Committees.** Board performance can benefit from sound delegation practices and strong committee work in several ways. Appropriate delegation of work to committees can free up limited board meeting time, allowing more opportunities for the board as a whole to focus on strategy, policy and vision. High performing committees can present the board with evidence-based recommendations and rationale that enable the board to hone in on the crux of an issue, deliberating only on the most relevant concerns and making timely, nimble decisions. Many boards also benefit from engaging individuals who are not on the board to serve on committees. If carefully selected, these individuals can fill gaps in needed committee expertise, but also serve as potential candidates for future board service.

## Sources and Additional Information

1. American Hospital Association. Hospitals in Pursuit of Excellence. Redefining the H. 2015. [www.aha.org/research/cor/redefiningH](http://www.aha.org/research/cor/redefiningH).
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