

BoardRoom Press

A Bimonthly Journal of News, Resources, and Events for Today's Healthcare Boards



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3D: Building a Multi-Dimensional Organizational Culture

Critical Issues for the Board's Compliance Committee

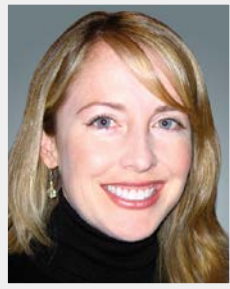
SPECIAL SECTION
Board Member Certification

The Board's Role in Cyber Risks

ADVISORS' CORNER
The Case for Executive Coaching



Our Most Important Asset



As we dig deeper into this fast-moving year of work in healthcare, challenges abound (not surprisingly!); new compliance risks and cybersecurity threats are two such concerns covered in this issue.

To round things out, our remaining articles focus on the healthcare organization's most important asset: people. This essential notion can be quickly forgotten when we are swamped with uncertainty and long to-do lists. This issue serves as a reminder to boards and senior lead-

ers of the importance of culture and employee engagement, the value of board member education, and the opportunity to develop talent at the top through executive coaching. When individuals in the organization are top-performing, the organization can also be so. Such individuals can serve on the board's compliance committee, and assist the CIO with cybersecurity concerns. Such individuals, as board members, have the greatest impact on, and ultimate responsibility for, the cognitive and emotional culture across the organization. Focusing on people from the top down (and the bottom up!) can inspire and engage higher performance.



Kathryn C. Peisert *Managing Editor*

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3D: Building a Multi-Dimensional Organizational Culture

BY SHEILA REPETA AND JIM FINKELSTEIN, FUTURESENSE, LLC

Healthcare has succumbed to a culture of finger-pointing. Discussions of a broken system, patients falling through the cracks, operational inefficiencies, and skyrocketing costs of care headline healthcare discussions.

No matter which way patients, care providers, administrators, or board members look there appears to be a landscape where all involved are simply stuck. Americans continue to spend more money than any other industrialized nation on healthcare, while we remain one of the sickest and most medicated nations.

Business as usual clearly isn't working. Boards are looking for ways to help their organizations get unstuck. One way to move the meter and make these changes is to not just consider but engage in governance activities

that address organizational culture. To get a full grasp on understanding organizational culture, boards must understand not only the cognitive culture, but the emotional culture of the organization as well as consider ways to monitor emotional culture in their organizations.

While many boards remain focused on the finances, processes, and functions, it is imperative that boards consider the emotional impact of governance decisions on the most important asset of the organization: the people.

Multi-Dimensional Culture

In the early 2000s, we were introduced to viewing movies in a new and exciting way: 3D. The once flat, uni-dimensional films jumped out at audiences engaging, enrapturing, and inspiring. In the same way, organizations should take a 3D view of organizational culture to transform organizations from performing to excellent.

A January 2016 *Harvard Business Review* article addressed the multi-dimensional approach to culture frequently overlooked. In this article, the authors acknowledge that most organizations have considered culture as one-dimensional, evaluating and enacting on only the cognitive

culture, which they define as “the shared intellectual values, norms, artifacts, and assumptions that serve as a guide for the group to thrive.”¹

They argue a holistic approach to culture con-

siders not only the cognitive culture, but also the emotional culture. They define emotional culture as “the shared affective values, norms, artifacts, and assumptions that govern which emotions people have and express at work and which ones they are better off suppressing.”

Think your governance culture doesn't impact the emotional culture of an organization? Think again. While many boards remain focused on the finances, processes, and functions, it is imperative that boards consider the emotional impact of governance decisions on the most important asset of the organization: the people.

What does this look like? When a hospital determines that the best way to survive the financial climate is to merge with a multi-facility system, this common decision is typically driven by financial concerns and the implications that are considered are mostly procedural, fiscal, and operational. Do we need two separate executive teams? Will benefits cost be reduced significantly

Key Board Takeaways

In an increasingly competitive environment, healthcare boards need to consider and support leadership efforts that build a strong cognitive and emotional culture in organizations. To do this the board must:

- Recognize the differences between cognitive and emotional culture and understand the implications of both types of culture.
- Identify metrics to measure or understand and build organizational culture such as:
 - » Employee engagement
 - » HR metrics
 - » Purpose-oriented workers

with a larger group of employees to reduce rates? Will staffing models shift or change?

But what often gets overlooked is the emotional response to the news amongst staff, frontline managers, and leaders. Change has an enormous impact on the emotional culture of an organization. As a whole, people typically resist change and during a transition period such as this, there tends to be a lot of policy changes, confusion, rumors, and a general air of uncertainty.

Will employees fear layoffs? Will compensation and benefits be impacted causing employees to incur higher out-of-pocket costs? Will I have to follow a different set of rules or policies? All of these questions are very real and can impact the emotional culture of an organization from one of stability and quality care to one characterized by uncertainty and fear. Boards need to encourage their senior leaders to be mindful and support efforts to manage the emotional culture of the organization.

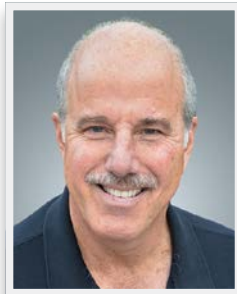
Measuring Emotional Culture in Organizations

Culture is a nebulous concept. It's hard to define, difficult to describe, and most certainly feels impossible to measure. Yet boards have the opportunity to explore the emotional culture of their organizations through several measures: engagement, employee metrics, and purpose orientation.

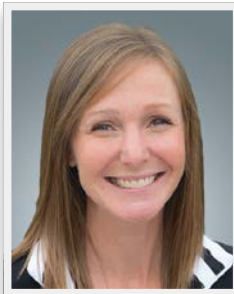
Engagement

For decades, organizations have sought to measure employee engagement as a

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1 S. Barsade and O. O'Neill, “Manage Your Emotional Culture,” *Harvard Business Review*, January/February 2016.

Critical Issues for the Board's Compliance Committee

BY MICHAEL W. PEREGRINE, ESQ., MCDERMOTT WILL & EMERY LLP

A series of important new regulatory, judicial, and enforcement developments combine to present significant challenges for the hospital/health system compliance committee. These developments reflect the increasing enforcement focus of the government on the healthcare sector, the risk posed by whistleblower-based claims, and much greater attention to the effectiveness of compliance programs and their oversight committees.

While the resulting challenges are, individually and collectively, of great significance, they are certainly capable of being addressed by attentive, informed governing boards.

The responsibility to address these issues is grounded in the board's fundamental duty of care, which is interpreted to include the obligation to ensure that the organization maintains an effective corporate compliance program (the so-called "Caremark" duty). With the increased emphasis on preventing health-care fraud, greater expectations are being placed on the role and importance of the board's compliance committee in ensuring program effectiveness. These expectations extend whether "compliance" is a separate committee or is combined within the charter of another board committee (e.g., the audit committee).

As a result, the compliance committee's future agenda should include responding to the following:

- **Prominent penalties/verdicts:**

The compliance committee should have a general awareness of recent fraud and abuse cases and False Claims Act settlements that have resulted in hospitals and health systems making substantial payments to resolve allegations. These include the prominent Tuomey and Halifax False Claims Act litigation, as well as three recent False Claims Act settlements. To varying degrees in these cases and settlements, the Department of Justice (DOJ) appears to have advanced the highly controversial theory that the Stark law is violated when a hospital or health system pays employed physicians more than the net professional income the physician generates. The compliance committee should ask the general counsel to keep it updated on the implications of

these and similar enforcement developments.

- **Yates Memo:** The committee should also be aware of new DOJ enforcement guidelines that reflect both a) a substantially increased focus on individual accountability for corporate wrongdoing, both civil and criminal, and b) the importance of corporate cooperation in the context of governmental investigations. Under this new policy, civil and criminal prosecutors are directed to concentrate on individual wrongdoing from the inception of the investigation. These new guidelines will apply to individual conduct arising from, among other examples, actions instituted under the False Claims Act and anti-kick-back laws.

Related to the government's focus on compliance program effectiveness is the increasing focus on the qualifications and expertise of compliance committee members. The DOJ has expressed a concern that program effectiveness is dependent in part on the presence of competent, qualified, and disinterested compliance committee members to provide good faith oversight.

- **New compliance program metrics:** The DOJ is making a major commitment to evaluating the effectiveness of corporate compliance programs at organizations it investigates. Significantly, the DOJ has hired a former

Key Board Takeaways

The responsibilities of the board's audit and compliance committee are greater than ever. This is due in part to increased whistleblower activity and government enforcement, the new government focus on individual accountability for corporate malfeasance, and new government metrics used to evaluate compliance program effectiveness. Audit and compliance committee members should adjust their agenda to meet these new challenges, and consider the following action items:

1. Reevaluate the frequency and duration of committee meetings.
2. Evaluate the proper degree of coordination with other committees.
3. Pursue additional internal education initiatives.
4. Review the efficiency of existing reporting relationships.
5. Oversee efforts to compare the existing compliance program against the DOJ's new metrics, and to make changes where appropriate.

prosecutor and corporate counsel to serve as a full-time compliance expert. A primary duty of this new officer is to help determine whether corporations subject to DOJ investigation have maintained a good faith compliance program. Along the same lines, the DOJ is refining and expanding the types of metrics it applies when examining a compliance program. The compliance committee will most certainly want to evaluate the application of these new metrics to its own program.

- **Compliance committee composition:** Related to the government's focus on compliance program effectiveness is the increasing focus on the qualifications and expertise of compliance committee members. The DOJ in particular has expressed a concern that program effectiveness is dependent in part on the presence of competent, qualified, and disinterested compliance committee members to provide good faith oversight. A similar, new area of governance attention is on the qualifications of the chief compliance officer and whether those qualifications are appropriate given the size and complexity of the organization.
- **Compliance and legal integration:** The compliance committee must also respond to increasing focus (and, to a

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Board Member Certification: Does It Matter?

BY JAMES RICE, GALLAGHER INTEGRATED, KATHRYN PEISERT, THE GOVERNANCE INSTITUTE, AND LUKE MCKEE

Research from The Governance Institute¹ shows that investment in board member education at a certain level (at least \$30,000 annually) is directly correlated with “excellent” board performance. There are many ways board members receive education. One avenue for such education that has evolved over the past decade is board member certification programs provided by state hospital associations.

Over the past decade, 20 state hospital associations have invested in such board member certification programs, requiring a variety of experience and education metrics for certification. Why have these programs been developed, and what have they accomplished? We sought to find the answers to these questions through research and a survey of board members and executives on their direct experiences with such programs.



Why the Move for Director Certification?

After assessing trends in state and national hospital payment and quality reforms, several state hospital associations concluded that by documenting compliance with governance standards, hospital and health system leaders can help assure key stakeholders that they are willing to hold themselves to high standards. Increasingly lenders, bond rating agencies, government officials, hospital accreditation organizations, and the media consider smart board work as an important measure of credit- and payment-worthy performance.

The Tennessee Hospital Association was one of the early movers to offer board certification programming to its members. Its program materials indicate that Tennessee hospitals:

- Understand and embrace the need for accountability in governance.
- Govern according to a standard of excellence.
- Are willing to formally commit to governance best practices.²

The aim is to achieve the highest quality of governance by ensuring ethical, independent behavior that is free of conflicts of interest.

In Alabama, the association asserts, “If you’re like most hospital governing board members, you’re often overwhelmed with jargon, complicated reimbursement formulas, and the responsibility of ensuring quality healthcare for the citizens in your community. The Alabama Hospital Trustees Certification is a voluntary program designed to assist trustees in improving their performance. Not only does it challenge trustees to achieve a higher standard of governance, but it demonstrates that board member education and the embrace of board work best practices help demonstrate to payers, lawmakers, regulators, physicians, employees, and community stakeholders a commitment to hospitals

Key Board Takeaways

Below are three strategies that will help boards ensure they are performing at their top potential:

1. **Study best practices:** Board and executive leaders need to gather annually and discuss profiles of best practices for superior board work from diverse sources.
2. **Conduct annual self-assessments:** Ask how well your board, as individuals and as a whole, measure up against recommended board practices, and then commit to an achievable governance development plan to improve in priority areas in the coming year.
3. **Educate to innovate:** Ask two board members to work with management to define creative, multi-media ways to conduct director orientation and provide effective learning experiences such as attendance at off-site conferences, inviting speakers at board meetings, and if appropriate, participation in state association certification programs.

and their patients a willingness to certify adherence to governance best practices.”³

The Minnesota Hospital Association (MHA) has one of the more rigorous certification programs. Its mission is designed “to make a good board trustee great and a committed trustee an exceptional asset. This certification is a process of verifying an individual trustee’s initiatives to improve personal healthcare knowledge, leadership effectiveness, and compliance with a variety of governance best practices. Certification is a viable way of assuring various stakeholders that Minnesota’s hospitals hold themselves to high standards and are accountable for their governing performance:

- Increased knowledge and skill development of healthcare issues.
- Moving from reactive to proactive in your approach to strategic planning.
- Understanding the roles and responsibilities of the board and the CEO.
- Increased awareness of financial accountability and performance.
- Improved knowledge about effective governance best practices.

1 Kathryn C. Peisert, *21st-Century Care Delivery: Governing in the New Healthcare Industry*, 2015 Biennial Survey of Hospitals and Healthcare Systems, The Governance Institute.

2 See <http://tha.com/focus-areas/board-certification-program>.

3 See www.alaha.org/wp-content/uploads/2014/04/Trustee-Certification-Brochure.pdf.

- Better understanding of public policy and importance of trustee involvement in contacting legislators and getting involved in advocacy at the community level.⁴

We asked representatives from Lakewood Health System in Staples, Minnesota, about their experience with this program. “The Trustee Certification program has increased board commitment to education, which has directly resulted in a focus on strategic discussion and not day-to-day operations, along with a relentless pursuit to improve as an organization and a board. It is not acceptable to just learn; action and results must occur,” said Tim Rice, President and CEO.

“The MHA provides the best educational opportunities for trustees. Trustees come from different walks of life, normally not healthcare. Healthcare is so much different in many ways and the Trustee Certification program has been a great way to learn about our fiduciary duties and understanding how we can make a difference in making better boards,” said Loren Morey, Chair of the system board.

“I have seen a dramatic change in the district board members of Lakewood Health System since MHA began the Trustee Certification program. Board members are fully aware of their fiduciary duties, participate more in discussions and decision making, hold each other accountable, and look forward to attending the educational sessions to learn even more,” said Mary Theurer, District Board Chair.



“We currently have over half of our district board certified and four [out of 13] board members have begun the Advanced Certification program this year. We have incorporated governance practices learned during the certification process in our meetings. In order to be elected chair of the district board, you must be a certified trustee. Lakewood Health System administration encourages and supports our participation in the certification program. I highly encourage other states to adopt a trustee certification program.”

“Trustees come from different walks of life, normally not healthcare. Healthcare is so much different in many ways and the Trustee Certification program has been a great way to learn about our fiduciary duties and understanding how we can make a difference in making better boards.”

—Loren Morey, Board Chair,
Lakewood Health System

Profile of State Hospital Associations Offering Director Certification

The number of states offering director certification seems to have plateaued at 20, each with quite different program designs. From phone contacts to program managers, we conclude that a majority of the participants in these programs serve on boards of smaller hospitals, and often in rural markets. Larger multi-hospital health systems encourage educational opportunities developed by their staff and support participation in outside educational programs.

Only 10 states offer the most structured director certification programs:

- Alabama
- Arkansas
- Georgia
- Iowa
- Michigan
- Minnesota
- Nebraska
- New Jersey
- Tennessee
- Texas

Other states offer varying levels and types of director education including:

- Online courses
- Newsletters
- Conferences and symposiums



Five of the 10 “certification states” certify based on board member self-attestations of completion of program requirements. Only the Texas and Arkansas programs include tests or quizzes. Program rigor and design varies significantly, but motivating factors and competencies are similar:

- Motivations: the rapidly changing healthcare industry, increased scrutiny on healthcare organizations, and to encourage excellent governance.
- Competencies: understand role and responsibilities of hospital board members, healthcare environment, quality and patient safety issues, and the board’s fiduciary responsibilities.

Michigan employs a very different type of program that focuses on a limited number of experienced directors and offers a rigorous nine-month fellowship as opposed to general certification. The program includes both face-to-face retreat-like modules and additional learning experiences.

Hospital association staff from states with structured programs seem pleased with the effectiveness of and participation in certification. One representative commented, “It has been a great program for us. Trustees and boards are much more engaged and know more about what it means and how to be a trustee.” Representatives from state hospital associations with less structured or education-only programs seemed less convinced about effectiveness and participation. This speaks to potential motivational differences between programs, with some aiming to truly create better and more educated board members, and others focused simply on addressing regulatory scrutiny.

4 See www.mnhospitals.org/trustees/board-certification.

Cost of programs are generally low or even free, but reach up to \$7,000 per board member for Michigan’s fellowship program. State associations continue to struggle to support the costs of these programs from modest fees and corporate sponsors.

Certification Insights from Financial Services

Although health regulators are not yet pushing for mandatory hospital board member certification, policymakers may be asking: *“If banks, credit unions, and brokerage houses need to demonstrate that their boards are well informed, ethical, and accountable in their decision making, why would we not expect hospital boards that oversee expensive (and potentially bankrupting costs to families), as well as life and death interventions, not have to meet rigorous performance and transparency standards?”*

Standards for financial services boards to be certified evolve from these observations:

“Directors are placed in a position of trust by the bank’s shareholders, and both statutes and common law place responsibility for the affairs of a bank firmly and squarely on the board of directors.”⁵

Credit Unions also call for their directors to meet education and competency standards through volunteer certification programs. The Credit Union National Association (CUNA) created the CUNA Volunteer Certification Program. The program is designed to create a simplified approach to some rather complex subjects, as it describes: “It will provide you with a convenient, practical way to become certified in the areas of credit union operations, governance, compliance, and more. Plus, through your studies and taking the online exams, you’ll earn your credentials as a Certified Credit Union Volunteer (CCUV) to prove you’re an accountable credit union volunteer.”⁶

How Are These State Hospital Associations Performing?

While an analysis by the American Hospital Association concluded in 2009 that board

5 “Duties and Responsibilities of Directors,” Section 5000.1, *Commercial Bank Examination Manual*, April 2013.
 6 See Credit Union National Association (CUNA), *CUNA Volunteer Leadership and Engagement: Best Practices for CU Boards*, May 2014.



certification could be a trend and standard practice in the coming decade, the results now are mixed.⁷ Sean Murphy and Michael Peregrine observed in that study, “Unquestionably, hospitals and health systems continue to face persistent and unrelenting financial challenges and seemingly unending criticism, scrutiny, and pressure from a number of sources.”⁸

A poll of board members and CEOs from 13 states in December 2015 suggests that further encouragement and study is warranted before policymakers call for an expansion of hospital directors to be certified. When asked, “In general, how effective do you believe hospital board certification has been in the past three years to improve the effectiveness of hospital and health system governance?” they responded as follows:⁹

Very ineffective	3.8%
Ineffective	9.6%
Neither ineffective nor effective	42.3%
Effective	32.7%
Very effective	11.5%

7 *A New Age of Accountability: Board Education and Certification, Peer Review, Director Credentialing, and Quality*, AHA Center for Healthcare Governance, Monograph Series, 2010.
 8 S. Murphy and M. Peregrine, “Corporate Governance: A Practical Approach to Governance for Hospitals and Health Systems,” *Health Law Handbook*, Alice G. Gosfield & Associates, P.C., 2008, pp. 225–253.
 9 The number of respondents was 52, with 16 CEOs, one C-suite manager, and 35 directors.

The poll explored four additional questions:

1. In which areas is director certification valuable?
2. What approaches to certification are most effective?
3. How committed are directors to participate in certification next year?
4. What sources of educational materials could help enhance director participation in certification programs?

In Which Areas Is Director Certification Valuable?

When asked about the perceived value of director certification, these leaders observed that, on average, they agreed certification could clearly help in four key areas (see **Exhibit 1** on the next page):¹⁰

- Encourage increased knowledge and skill development (average of 4.38 on five-point scale); CEOs agreed more at 4.50 and directors at 4.34.
- Improve director knowledge about effective governance best practices (average of 4.29); CEOs agreed more at 4.56 and directors 4.17.
- Help directors understand the roles and responsibilities of the board and management (average 4.25); CEOs agreed more at 4.38 and directors at 4.20.

10 A five-point scale of agree or disagree was used to illicit insights from all respondents. A majority of the CEO respondents were less enthusiastic about certification than the board members. See the full survey results at www.governanceinstitute.com/boardcertificationsurvey.

- Create increased director awareness of financial accountability and performance (average 4.15); CEOs agreed less at 4.13 and directors at 4.17.

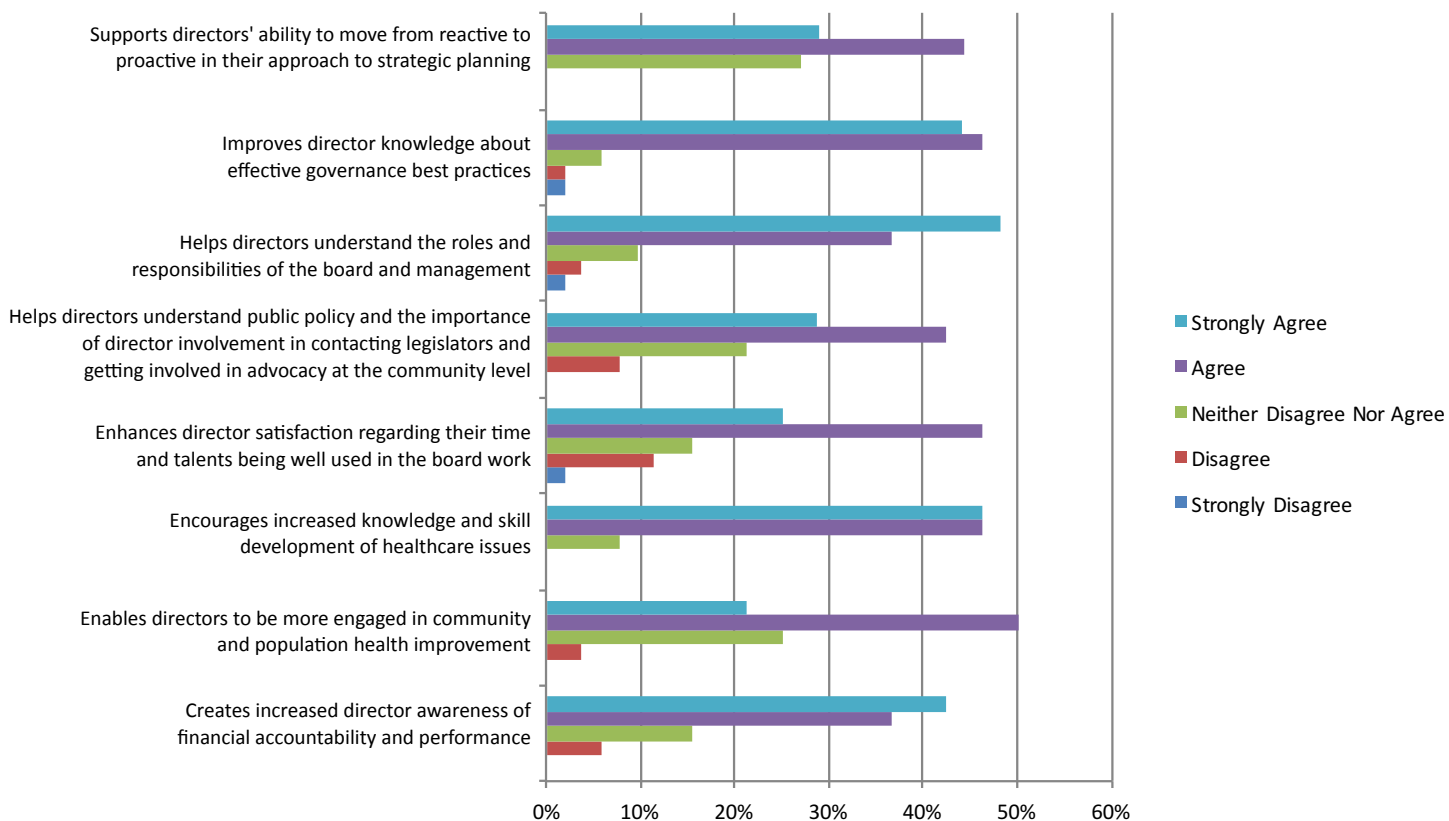
Certification could also help, but at more modest levels, in these four areas:

- Support directors' ability to move from reactive to proactive in their approach to strategic planning (average 4.02); CEOs agreed less at 3.94 and directors at 4.09.
- Help directors understand public policy and the importance of director involvement in contacting legislators and getting involved in advocacy at the community level (average 3.92); CEOs agree more at 4.19 and directors at 3.80.
- Enable directors to be more engaged in community and population improvement (average 3.88); CEOs at 3.88 and directors at 3.89.
- Enhance director satisfaction regarding their time and talents being well used in their board work (average 3.81); CEOs agreed less at 3.69 and directors at 3.89.



Exhibit 1: The Value of Director Certification

Please select your level of agreement with the statements below.



What Approaches to Certification Are Most Effective?

The participants were asked to assess the effectiveness of nine forms of certification programming on a scale of one to five, where five was very effective and one was very ineffective (see **Exhibit 2**). The three most effective were:

- Face-to-face and in-person participation in training programs on governance best practices (average of 4.12)
- Review and discussion of case studies of board best practices (average of 4.02)
- Director certification on an individual level (average 3.90) versus the board as a whole (average 3.85)

Additional approaches were perceived as having modestly lower effectiveness:

- Continuing education course from state hospital association and reading materials as a major component for certification programming (average 3.63)
- Exclusive Web-based distance learning models (average of 3.62)

- Successful completion of a standardized test on good board competencies (average 3.46)
- Credit for years of board service as a large component for certification (average 3.23) compared to years of service being only a small component for certification (average 3.10)

How Committed Are Directors to Participate in Certification Next Year?

Participants were asked to indicate future director participation in state hospital association certification programs from smaller hospitals compared to larger hospitals (see **Exhibit 3** on the next page).

The smaller hospitals are thought to be somewhat more likely to participate with 44.2 percent indicating high or very high participation, compared to larger hospitals at only 34.6 percent. State hospital associations continue to struggle to attract significant engagement from the board members of the larger hospitals and systems in their programming.

What Sources of Educational Materials Could Help Enhance Director Participation in Certification Programs?

The poll participants rank ordered sources of educational materials (see **Exhibit 4** on the next page).

Education Best Practices

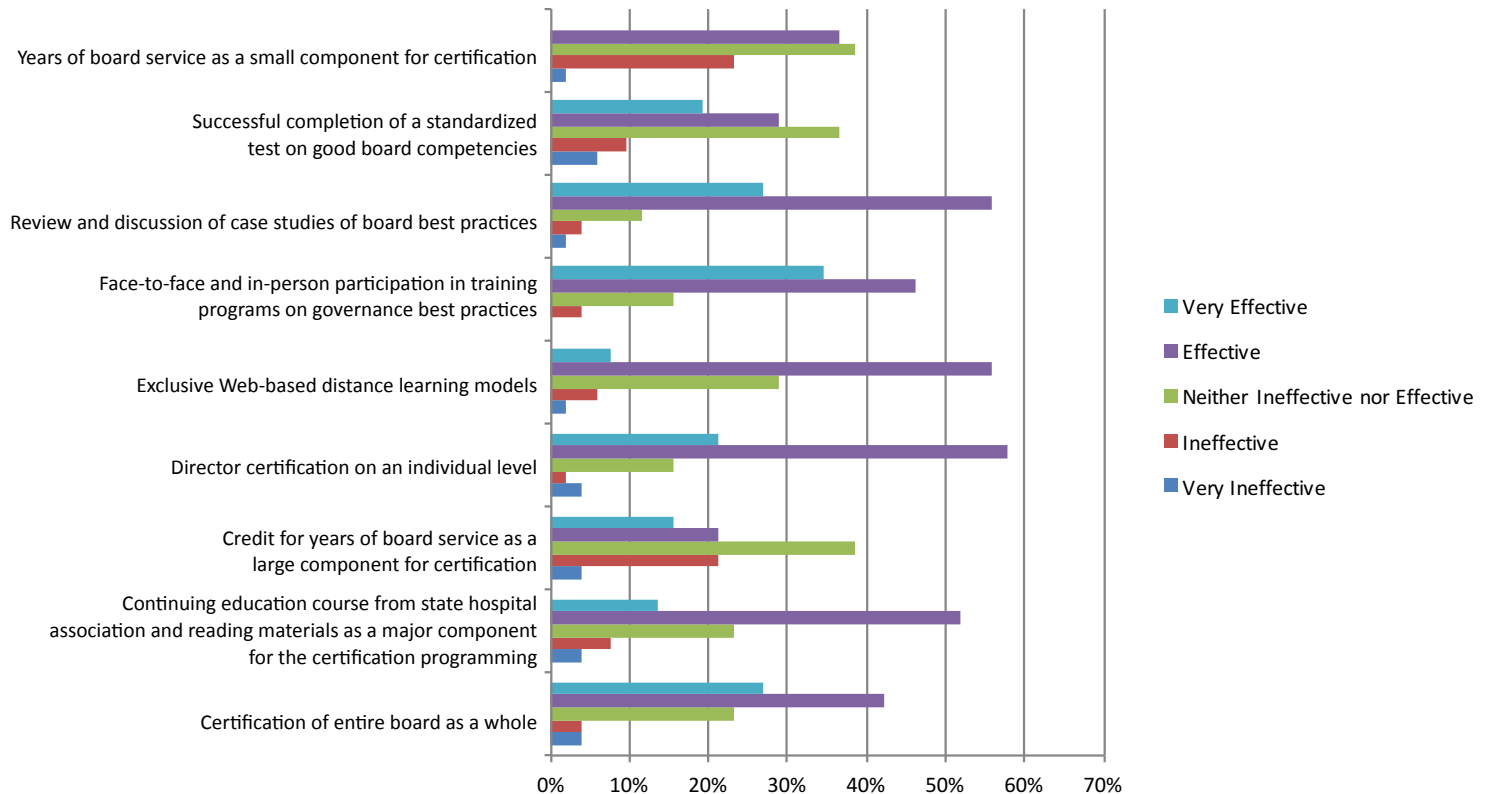
The survey results and information gathered regarding state board certification programs are mixed; it seems that effectiveness varies depending on the type of board, the level of need, and the rigor of the program. So until certification becomes a requirement, what we do know is that board members need access to education in a variety of formats, as long as that education makes a meaningful difference in each board member's ability to perform at top potential in his or her role.

Here are a few strategies and techniques boards can use to get the most out of their education efforts:

- Commit to education. Develop a written policy that clearly states expectations for board education.

Exhibit 2: Approaches to Certification

Please indicate the effectiveness of the following director certification program design components.



- Assess needs. Your board could use a self-assessment tool or work with a consultant to help you identify areas in which each director and the full board need further education. That allows you to get the best ROI for your education budget.
- Create a reporting system. Find a method by which each director reports back to the full board after attending an educational event. It might consist of written or oral reports, or both.
- Mentor new board members. A tenured director can partner with a newly elected one to answer questions, provide background information, and suggest training opportunities, and so on.
- Create a culture that places high value on continuous learning. Consider examples of how other boards put these practices into action.



Exhibit 3: How Committed Are Directors to Participate in Certification Next Year?

	State Hospital Associations		National Program but No Certification
	Smaller Hospitals	Larger Hospitals	
Very low participation	9.6%	5.8%	5.8%
Low participation	13.5%	19.2%	19.2%
Neither low nor high participation	32.7%	40.4%	42.3%
High participation	32.7%	28.8%	25.0%
Very high participation	11.5%	5.8%	7.7%
Average Score on Scale:	3.23	3.10	3.10

What is your organization doing to improve the capabilities and accountability of your board work? How can you become even more innovative in developing and participating in learning experiences for better board work in the future? ●

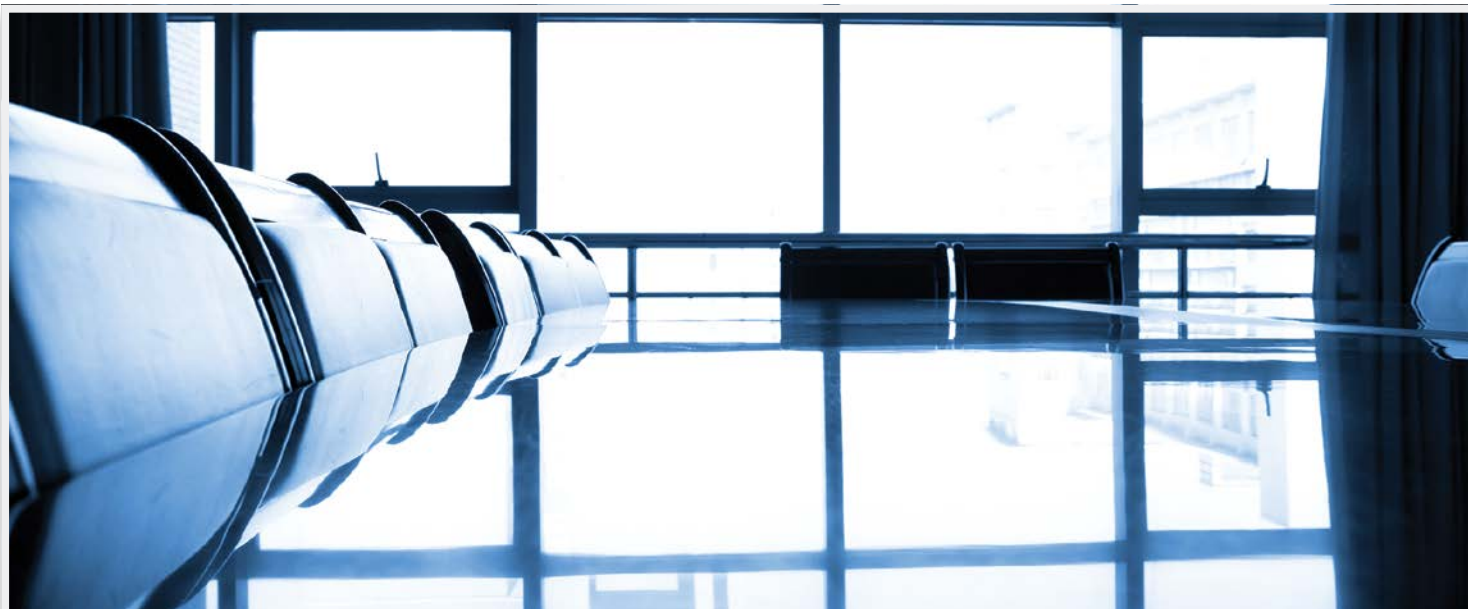
The Governance Institute thanks James Rice, Managing Director, Governance and Leadership at Gallagher Integrated, and Luke McKee, Graduate Student, University of Minnesota Program in Health Administration, for contributing this article. They can be reached at Jim.Rice@IHStrategies.com. For a full listing of director certification and education programs, visit www.integratedhealthcares-trategies.com/knowledgecenter.aspx.

Exhibit 4: What Sources of Educational Materials Could Help Enhance Director Participation in Certification Programs?*

The poll participants rank ordered these sources:

Materials from state hospital associations	39	75.0%
Materials from the AHA Center for Healthcare Governance	40	76.9%
Materials from The Governance Institute	46	88.5%
Materials from BoardSource	22	42.3%
Material from leading accounting firms	22	42.3%
Materials from strategy consulting firms	26	50.0%
Other sources of valuable materials are:		
In-house programs delivered by our leadership	1	1.9%
Annual conferences	1	1.9%

*Participants were asked to check all that apply.



The Board's Role in Cyber Risks

BY NICK A. FABRIZIO, PH.D., FACHE, FACMPE, MGMA HEALTH CARE CONSULTING GROUP

Cybersecurity has become a critical role in both the private and public sectors. Cyber-attacks and data breaches have become weekly if not daily threats to organizations across the globe.

The healthcare industry is not immune to these threats. The board must determine whether management is appropriately managing cyber risk. Many healthcare organizations wrongly believe that cybersecurity is only an IT issue and the main threats rest with the electronic health record.

There have been a series of well-publicized cyber-attacks in the United States that have raised public awareness. Some of these attacks have had significant impacts on the financial health of these organizations while compromising sensitive customer personal information. Some of the more publicized examples include:

- The December 2013 cyber-attack on Target Corporation in which payment card data of approximately 40 million customers was compromised.
- The January 2014 cyber-attack on Snapchat in which 4.6 million usernames and phone numbers were compromised.
- In 2015, 78.8 million of Anthem's customer data was compromised and its investigation indicated that data accessed included names, dates of birth, member ID/social security numbers, addresses, phone numbers, email addresses, and employment information.
- In 2015, Experian, the world's biggest consumer credit monitoring firm, disclosed a massive data breach that

exposed sensitive personal data of some 15 million people who applied for service with T-Mobile.

What Is At Risk?

Clearly, our patients and the communities that we serve have confidence in our ability to protect their most personal information. However, data breaches present several risks to patients other than the disclosure of sensitive and personal information. Potential risks to the board and organization include:

- **Personal information compromised** including personal patient information such as names, addresses, phone numbers, social security numbers, etc.
- **Intellectual property** including patient lists, clinical protocols, sensitive internal data, and patented or trademarked material.
- **Damage to reputation**, which may include a loss of physicians, failed recruitment and retention efforts, decline in market share, weaker service commitments, and loss of goodwill by patients.
- **Time and energy lost** for the board, management, providers, and employees who must spend time investigating real and perceived issues and explaining what

Key Board Takeaways

Hospital and health system boards must be cognizant and actively exercise their fiduciary duties to the organization. Given the complexity in understanding, monitoring, and managing cyber threats it is an ever-increasing responsibility that board members must be prepared for. Some issues for the board to consider when overseeing cybersecurity include:

- Ensure that management has implemented effective risk management and prevention policies and procedures.
- Take a proactive role in understanding and monitoring cyber risks.
- Don't wait until there has been a data breach or a credible threat before addressing the issues related to cybersecurity. Examples from corporate America tell us the penalties for data breaches are significant and the harm to our reputation may be irreversible.

has occurred to current staff, patients, investigators, and the public.

- **Administrative and other expenses** including bringing in experts to investigate the issues, resolve them, and help to prevent future risks. The administrative team along with the marketing and public relations departments will also spend a great deal of time restoring the public's confidence in the organization. It often takes years to develop a successful service line such as cardiology, oncology, and orthopedics and risks that impact any of those service lines can prove disastrous to hospitals and health systems.

Board Effectiveness

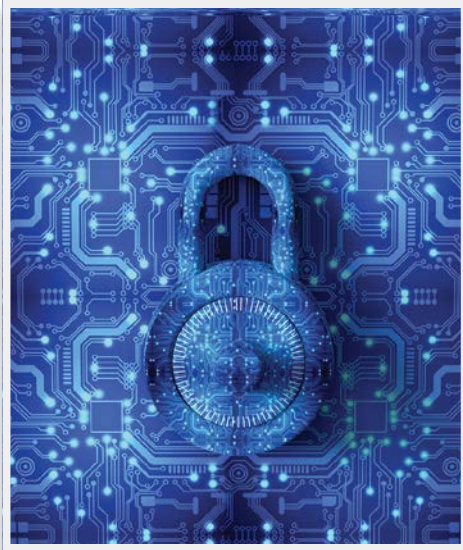
The board must have a good understanding of the issues and communicate effectively with the CEO. Overall the board should be asking itself if it routinely receives information and communication from management and if that is adequate and done on a recurring basis. The board needs to receive reports and information that conveys security information in a meaningful way. It should have a documented process that illustrates the flow of information throughout the organization. The board must also know whether it is asking the right questions and sharing the right information and

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The Board's Role in Cyber Risks

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if that information is reliable and in real time. The board can begin by focusing on five key questions to determine the effectiveness of the flow of information:

1. Do we know the current and new threats of cybersecurity and how does the healthcare industry differ from other industries?
2. Which of our board members has the experience and responsibility to communicate with the institution's key security leader (CIO)?
3. What are the key risk benchmarks that we should be monitoring and reviewing with management to satisfy our fiduciary duties and perform effective risk management?
4. How do our other board committees relate to cyber risk and is there a process for the flow of information to and from our other board committees?
5. Is our cybersecurity program ready—from a financial and operational standpoint—to meet the risks in today's world and what will we need to do to prepare for the future?

Board Preparedness

Good board practices recognize the ever-changing and dangerous world that we live in. It should be evident that regardless of the industry, we are all subject to cyber threats. The board has a responsibility for making sure the organization is taking steps to prepare for, prevent, and manage a sound cybersecurity program.

To be better prepared for cyber threats and develop a sound cybersecurity program, boards can focus on the following practices:

1. **Understand the role that IT plays in the organization.** Depending on the size and scope of the services you provide, IT may play an essential role in the delivery of services or be considered more of a back-office function or both. The board should understand the breadth and depth of the services provided and how IT plays a part in those services.
2. **Become better educated.** The board should be involved with continuing education about cyber risks and security through training and workshops.
3. **Ensure that the organization has a senior-level manager responsible for the organization's cybersecurity.** This may be the CIO who is focused and responsible for information security. This manager should also be responsible to direct the organization's cybersecurity program, focus on risk prevention and mitigation, and develop effective reporting mechanisms and educational activities.
4. **Obtain outside expertise.** Due to the ever-changing and complex nature of cyber-attacks, the use of outside firms with specialized knowledge and experience must supplement internal expertise. It's important to select firms that have the experience working across several different industries and can help leverage those experiences in your environment.
5. **Ensure management has a team.** Due to the relatively low margins that many hospitals and health systems have in the U.S., there is constant pressure on reducing and limiting FTEs. While controlling costs is important, management must have more than one person, the CIO, dedicated to cybersecurity. Make certain that the organization has a competent and qualified IT staff that can assume these demanding responsibilities. This is critical in both the inpatient and outpatient environment and related services that are provided by your employed and contracted providers.

It should be evident that regardless of the industry, we are all subject to cyber threats. The board has a responsibility for making sure the organization is taking steps to prepare for, prevent, and manage a sound cybersecurity program.

Take an Active Role

It is important for the board to have both a high-level and informed role in protecting the organization from cyber risks. The board must stay informed about cyber threats that impact the organization and be knowledgeable about cybersecurity across many different organizational types. The board should assign senior management accountability for cyber risks and have effective tools and processes for managing those risks. The board must ensure that the organization has adequate resources, which includes education, staff, and outside expertise. Management must establish tools and metrics to monitor, protect, and report cyber risks. Finally, the board needs to have a process that ensures that the organization regularly updates the board on its cybersecurity efforts. ●

The Governance Institute thanks Nick A. Fabrizio, Ph.D., FACHE, FACMPE, Principal, MGMA Health Care Consulting Group, for contributing this article. He can be reached at nfabrizio@mgma.com.



3D: Building a Multi-Dimensional Organizational Culture

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measure of the emotional culture.² While the definition of employee engagement varies from organization to organization, Gallup defines engaged employees as “involved in, enthusiastic about, and committed to their work.”³ The fight for engagement has been a mostly uphill battle for the last decade. According to Gallup reports, nationwide averages of employee engagement have floated between 25–33 percent for the last 10 years.

The number of engaged employees is abysmally small and while engagement scores might be readily available and could be indicative of the emotional culture within an organization, studies show that employee engagement is fairly fluid and fluctuates at any given point in time depending on changes in the organization. For example, an employee has a great day at work and takes an engagement survey—scores are high and two weeks after layoffs are announced, engagement scores would go down. The nebulous nature of engagement makes it tough to use to measure the emotional culture of an organization.

Employee Metrics

Another way to assess the emotional culture of your organization is to explore various employee metrics such as:

- Turnover
- Absenteeism
- Sick time
- Leaves of absence
- Tenure
- “Time to fill” open positions

While there may be a variety of reasons impacting each of these, looking at this dataset holistically can help identify the health of the culture. A healthy emotional culture will be a place where employees like to come to work, get sick less often, open positions are easier to fill, and employees stay longer. While external factors (such as a talent shortage in the marketplace) might affect one or two of these metrics, if a



majority of them are not reporting out well, it might be time for the board to ask senior management to take a look at the emotional culture in the organization.

Purpose-Oriented Workforce

While employee engagement and HR metrics have been around for decades, a new metric entering the scene is the “purpose orientation” of workers. In November 2015, Imperative, Inc. released a Workforce Purpose Index study that explored purpose orientation in workers.⁴ Imperative defines purpose orientation as “a psychological predisposition to the role of work in life.”

How does purpose orientation differ from engagement? First, it looks at the traits and the state of the workforce and considers what fundamentally motivates people to come to work. They’ve also found that work orientation is stable and less dependent on external variables and can actually function as a predictor of future behavior and performance in an organization. Since the focus is on traits of the employee vs. the state of the environment, purpose orientation is more static and stable than engagement.

In addition, a higher number of purpose-oriented workers are likely to yield a

healthier emotional culture as purpose-oriented workers are more likely to be in leadership positions, promote their employees, be more fulfilled at work, and have longer tenure. Essentially, purpose-oriented workers are tuned into the work they do and the organizations they work for. Knowing not only the number of purpose-oriented workers in your organization, but also understanding what motivates them to perform allows leadership to build healthy emotional cultures.

The word “culture” evokes plenty of reactions from boards, often negative, yet boards must acknowledge the need to assess both the cognitive and emotional cultures. Boards can assess the emotional culture of organizations by assessing their engagement scores, employment metrics, and purpose. Much like 3D movies, this multi-dimensional culture inspires and engages higher performance. ●

The Governance Institute thanks Jim Finkelstein, President and CEO, and Sheila Repeta, Senior Consultant, of FutureSense, LLC for contributing this article. You can learn more about their company and work at www.futuresense.com or contact them at jim@futuresense.com and sheila@futuresense.com.

2 National Research Corporation, The Governance Institute’s parent company, offers healthcare providers strategic employee engagement measurement tools. For more information, see www.nationalresearch.com/employee-engagement.

3 Amy Adkins, “Little Change in U.S. Employee Engagement in January,” Gallup, February 8, 2016.

4 2015 Workforce Purpose Index, Imperative.

Critical Issues...

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certain extent, controversy) on the integration and coordination of the roles of the general counsel, compliance officer, and internal auditor. The committee will be expected to focus on the proper, clear articulation of the responsibilities and duties of these key officials, their various upstream reporting relationships, and the extent to which they should coordinate the performance of their duties under the committee's overall supervision. Along the same lines, the committee should be sensitive to compliance officer concerns (whether real or projected) about increasing scrutiny for their actions or non-actions from government agencies.

Action Items

The compliance committee may wish to consider the following action items going forward to address these and other pressing developments.

First, reevaluate whether the frequency and duration of committee meetings is satisfactory to allow the committee members to devote sufficient time and energy to these issues. Where compliance does not constitute the entire committee charter focus (e.g., as in an audit

and compliance committee), the question is whether sufficient agenda time is devoted to compliance matters (as opposed to, e.g., audit matters).

Second, evaluate the proper degree of coordination with other committees whose charters include matters that have legal/compliance implications. These might particularly include committees with responsibility for business and strategic planning, risk and enterprise management, and physician transactions and compensation. Are committees—and related management support—"talking to each other"? There is a great value attributed to "right hand/left hand" matters when it comes to legal compliance oversight.

Third, pursue additional internal education initiatives to enhance the ability of committee members to evaluate both the quality of the existing program, and to exercise oversight of matters coming before the committee.

Fourth, review the efficiency of existing reporting relationships of key officers such as the general counsel and the chief compliance officer to the compliance committee, and from the compliance committee to the full board.

Fifth, oversee efforts to compare the company's existing compliance program against the DOJ's new metrics and specific questions, and to make changes where appropriate.

Conclusion

A series of notable developments serves to substantially increase the challenges facing the board's compliance committee—and its prominence within the organization's governance structure. These new developments are likely to increase the expectations of the compliance committee in the next 12–18 months, if not longer. Meeting these expectations will likely require more frequent meetings, greater personal commitment from compliance committee members, closer support from the general counsel and chief compliance officer, and increased reporting to (and coordination with) other committees and with the full board. ●

The Governance Institute thanks Michael W. Peregrine, Esq., Partner, McDermott Will & Emery LLP, for contributing this article. He can be reached at mperegrine@mwe.com.



The Case for Executive Coaching...

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Even highly experienced and accomplished board chairs benefit from such input and from the opportunity a coach can provide to share their concerns, doubts, expectations, hopes, and fears. In private with a coach, they can rehearse interventions with colleagues, test ideas without feeling compromised, be perfectly honest without worrying about political repercussions, and receive frank feedback.

When the board chair is willing to utilize a coach, it becomes easier to ask others in senior management to do the same. CEOs are likely to be less defensive and may reveal their true appreciation for the opportunity to benefit from third-party input.

A Tool for Refining Physician Clinical Performance

Beyond the boardroom and executive suite, there is another population often overlooked when it comes to investment in coaching. In an article in *The New Yorker*, the captivating writer and surgeon Atul Gawande explores the value of coaches for physicians and surgeons.¹ He notes that the skills of many physicians plateau around a decade out of training. To move to a higher level of performance after this occurs may well require mentoring from a third party. Hospitals and health systems today are making huge investments in the employment of physicians. Indeed, bringing on a top doctor who can increase a hospital's reputation and market share in a mission-critical service line is often considered worth premium compensation. Why then not also consider the relatively small expenditure on a coach to ensure the doctor continues to produce the expected or even greater value? Rather than waiting for evidence that mediocrity is setting in, hospitals and health systems should consider proactively utilizing coaches to raise the performance of key physicians.

Is Coaching a Cost-Effective Investment?

Most hospitals and health systems pay considerable salaries to their executives and physicians, which is justified by the



importance of their roles to the institution. In contrast, coaching costs are a de minimus expense. Some organizations successfully mitigate the cost of coaching by using a mix of in-person and telephonic support. Even modest improvements in performance or job satisfaction can justify hiring a coach. As noted by Jerome Abarbanel, a VP of Executive Resources at Citibank, "An investment of \$30,000 or so in an executive who has responsibility for tens of millions of dollars is a rounding error." FLI Research estimates that \$2 billion is spent on executive coaching at senior executive levels in Fortune 500 companies. This certainly amounts to anecdotal evidence of a reasonable return on investment for coaching, as does the fact that the business demand for coaching is nearly doubling each year. This tremendous growth has been driven by consistent feedback from clients who feel more effective and fulfilled as a result of the coaching they've received.

Board Next Steps

Hospital boards truly committed to an agenda of excellence should ask themselves why they are not insisting on the use of

coaches for their most essential leaders. When discussing its potential, coaching should not be seen mainly as corrective action for underperformers, but rather as an investment in high-potential employees. In its deliberations, the board should consider another benefit to coaching: it models how a high-level executive might in turn coach those who report to him or her. Ultimately, the board should recognize that most high performers do not find it easy to agree to be coached. Typically, well into their careers they feel that their days of being tested and observed by others should be long behind them and see no reason to expose themselves to analysis and potential fault-finding. It is for this very reason that it is the board's role to insist when it feels coaching should be an organization imperative. ●

The Governance Institute thanks Todd Sagin, M.D., J.D., President and National Medical Director, Sagin Healthcare Consulting, LLC, and Governance Institute Advisor, for contributing this article. He can be reached at TSagin@SaginHealthcare.com.

¹ Atul Gawande, "Personal Best: Top Athletes and Singers Have Coaches. Should You?," *The New Yorker*, October 3, 2011.

The Case for Executive Coaching: Why the Hospital Board Should Embrace This Neglected Resource

BY TODD SAGIN, M.D., J.D., SAGIN HEALTHCARE CONSULTING, LLC

A hospital's governing board is responsible to promote a high-functioning organization in pursuit of the institution's mission, vision, and values. The *most* critical element in furthering a hospital's success is the talent that it employs.

Talent management is a complex undertaking that involves effective recruitment and retention tactics, excellent human relations policies, strong onboarding of personnel, adequate compensation, and regular performance evaluation. In addition, organizations that really want the best from their employees often provide them with coaching. Among the many challenges facing hospital and health system boards in today's difficult environment—budget crises, mergers and acquisitions, dramatic shifts in payment methodologies—it is easy to overlook valuable investment in the individuals who get the important work done. Healthcare organizations that are doing well sometimes find that success masks their shortcomings in talent management. Institutions that are struggling often fail to realize such shortcomings are a drain on growth and achievement.

Many of the world's most respected companies, from GE to Goldman Sachs, invest in coaching for their senior executives. Many CEOs and executives are defensive about this kind of help and view it as a sign of weakness. They reason that if they require the intervention of a coach, someone must feel they are deficient. If others are aware they utilize a coach, they feel diminished and worry they will be perceived as lacking in some essential leadership abilities. It is for this reason that the board should take the initiative in promoting coaching for mission-critical executives. Most legendary CEOs can relate the importance of a key mentor or coach who made meaningful contributions to their success and career. Having a coach can reduce the stress of the job and reduce executive burnout. This in itself can be a huge savings

Key Board Takeaways

Executive coaching can be invaluable to hospital board chairs and CEOs and is highly utilized in companies outside of healthcare. Such coaching can improve an organization's performance and the job satisfaction of its senior talent. Since executives may be reluctant to request a coach, the board should take initiative in advocating coaching and serve as a role model by utilizing it for its own leadership.

for an organization. The expense and disruption of finding new top talent can be enormous. Nevertheless, formal coaching arrangements are not the norm in the hospital C-suite.

Executive coaching is distinct from other types of coaching. Its purpose is to achieve better business results for the employers of the individual being coached. High achievers in many walks of life employ coaches. These individuals know that there are always higher planes of achievement for which they can strive. For example, it is not uncommon for high-profile sports figures, some who earn millions of dollars for their abilities, to regularly utilize a coach. In recent years, executive coaching has become the intervention of choice at many companies for driving organizational change. Most healthcare institutions are just waking up to its potential.

Coaching at the Board Level

It is not only the executive suite where healthcare institutions have a lot at stake in the performance of key individuals. It is becoming increasingly difficult to steer a hospital board in these turbulent times. Enormous responsibility rests on the shoulders of the board chair, many of whom come from backgrounds that poorly prepare them for the challenges. To have a high-functioning board there needs to be a high-functioning board chair. Where better to invest in an executive coach than to help the board leadership excel in its work?

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