GOVERNANCE RECOMMENDATIONS

This Health Law News article is Part VIII in the series discussing the new governance study, "Governance in Large Nonprofit Health Systems: Current Profile and Emerging Patterns." The full Report is available herePart 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, href="Part V - Key Findings - Board Processes was published on September 18, 2012, Part VI - Key Findings - Board Culture was published on September 25, 2012 and Part VII - Exceptional Governance Features was published on October 2, 2012. The remaining article in this series will cover the key recommendations of the Report.

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One of the four objectives of the study was to produce information that can assist CEOs and boards in assessing and enhancing board effectiveness. Previous articles in this series have addressed the governance benchmarks that were developed and used to assess and score the governance structures, processes and culture of the participating health system boards and the key findings with respect to each of the benchmarks and related indicators. In these next two and final articles, we will discuss the eight governance recommendations and their rationale and offer some explanatory comments.

1. Board's Role and Responsibility (Benchmark #3)

Rationale: These are turbulent and challenging times for those who hold leadership roles in hospitals and health systems. The health care environment is changing rapidly, and all health care organizations must adapt to those changes. To meet society's changing needs and rising expectations, it is apparent that substantial changes will be required.

Recommendation: Conduct an overall review of the board's role and responsibility in the context of recent and anticipated changes in the health care environment and in the communities they serve.

Comment: As an example, given the new IRS compliance requirements around community health needs assessments and population health and the HHS National Quality Strategy to improve the health status of the communities served, a review of the board's responsibility in this area could include the following considerations:

- Develop an annual board goal consistent with this new compliance requirement
- Consider a standing board committee to have oversight responsibility (see Recommendation #4 and Kaiser's selected governance feature)
- Update board succession plan to include a new collective competency for "community and population health" and recruit board member with that competency
- Develop process for monitoring board and organizational performance

2. Board Meetings (Benchmark #7)

Rationale: CEOs and boards need to accelerate the shift toward a greater focus on strategic thinking. Many boards still spend large portions of board meetings listening to reports and discussing operational issues as compared to active engagement in constructive dialogue about strategic challenges and opportunities.

Recommendation: Candidly reexamine board and board committee agendas and practices, with a focus on meeting structure, topic selection, expectations regarding distribution and review of materials before meetings and pragmatic steps that can and should be taken to enable the board to devote more time and energy to strategic deliberations.

Comment: Less than one-third of the trustees interviewed believed that meetings were well organized and focused on strategic deliberations

rather than receiving reports. This finding speaks to the effectiveness of board meetings, the value of board members' time and the overall culture of the board. A board can take any of several governance steps and use a variety of tools to improve this process and make board meetings more meaningful and useful. (a) For starters, boards need to make greater use of the Consent Agenda for all routine matters. Any item may be removed from the Consent Agenda and placed on the regular agenda simply at the request of a board member. (b) Committee and management reports are expected to be read in advance and not presented in detail at the board meeting. Committee chairs and management should tee up questions for discussion or insights needed from the board, if any. (c) Board materials should be distributed at least one week in advance. K&A recommends using a one-page Board Item Executive Summary for each topic that summarizes the topic, presents any question for which the presenter is seeking input from the board and states the action requested by the board. (d) Carve out a substantial block of time on the agenda for discussion and dialogue on a key focus area such as strategy, quality and patient safety, community health, risk and finance.

3. Board Evaluation (Benchmark #5)

Rationale: Board evaluations often become a formality, a pro forma exercise that involves completing standard questionnaires and leads to reports that are accepted with little deliberation and produce little or no action. This approach wastes time, perpetuates the status quo and does not improve board structures, practices, culture or performance.

Recommendation: Engage in a thorough assessment of existing board evaluation processes and practices with the intent of either improving them or, depending on the findings, totally replacing them with better, more progressive models. The goal is to have vibrant, outcome-oriented evaluation processes - formal and informal - that consistently generate action and improve the effectiveness of the board, board committees and board leadership.

Comment: While nearly all of the boards in the study conduct an evaluation either annually or every other year, less than half of the CEOs and board members believed that the evaluation resulted in specific actions or changed governance practices. A board must ask itself why it takes the time and energy to go through a board evaluation and obtain insights from board members if it is not going to use the results to improve the effectiveness of the board. K&A suggests that the benchmarks and tools developed in the study should be instructive to hospital and health system boards desiring to improve their board evaluation processes. Depending on the areas in need of improvement, K&A recommends that action steps be developed and memorialized in a short list of board goals and that a mechanism be put in place to monitor the board's improvement.

4. Community Benefit and Community Health Needs (Benchmark #7)

Rationale: Societal realities are demanding fundamental changes in the mission and goals of health organizations and the services they provide to their communities. Stakeholders want assurance that (a) nonprofit hospitals and health systems deserve tax-exempt status and are meeting the health needs of the community and (b) public health agencies are performing essential functions efficiently and effectively. Better communication and closer collaboration among hospitals/health systems and public health agencies are increasingly essential.

Recommendation: Charge a standing board committee with oversight responsibility for hospital and system-wide community benefit policies and the organization's role and priorities in the realm of population health. It is time for a fresh look at traditional practices and relationships - and to new approaches that will serve our communities better and more efficiently.

Comment: See comments to Recommendation #1 and the examples discussed.

In next week's final article, we will discuss the remaining four recommendations, their rationale and our explanatory comments. If you have questions regarding the study, please contact:

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