GOVERNANCE RECOMMENDATIONS

This Health Law News article is Part IX and the last in the series discussing the new governance study, "Governance in Large Nonprofit Health Systems: Current Profile and Emerging Patterns." The full Report is available here. Part I - Executive Summary was published in Hall Render's Health Law News on August 8, 2012, Part II - Public and Private Scrutiny of Hospital and Health System Governance was published on August 28, 2012, Part III - Benchmarks of Effective Governance was published on September 4, 2012, Part IV - Key Findings - Board Structure and Composition was published on September 11, 2012, Part V - Key Findings - Board Processes was published on September 18, 2012, Part VI - Key Findings - Board Culture was published on September 25, 2012, Part VII - Exceptional Governance Features was published on October 2, 2012 and Part VIII - Governance Recommendations was published on October 9, 2012. The previous article discussed the first four recommendations, and this article will address the final four recommendations, their rationale and our explanatory comments.

5. ACCOUNTABILITY TO COMMUNITY (BENCHMARK #3)

Rationale: It has been customary for many nonprofit hospitals and health systems to declare a principal accountability to the "communities we serve." While this surely is appropriate, the mechanisms, methods and metrics for fulfilling that accountability often are under-developed and imprecise. In an era of intense public scrutiny and compliance requirements, the question of these organizations' accountability - to whom, for what and how it can be fulfilled effectively - warrants attention.

Recommendation: Collaborate with professional associations and legal experts in developing better methods and practices to enable their organizations to be properly accountable to the communities and populations they are charted to serve. This process can and should be open to new definitions and protocols that provide greater transparency and new metrics.

Comment: As health systems become larger and more complex, many board leaders and CEOs have identified the need to revisit their current organizational models and rethink their definitions of key "stakeholders" and traditional mechanisms for accountability and transparency. New compliance requirements around community health needs and population health and payment models around value-based purchasing that emphasize quality processes and the patient experience through the HCAHPS dictate a constant review of both the mechanisms and metrics for accountability to the community, government and payors.

6. PATIENT CARE QUALITY AND SAFETY (BENCHMARK #7)

Rationale: Effective oversight of patient care quality and safety is, without question, one of the most important duties of hospital and health system boards. During recent years, the movement toward evidence-based medicine and value-based purchasing programs has produced enormous growth in quality improvement measures. One consequence is that boards now are often presented with reports that include an extensive array of highly detailed metrics and data that, for many board members, are too voluminous and difficult to understand.

Recommendation: Mount concerted initiatives - in partnership with their clinical leadership teams, other health systems, voluntary associations and independent experts - to define more clearly the roles that boards and board committees can and should play in today's environment with respect to patient care quality and safety. In that context, the information (volume, content and format) that will facilitate board members' understanding and ability to perform their duties effectively should be identified and provided.

Comment: Board leaders and CEOs clearly recognize and embrace their fiduciary and moral responsibility for patient care quality and safety, have standing committees with oversight responsibility and routinely receive written reports on system-wide and hospital-specific performance in relation to a wide array of quality measures. Yet, many boards are still wrestling with issues such as which measures warrant system attention, how to set targets and how best to monitor performance. As discussed in Article VII, K&A would urge boards to review CHP's System Scorecard (Report p. 79) as an example of a brief and concise scorecard of approximately twenty measures covering operational, financial, strategic and quality metrics where about one-half of the measures are devoted to quality focused objectives. In K&A's experience, while a hospital or system board quality committee may need to drill down on a longer list of quality measures, the system board would be well served by receiving a report that is more concise and understandable.

7. BOARD SUCCESSION PLANNING (BENCHMARK #6)

Rationale: There is growing recognition of the importance of thoughtful, well-organized leadership succession planning for boards, board leadership and senior management. While most of the systems in the study had some type of succession planning in place, nearly all of the CEOs and board leaders view their programs as "work-in-progress" that need further development.

Recommendation: Make the development of top-notch leadership succession planning programs for boards, board leadership and senior management a system-wide strategic priority.

Comment: Benchmark #6 states that "effective boards are committed to establishing and continually updating succession plans for the board, board leadership positions, and, in concert with the CEO, senior management positions." Less than half of the systems in the study had some form of succession plan for both the board and senior management. Board succession plans (a) are a necessary link between the collective competencies needed on the board, the roles and responsibilities of the board and the board goals, (b) provide a systematic and disciplined approach to board recruitment that is targeted to the specific competencies and skills that are missing on the board, and (c) provide a process and timeline that permits the board to plan ahead some six years to replace board members who are terming off the board. Board succession plans should be reviewed and updated periodically to assess the collective competencies around the board room and to identify and prioritize competencies needed based on environmental changes, challenges of the board and the work of the board.

8. BOARD CULTURE (BENCHMARK #8)

Rationale: There is growing evidence that boards with a culture that consistently demonstrates commitment to high standards, mutual trust among board members and management leaders, robust engagement in the work of the board and willingness to take action are more likely to be more effective.

Recommendation: Undertake an objective appraisal of the boardroom culture that currently prevails and determine steps that can be and should be taken to make it healthier and more effective.

Comment: Benchmark #8 sets forth eight indicators of a healthy board culture, such as commitment to mission, honoring conflicts of interest and confidentiality policies, tracking system performance (clinical and financial) and taking action, atmosphere of mutual trust, actively engaged in discourse and decision-making, holding board members to high standards of performance and behavior and having well-organized board meetings focused principally on strategic deliberations, rather than receiving information. In Banner Health's selected governance feature on board culture (Report p. 68), they have identified several characteristics of a healthy board culture, many of which are similar to the ones used in Benchmark #8. In K&A's experience, the benchmarks of effective governance are all interrelated. A board can have the right structure and board composition and have excellent and efficient board processes, but if it has a poor board culture, the board will likely be ineffective. After undertaking an objective appraisal of the board's culture and identifying areas of weakness, the board can consider implementing some of the techniques used to improve a board's culture that K&A discussed in Part VI of this series.

ACTION STEPS

It was the study team's belief that these eight recommendations are evidence-based and warrant consideration not only by the systems that participated in the study but also by other hospitals and health systems. It was the view of the team that devoting some time and energy to considering the 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.

Board leaders and their CEOs are encouraged to:

- **Identify and prioritize** the governance issues they believe are most important for their organization at this time,
- **Assign** responsibility and
- **Set a timetable** for taking action.

Focusing on carefully established priorities will enable prudent use of board and staff time and increase the likelihood of solid improvement in board practices and performance.

This ends K&A's and Hall Render's series on the new governance study. If you have questions regarding the study, please contact:

- Rex Killian, K&A, at 314-504-2213 or rkillian@killianadvisory.com;

- Lawrence Prybil, PhD, LFACHE, Professor and Associate Dean of Public Health, University of Kentucky, at 859-218-2239 or Lpr224@uky.edu;
- Jeffrey Carmichael, Hall Render, at 317-977-1443 or jcarmichael@hallrender.com; or
- Your regular Hall Render attorney.