The Governance Institute's E-Briefings

Volume 10, No. 1, January 2013

Welcome to The Governance Institute's E-Briefings!

This newsletter is designed to inform you about new research and expert opinions in the area of hospital and health system governance, as well as to update you on services and events at The Governance Institute. Please note that you are receiving this newsletter because you are a Governance Institute member or expressed interest at one of our conferences.

News, Articles, and Updates

Boards Benefit from the Expertise of Physician Members

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Directors who have been long-term board members will have noticed in many institutions an increasing number of physicians joining their ranks. It is reasonable, therefore, to ask what added value is brought to the table by these new participants. While long-standing custom has brought the medical staff president to board meetings or seen a few retired community physicians providing board service, the changing demands of the healthcare environment have motivated many boards to ask more of physician members. In particular, boards have begun to look toward their physician members for expertise in areas that have only recently become of significant import to the success of their institutions.

Improved Understanding of Medical Staff Needs

The board tradition has been to rely on physician board members for insights into the views of the medical staff on relevant issues and to facilitate communication with doctors across the community. This need is arguably more important today than ever before as hospitals and physicians become more bound at the hip for mutual success. If the board becomes out of touch with significant medical practices in its community, the result can be catastrophic loss of market share to a competitor or failure to gain cooperation in efforts to enhance integration and coordination of services. The board should continue to expect its physician members to help in monitoring the perspectives of the broader practice community and providing early warning if an ethos of partnership and collaboration is going astray. But much more can be gained from having the right medical personnel serve as board members.

Physicians on the board should be expected to serve as ambassadors from the institution to potential new physician partners. These partnerships might vary from simple cooperation to achieve quality goals to true joint ventures, co-management arrangements, participation in accountable care arrangements, or explorations leading to employment. Overtures from physician board members may be less threatening to private practice doctors than those from management. As the 21st century business model of healthcare continues to take shape, it is clear that hospitals and health systems will need robust networks of doctors in order to provide "accountable care." Physician board members can provide unique insight into the willingness of colleagues to collaborate. They may also open doors that would otherwise be closed to hospital outreach.

The medical staff at most hospitals is undergoing dramatic transformation. Baby boomer doctors are nearing retirement, younger generations of physicians are stepping into leadership roles, there are more women in the ranks, and vastly more practitioners are employees of the institution. Some of these changes put new oversight demands on the hospital board. For example, the board must ensure that employed doctors are working under a viable compensation scheme.

The compensation model must fit within legal constraints while also motivating productivity, quality, patient satisfaction, regulatory compliance, and good "citizenship." Compensation oversight for highly compensated doctors falls to the hospital board. Directors might look to appoint physicians to their board who have experience with physician pay models or who have exercised oversight of large group practices. Hospitals that don't effectively manage physician employment can find themselves in serious difficulty, challenged by physician dissatisfaction and defection, poor performance results, and financial disaster. Board members who come from community businesses or other professions may lack the insights necessary to "herd cats" (a disparaging but not totally inaccurate characterization of the difficulties of managing doctors). Well-chosen physician board members can provide valuable insights to their board colleagues regarding physician behavior when the myriad issues relating to physician employment arise.

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Providing High-Quality, Accountable Care

Healthcare institutions are increasingly faced with the need to participate in various forms of "accountable care." While Medicare expands its activity in this arena, commercial payers have also forged ahead with new insurance products that demand "value" in exchange for reimbursement. This puts new emphasis on hospitals to excel in achieving quality and safety targets and create more reliable systems to develop true cultures of excellence. There is a growing cadre of physicians specifically trained, or with extensive experience, in the techniques and tactics necessary to accomplish these ends. These doctors can help fellow board members interpret the growing jargon surrounding performance improvement, identify the meaningful tactics from the flood of recommendations in the literature, and provide insight into the occasional difficulties in achieving medical staff buy-in when implementing new approaches.

One of the new capabilities becoming increasingly important to health systems is population health management. There is an inevitable trend to hold integrated delivery systems responsible for the health of discrete populations. This responsibility will be enforced through risk contracts that tie payment to health systems to population health statistics. Population health is a field that has historically been the domain of public health officials; expertise among hospital managers and medical staff members is limited. However, a growing number of physicians are pursuing interests in this field and many are gaining experience through efforts to expand patient-centered medical homes (PCMHs). Indeed, there has been explosive growth in efforts to implement the "medical home" concept. Board members must become adept at distinguishing meaningful efforts from sloppy initiatives that co-opt the name *medical home* without providing substantive new approaches to care coordination and delivery. Appointing physicians to the board who have knowledge of population health can ensure the board has the expertise to provide oversight and guidance in this area of critical growth for hospitals and health systems.

Whether we are talking about population health, implementing stronger quality and safety practices, or better-coordinated care, success in these areas increasingly depends on analyzing data. Most systems have improved their data collection in recent years and moved toward significantly greater use of electronic health records. A widespread observation is that many organizations are awash in data but lack good information. That is, they have difficulty interpreting their data with accuracy and then putting the data to good use. Failure to use data carefully has undermined medical staff confidence at many hospitals and often breeds paranoia and distrust between doctors and hospital management. Doctors see inaccurate or poorly deployed data as pretext for hospital efforts to punish them when desired financial results aren't achieved. Board credibility with doctors may hinge on whether the board makes appropriate and validated assumptions from data provided to it by management. Here again, physician expertise on the board can be extremely valuable. Physicians are trained medical scientists whose antennae should be attuned to the misuse of data when applied to clinical matters. They can help the board distinguish medical staff members who

complain about hospital data in a self-serving manner from those who have valid concerns about the data's accuracy and utility.

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Knowledge of Clinical Specialties and Trends

Medical staff development planning is a traditional responsibility of the hospital board that has increased in complexity in recent years. This activity becomes more difficult as a very real physician shortage grows exponentially. The hospital board must be more discerning than ever regarding what specialties the community truly needs. One reason is that recruitment has increasingly become a matter of employment. Few young doctors want to be recruited into a private practice "opportunity." However, many hospitals do not have the financial strength to employ every doctor on their recruitment wish list. Physician expertise on the board can inform discussions about what specialties are truly essential from those that are merely desired. These doctors can help fellow board members understand where non-physician providers might help fill needs and where such practitioners might find acceptance or face resistance from the medical staff. Physician board members can also help the board evaluate future clinical trends that impact staff planning (e.g., will the hospital need as many cardiothoracic surgeons in its future if advances in non-invasive procedures continue at the current pace?).

Some traditional insights that physician board members bring to the table are becoming more important under the changing business model of healthcare. Having medical staff members on the board has always provided the board with critical insider perspectives into the reality of hospital operations. Today, having employed physicians on the board can bring insight into the satisfaction of this vital cadre of medical staff members. They can help answer questions such as: Are the institution's employed doctors professionally satisfied? Content with their working relationships with management? Comfortable with the level of operational support their practices receive? Accepting of current compensation models?

Finding Physicians with the *Right* Expertise

While it is clear there is a wealth of expertise physician board members can share with their board colleagues, it is not always clear how to ensure that doctors on the board actually have the expertise desired. Many boards should consider reaching outside their communities to find physician members with skills in needed areas such as performance improvement, population management, data management, running large group practices, and so forth. Physicians who emerge from the medical staff with demonstrated leadership skills may seem like good board additions, but may or may not have additional areas of expertise needed to complement skills already represented on the board. Physician board members recruited from outside the community may avoid the problem of having "insiders" providing oversight in areas where this is not permissible (e.g., compensation matters). However, outsiders don't bring the knowledge of internal operations nor do they bring relationships with or insights into the local community of practitioners.

The bottom line is that hospital and health system boards now require the expertise of physician members more than any time in history. When adding physicians to the board, organizations should be thoughtful about exactly which skill sets they want these additions to bring. Lastly, board members must be aggressive about mining this expertise from physicians who participate regularly in their deliberations. If the expertise of physician board members is untapped, then the board is failing in its fiduciary duty of care. In healthcare today, no organization can afford board members who are simply symbolic representatives of important constituencies—even if that constituency is comprised of doctors.

The Governance Institute thanks Todd Sagin, M.D., J.D., president and national medical director of Sagin Healthcare Consulting, for contributing this article. He can be reached at tsagin@saginhealthcare.com.