Board Leadership in Changing Times

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Session Objectives

1. Explain the increased need for board leadership in the complex, changing healthcare environment
2. Identify the critical role that the board plays in helping to lead in times of change
3. Describe four essential governance practices to provide needed leadership during transformation
Changed Business/Payment Model

Fragmented care vs. Coordinated/integrated care
Volume-based payments vs. Value-based payments
Only treating individuals vs. Caring for a population
Payer-driven managed care vs. Provider-driven accountable care

Clinically and fiscally accountable for the entire continuum of care that a given patient population may need.
“Build” Full Continuum “System”
New Challenges & Opportunities

- Now, need to govern an entire “care system”:
  - Adding all the pieces
  - Ensuring care coordination and smooth transitions
  - Building population health management capacity

- Requires tough decisions:
  - Quality improvement and cost reduction
  - Physician engagement and conflict of interest awareness
  - Partnership development and community connectedness

- Leadership is critical, especially by the board
Leadership in Healthcare

Board

Community
Payors

Management

Physicians / Clinicians

Patients
Transformational Leadership

“Transformational Leadership is a process whereby leaders and their followers raise one another to higher levels of morality and motivation.”

—James MacGregor Burns, Leadership
Change Dynamics

- Strong leadership is needed
- Reflection, discussion, and debate
- Resolution of differences
- Common vision emerges

- New culture develops
- Mission, values, and norms created
- Fundamental assumptions shared

- Fear won’t adapt or will be left behind
- Culture is threatened
- Resistance surfaces

—Edgar H. Schein, *Organizational Culture and Leadership*, 2010
Essential Governance Practices

1. Intensifying Education
2. Clarifying Roles
3. Sharing a Vision
4. Holding All Accountable
The Informed Board Imperative

“The pace of health industry change will only accelerate… unprepared boards will be quickly exposed by the relentless pace of reform-based challenges requiring governance attention. Senior management will rapidly lose confidence in the consultative capabilities of uninformed board members.”

–Michael W. Peregrine, Esq.

Supreme Court Decision Creates Board Challenge

The Governance Institute’s BoardRoom Press
And yet, Board Education Declined

Types of Education Included in the Board’s Continuing Education Process

- 2011
- 2014

- American Hospital Association
  2014 National Health Care Governance Survey
Orient New Members Quickly & Well

1. Orientation session(s)
2. Introduction to key individuals
3. Tour of facilities
4. Mentoring program
5. Robust board portal
Sample Board Education Calendar

<table>
<thead>
<tr>
<th>Educational Topics by Meeting</th>
<th>JAN</th>
<th>FEB</th>
<th>MAR</th>
<th>APR</th>
<th>MAY</th>
<th>JUN</th>
<th>JUL</th>
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<td>Community Benefit</td>
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<td>Strategic Planning</td>
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<tr>
<td>Retreat/ Education Sessions</td>
<td>B,J*</td>
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<td>A,B,E,F,H,K</td>
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<td>C*</td>
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<tr>
<td>Annual Board Orientation</td>
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A – Health Reform
B – Fiduciary Duties
C – Mission Matters
D – Quality Oversight
E – Strategic Direction
F – Physician Alignment
G – Advocacy
H – Institutional Integrity
I – Information Technology
J – Advanced Governance
K – Leadership and Board Participation

(Letters Correspond to Topic List on Previous Slides)
Board Education “Hot Topics”

- Health Care Industry Trends
- Value-Based Care
- Quality & Safety Assurance
- Population Health
- Clinical Integration
- Accountable Care Organizations
- Strategic Partnerships / M & A
- Community Benefit Assurance
- Patient Experience
- Consumerism
- Branding
- Demographic Trends
- Wellness & Prevention

- Ambulatory Care
- Post-Acute Care
- Retail Strategies
- Innovation
- Cybersecurity
- Health Information Technology
- Conflicts of Interest & Independence
- Governance Effectiveness
- Physician Leadership
- Employee Engagement
- Change Management
Board’s Duties & Responsibilities

- Protect Financial Health
- Ensure Clinical Quality, Service, and Safety
- Advocate for Those Served and the Organization
- Ensure Competent Management
- Duty of Care
- Duty of Obedience
- Duty of Loyalty
- Set Strategic Direction
- Perpetuate Effective Governance

= Core Governance Responsibilities
= Fiduciary Duties
Board’s Basic Role Reminder

• The Fiduciary Duty of Oversight
  • Develop the mission and set strategic direction
  • Establish policies, norms, and procedures
  • Carefully select a competent CEO
  • Delegate work to CEO
  • Monitor performance of the organization and the CEO

Four Important Notes:

• The Board’s primary contact – and only employee – is the President / CEO
• Boards only have authority when meeting as a board (not as individuals or sub-sets)
• Boards must speak with one voice
• Board members must keep all conversations confidential
Governance-Management Distinction

- **Governance** – Exercising accountability by setting goals, making major policy and strategy decisions, and **overseeing** implementation

- **Management** – Delivering results by **implementing** policy and strategy as set forth by the governing body, managing operations, and reporting on performance
Discuss Board & Management Roles

# Document Decision Authority

<table>
<thead>
<tr>
<th>Task / Process</th>
<th>Involvement / Authority</th>
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<tbody>
<tr>
<td></td>
<td>Hospital Board</td>
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<td>Strategic Planning</td>
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<td>Annual Budgeting</td>
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<td>Capital Planning</td>
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<td>Board Member Selection</td>
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<td>Physician Credentialing</td>
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<td>(Etc.)</td>
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**Key:** Initiate, Develop, Participate, Recommend, or Approve
Board’s Vision/Strategy Involvement

Overseeing Process & Ensuring Stakeholder Participation

Clarifying Planning Assumptions, Drawing Strategic Conclusions, Identifying Critical Strategic Issues & Discussing Options

Mission and Core Values

Board’s and Management’s Work: “What”

Board’s Work: Holding Management Accountable for Performance

Vision

Strategic Goals

Management’s Work: “How”

Objectives
Clarify Strategy Process Expectation

- Does the Board expect to be involved from the start or expect management to do some “staff work” first?
  - Provide input?
  - Hear health care industry trends?
  - Analyze internal performance trends?
  - Agree on planning assumptions?
  - Frame the critical strategic issues?
  - Develop the vision?
  - Draft strategic goals?
- Use a committee, task force, or full Board?
Physician “Partnership” Imperative

“Alignment and engagement are the fundamental conditions necessary for us to work with physicians to create value.”

–Bob Porter, President and Chief Strategy Officer
SSM Health Care, St. Louis
*Aligning Hospitals and Physicians Toward Value*
Healthleaders Media Breakthroughs
Address the “Brutal Facts”

Healthcare Landscape

Political
- Competition
- Quality & Safety

Economic
- Industry Structure
- Care Model

Social

Technological

Organization’s Position

Market Assessment
- Patient origin
- Service area definition
- Demographics
- Market share
- Competitor profile
- Payer profile
- Community opinion surveys

Internal Assessment
- Stakeholder perceptions
- Activity trends
- Financial assessment
- Patient satisfaction
- Quality performance
- Medical staff profile and dependency

Drawing Conclusions and Identifying Your Critical Strategic Issues
Clear, Shared Vision & Strategies?

**Mission:** To improve the health of those we serve and prepare the next generation of care providers for our state

**Vision:** Working together, we will transform health care in our state:
- Be the standard of excellence in safety, quality, service & value
- Provide easy access to an integrated system of care
- Eliminate care disparities
- Prepare care providers to thrive in future care environment

**Core Strategies**

1. Clearly define the role of the system
2. Integrate select business functions and processes
3. Initiate system-wide affinity groups to share best practices and stimulate innovation
4. Build a comprehensive aligned network of healthcare professionals
5. Organize regional delivery networks with standard quality and business principles
6. Develop shared support services for regional delivery networks
7. Create deeper ambulatory/PCP presence
8. Establish close, integrated relationships with targeted hospitals
9. Engage other hospitals in the region through affiliations that complement system of care
10. Build a Clinically Integrated Network
11. Develop population health/risk arrangements with the state
12. Cultivate strategic relationships with key managed care players

**Build capabilities to optimize system performance**

**Align with physicians and other providers to meet needs of population**

**Expand system of care to better serve our market**

**Secure competencies for value-based care environment**
# Sample Accountability Dashboard

<table>
<thead>
<tr>
<th>Increase market strength</th>
<th>Create exceptional patient experiences</th>
<th>Embrace teamwork and a system approach</th>
<th>Provide value-based care</th>
<th>Be the hospital of choice</th>
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<tbody>
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<td>Metric</td>
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**Performance Key:**
- Exceeds goal
- Meets goal
- Minimum acceptable
- Not acceptable
Board Transformation Required

“Boards must re-think the way they govern to successfully lead their organizations through transformative times. Transformation requires frequent self-reflection and concerted action.”

–AHA Center for Healthcare Governance

*Governance Practices in an Era of Health Care Transformation*
Make Time for Strategy Discussions

- **Focused agendas and materials:**
  - Annual calendar with 3-4 key topics per meeting
  - Framing questions for each agenda item
  - Governance-level materials to support discussion

- **Preparation and debrief meetings:**
  - Board chair and CEO
  - Committee chairs and their staff liaisons
  - CEO and other executives

- **Facilitated meetings:**
  - Assume all have read the materials
  - Trust the committees’ work
  - Chair prioritizes facilitated discussions
Board Evaluation & Accountability

Board Self-Assessment
Board Responsibility by Category Comparison 2016 to 2011

Section I - Mission and Planning Oversight
- 2016: 3.61
- 2011: 3.75

Section II - Quality Oversight
- 2016: 3.84
- 2011: 3.50

Section III - Legal and Regulatory Oversight
- 2016: 4.05
- 2011: 3.90

Section IV - Finance and Audit Oversight
- 2016: 4.46
- 2011: 4.25

Section V - Management Oversight
- 2016: 4.07
- 2011: 3.95

Section VI - Board Effectiveness
- 2016: 3.77
- 2011: 3.60
## Set & Monitor Board’s Own Goals

<table>
<thead>
<tr>
<th>Sample Board Goals</th>
<th>Lead</th>
<th>Due Date</th>
<th>Status</th>
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<tbody>
<tr>
<td>1. Change board agenda and materials to ensure more strategic discussions</td>
<td>Board Chair* CEO</td>
<td>July 1</td>
<td>TBD</td>
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<tr>
<td>2. Revisit competency matrix to ensure strategic expertise and perspectives</td>
<td>Governance Committee</td>
<td>August 1</td>
<td>TBD</td>
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<tr>
<td>3. Develop comprehensive on-going education plan for the board and its committees</td>
<td>Governance Committee</td>
<td>September 1</td>
<td>TBD</td>
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<tr>
<td>(include annual health care industry trends update)</td>
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*Individual with primary accountability*
Questions?

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