

Healthcare Governance for Tomorrow: Eight Recommendations for Boards

Long haul survival starts with board assessment

By Anne McGeorge and Lawrence Prybil, PhD, LFACHE



Hospitals and healthcare systems are at the precipice of enormous change. Healthcare reform, shrinking reimbursements, consolidation in the marketplace, accountable care, electronic health records, physician integration, new technologies, growing scrutiny from regulators, and other transformative aspects of healthcare have marched us to the brink.

Given the sweeping changes, effective health system governance has never been more important.

But what does effective governance look like at this critical juncture? And more importantly, how do boards get from here to there? I am pleased to share eight recommendations from *Governance in Large Nonprofit Health Systems*, a study sponsored by Grant Thornton and led by Principal Investigator Dr. Lawrence Prybil, Professor and Associate Dean at the University of Kentucky.

These recommendations are based upon onsite, one-on-one interviews with the systems' CEOs and senior board leaders, discussions with other members of the systems' management teams, analysis of the systems' policies and

other corporate documents, and reviewing related studies, both in the healthcare field and other sectors.

Eight recommendations

One – Conduct an overall review of your board's role and responsibilities

The context of recent and anticipated changes in the healthcare environment *and* in the communities they serve (think large-scale acquisitions, physician integration, accountable care) has changed dramatically, and boards need to understand their new and changing roles. All board members must clearly understand the impact of these major changes on their individual and collective duties and make adjustments accordingly.

Two – Candidly re-examine your board and board/committee agendas and practices

One of the striking findings of our study is the growth in attention and focus at the board level on strategy and strategic thinking. Simply put, effective boards focus primarily on forward-looking, system-level strategy. Many boards do this well; however, all boards could benefit from an evaluation of how they use their time.

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The Board's insight, knowledge and experience are its biggest assets, and using board meetings to review reports and listen to presentations is not an effective use of the board's time. It is recommended that boards re-examine how their meetings are structured, how topics are selected, consider distribution and review of materials in advance of meetings, and institute pragmatic steps to enable the board to devote more time and energy to strategic deliberations.

How do boards get from here to there?

The effectiveness of changes should be evaluated on an ongoing basis, with strong commitment to continual improvement. For example, we suggest a short evaluation session after each board meeting to assess how it went: Was the agenda of this meeting the best use of the time?

It's also worth noting that most boards should consider training in how to think strategically. Some organizations—and I applaud them—are holding strategy retreats, where they have outside speakers and strategy consultants who help them challenge the status quo.

Another area that can be helpful for boards is training on how to identify big-picture, enterprise-wide risks that will affect the organization, such as competitors coming into marketplace, not integrating physicians quickly enough, not reacting to changes quickly enough, or a major safety breach, among others.

Three – Engage in a thorough assessment of your existing board evaluation processes and practices

The intent should be either to improve these evaluation processes or replace them with better, more progressive models. Evidence shows that current board evaluations are not viewed as very worthwhile, and evaluations are accepted with minimal deliberation and produce little to no action.

The approach wastes time, perpetuates the status quo and does not improve board structures, processes or cultures. More importantly, there are ways to do it better. The goal is to have vibrant, outcome-oriented evaluation processes—both formal and informal—that consistently generate action and improve the effectiveness of boards, board committees, and board leadership. It often helps to freshen up the board evaluation process by using an outside moderator or consultant to thoroughly evaluate the board's effectiveness.

Four – Charge a standing board committee with oversight for system-wide community benefit policies and a focus on population health

It is time for a fresh look at traditional practices and relationships—and to consider new approaches that will serve our communities better. Certainly, there is more transparency in this area than ever before, with the new Form 990 reporting requirements on community benefit activities.

Healthcare organizations are encouraged to have a standing board committee focused on community benefit policies and the organization's role in community health. This standing board committee may take a fresh look at community benefit and ask: What impact do we have on the health of our communities? Boards need to treat community benefit and population health with the level of attention it needs.

Five – Collaborate with professional associations and legal experts in developing better methods and practices for community accountability

One of the issues plaguing community benefit programs is that while hospital and healthcare systems often claim accountability to their community or communities, the methods, practices and mechanisms for fulfilling that accountability are often undeveloped or imprecise.

At the same time, tax-exemption is increasingly under scrutiny from the public and regulators. This can be daunting for boards, but the process and methodology for accountability must be open to new definitions and protocols that provide greater transparency and new metrics.

Six – Define the roles that boards and board committees play with respect to patient care quality and safety

Patient safety is paramount, but do boards and committees understand their role in it? Most, unfortunately, do

not. Boards need to mount concerted initiatives—in partnership with their clinical leadership teams, other health systems, voluntary associations and independent experts in this area—to define the board’s role in terms of patient safety and quality care.

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Moreover, they need to determine which information is meaningful (e.g., volume, content and format) and will facilitate their understanding and their ability to perform their duties effectively. For example, many of the board members interviewed for the study said that the documents pertaining to patient care given to the board were technical, highly voluminous and, in many cases, too difficult for both executives and clinicians to comprehend. This clearly needs to change.

Seven – Prioritize the development of top-notch leadership succession planning programs for boards, board leadership and senior management

About half of boards surveyed are undertaking formal leadership succession planning for their boards and management. Many boards in the study have excellent board/CEO relationships but most still do not focus enough attention to succession planning.

Succession planning is essential to maintain the strong, values-based leadership team required of today’s healthcare systems. A strong bond between the CEO and clinical leadership is also essential—especially as integrated delivery networks are emerging as the model for the provision of high quality, cost-efficient patient care.

Eight – Undertake an objective appraisal of boardroom culture

The surest way to improve governance is to improve the culture of the board. All boards have cultures—what is

yours? Effective boards intentionally create a culture that nurtures enlivened engagement, mutual trust, willingness to act and high standards of performance. Determine steps to make it healthier and more effective.

Looking ahead

Successful boards recognize that the healthcare environment has changed dramatically, and so too must their governance practices. It isn’t enough to just focus on providing acute inpatient care to those who come to a provider’s doorstep. New financial realities and the needs of a changing population are looming for many health systems.

Ultimately, health systems need to evolve, or they will not survive for the long haul. Devoting time and energy to these recommendations will prove to be a good investment that will pay long-term dividends for each board, the organization it governs, and the population and communities it serves. NP

Anne M. McGeorge is the National Managing Partner of Grant Thornton LLP’s Healthcare practice. She was selected as a “Woman Extraordinaire” by Business Leader magazine in 2011 and named one of Charlotte’s “Most Influential Women” in 2010 by the Mecklenburg Times. You can reach Anne at (704) 632-3520 and at Anne.McGeorge@us.gt.com.



Lawrence Prybil, PhD, LFACHE is Professor of Health Services Management and Associate Dean at the University of Kentucky, College of Public Health. He held senior executive positions in two large health systems and served on governing boards of hospitals, state hospital associations, the AHA and other nonprofit and investor-owned organizations. He is directing the third in a series of national studies regarding governance structures, processes and cultures in nonprofit hospitals and systems. You can reach Lawrence at (859) 218-2239 and at LPR224@uky.edu.

