

# Governance Restructuring after a Merger

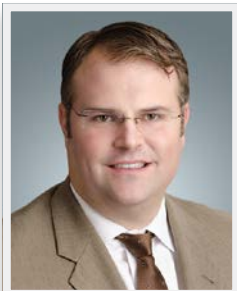
BY CHAD W. WABLE, FACHE, SAINT MARY'S HOSPITAL, INC. AND TRINITY HEALTH—NEW ENGLAND, INC.

Many hospital board members are executives who may have experienced the effects of a merger and acquisition in their careers, particularly if their field is manufacturing or finance—two segments that have already undergone a great deal of consolidation. In recent years, healthcare has seen its share of M&A activity, including at my own organization.

In August 2016, Saint Mary's Health System in Waterbury, Connecticut, joined Trinity Health—New England, becoming the fifth hospital to affiliate with the regional health ministry, which is part of Trinity Health, one of the nation's largest Catholic healthcare systems. Trinity Health serves many communities and people in multiple states across America with 92 hospitals.

Joining Trinity Health—New England was a strategic decision that gives Saint Mary's access to resources, ideas, and innovation from a large, national system. It makes it easier for us to advance clinical quality in significant ways at the local level, and provides economies of scale that reduce our costs structure. It also allows us to contribute our knowledge and best practices to enhance care in the 24 states where Trinity Health operates.

Since joining Trinity Health—New England, Saint Mary's is better positioned to achieve our vision and accelerate the implementation of our strategic plan,



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which is closely aligned with Trinity Health's People-Centered 2020 strategic plan. The plan includes five focus areas: people-centered care, engaged colleagues, operational excellence, leadership nationally, and effective stewardship.

Although the changes that come with M&A activity can be difficult, there is also great excitement at

Saint Mary's. As with any merger and acquisition, some of the most significant changes relate to governance approach, structure, and activity.

Since joining Trinity Health—New England, my governance responsibilities have increased. I continue to sit on the local board, but I'm also involved at the regional level as Chief Transformation Officer and Senior Vice President of Operations for Trinity Health—New England. I attend each regional board meeting and make presentations to the board; I get to peek into both governance windows—the local and the regional—and it is exciting to see the evolution of governance occurring. Here are some of the key changes we've experienced.

## Role of the Local Board

Saint Mary's will continue to maintain its own local board of directors focused on the needs of its community. The local board will provide input to Trinity Health—New England, which is governed by a separate regional board of directors comprised of local community members (including from Saint Mary's service area), physicians, and representatives of Catholic organizations.

Some of the changes at the local level include eliminating Saint Mary's capitated insurance board and merging it with Trinity Health's capitated insurance company. The hospital is also restructuring its



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## Key Board Takeaways

Last year, Saint Mary's Health System joined Trinity Health—New England. Saint Mary's is now better positioned to advance clinical quality at the local level, reduce costs, achieve its vision, and accelerate the implementation of the strategic plan. Some of the key changes the organization has experienced include:

- The Saint Mary's board will maintain its own local board focused on the needs of its community, and will provide input to Trinity Health—New England, which is governed by a regional board.
- A new streamlined structure with the Trinity Health—New England regional board taking on fiduciary responsibilities (for example, financial oversight, strategic planning, and governance of the physician network organization).
- An efficient governance decision-making process where decision rights are well-defined and decisions are made at the most appropriate level—either local or regional depending upon the subject.

physician network organization, which will ultimately fall under the regional board. The local board, however, is still responsible for medical staff credentialing. And the local board continues its sharp and dedicated focus on quality and safety oversight, which is essentially the most meaningful work of the board with perhaps the exception of its commitment to ensuring our community's health and well-being.

Another important change is that the local board will no longer focus on the financial performance of the hospital—the regional board takes on that responsibility. Even though this traditional oversight responsibility won't be handled at the local level, this doesn't diminish the role and need of the local board. In fact, it is important that the board receives meaningful, regular updates in order to stay informed and have an appropriate context for other issues and decisions. As the hospital President, I am able to get local input and bring it to the regional level, which in turn informs capital decisions that are made regionally. There are two previous members from our Waterbury marketplace that sit on



the regional board who previously served on Saint Mary's board, and people from our area that serve on the regional board so our community is well represented.

### Role of the Regional Board

The regional board is responsible for strategic planning across the region and building Trinity Health—New England. It is also fiscally responsible for each of our five hospitals—how to maintain a fiscally responsible health system and regionally contribute to a national system. Strategy and finance represent a meaningful portion of our discussions right now, especially in light of the overall system's People-Centered 2020 strategic plan.

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All these changes will help us streamline and focus governance around what is most important. At the local level, we can focus on health, and at the regional level the board's primary concern is healthcare, but with both groups consigned to a similar, united approach.

The decision-making process has changed and is good for the local health system. The appropriate decisions are now at the appropriate level organizationally. Decisions are made with line of sight across the region with the collective best and brightest minds at work interfacing and



ensuring support from Trinity Health. The operating budget and capital budget are approved by Trinity Health—New England, along with compliance and audits, which is controlled by Trinity Health. The committee structure also rests at the regional level, which includes committees on finance, governance, and mission. Given the change in focus and need to move certain decision rights to the regional board, the sensitivities around governance-by-representation become very important. The regional board has an astute and diverse membership from all of the markets that are part of our region; however, their job is to act on behalf of the best interest of Trinity Health—New England. Two board members at the regional level do come from the Saint Mary's area, but they represent the region's interests, not Saint Mary's. In addition, we are moving away from the hospital being at the center of care toward a population health approach, which will help us move away from the notion of governance-by-representation.

Taken together, all these changes will help us streamline and focus governance around what is most important. At the local level, we can focus on health, and at the regional level the board's primary concern is healthcare, but with both groups consigned to a similar, united approach. Decision rights are well-defined and decisions are made at the most appropriate level—either local or regional depending upon the subject.

One important aspect to consider with serving on a board that reports to a larger system board is to make sure you have people who understand and appreciate system thinking. It is important to resist governance-by-representation as the board turns over. The local board focuses on the mission with primary focus on quality and patient safety, community health, and building a consumer-driven, patient-centered organization. Board members should possess an approach that is unified across these various different constituencies so that everyone is remaining focused on what is important to the regional organization as a whole, through a similar mission, vision, values, purpose statement, or standards. You can approach it in different ways, with different paths to get there, but having consistency and focus that is well understood is important. ●

*The Governance Institute thanks Chad W. Wable, FACHE, President and CEO of Saint Mary's Hospital and Senior Vice President, Operations and Chief Transformation Officer of Trinity Health—New England for contributing this article. He can be reached at [cwable@stmh.org](mailto:cwable@stmh.org).*

