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The Board as Think Tank:
Moving Beyond Legacy Roles in a Time of Transformation

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The Imperative for Change

Hospital and health system leaders are faced with perhaps the most significant set of challenges in the history of modern medicine. The sheer scale and scope of change demanded by the shift in financial incentives is daunting. At present, fee-for-service is still the primary form of payment in most markets, and reduced inpatient stays and procedures represent lost revenue for hospitals. While the pace varies in different states and regions across the country, there is inexorable movement towards a financial incentive to keep people healthy and out of inpatient facilities. Resources from multiple sources, within and external to the healthcare sector, will need to be shifted to preventing, rather than just treating diseases.

It is no longer sufficient to focus simply on the delivery of the best-quality acute-care medical services. Administrative and clinical leadership must now broaden their scope of analysis and engagement to diverse stakeholders in the communities and regions in which they function. Efforts to strengthen care coordination will have to be expanded to address social determinants such as housing quality, access to affordable healthy foods, and broader environmental conditions. Efforts to manage chronic diseases such as diabetes will have to be expanded to broader community level and policy strategies to reduce its incidence. In general, leaders will need to take bold steps, building internal skills and capacity, establishing new working relationships across sectors, and developing and advocating for policies that contribute to improved health and well-being.

Setting the stage for transformation of the healthcare sector will require changes in the way we do business, and senior leaders will also need boards with the competencies and the depth of engagement necessary to inform and monitor progress. For many organizations, this will require adjustments in both membership and roles. As a starting point in the review of relevant options and their implications for the field, this article will draw from a series of white papers published by The Governance Institute (TGI) over the last five years, as well as a 2006 publication from a TGI series entitled "Elements of Governance®,"[1] which serves as a primer on board–senior leader roles, dynamics, and history.

The Transition from Legacy Roles

In general terms, the Elements of Governance® series outlines the primary historical roles of hospital and health system boards; to *set and monitor* progress towards annual goals, and *approve* policies, strategic plans, budgets, quality indicators, and standards. The action verbs in much of the literature regarding the role of boards focus on "approve" and "monitor," but tend to skim over the issue of "inform" or "provide input" in their framing.

Board members are expected to be involved, yet are encouraged to be careful not to drift into micromanagement. They are expected to help leaders determine what matters most, encourage innovation, and create opportunities for the CEO to explore alternatives to initial options under consideration. At the same time, depending upon the proclivities of the CEO, boards may or may not be encouraged to serve as a sounding board for new ideas.

The historical focus on the fiduciary responsibilities of hospital and health system boards has contributed to a bias towards members with financial, accounting, and legal expertise, supplemented with those with the capacity and/or networking links to the fundraising community. The membership and role framing naturally contributed to a focus on these issues for discussion, with the assumption that board members lack the depth of knowledge to provide substantive input on operational issues and/or how best tax-exempt hospitals may fulfill their charitable obligations.

In recent years, the movement towards consolidation, subsidiarity, and an operating model orientation have all contributed to a reduction in the number of boards with fiduciary responsibilities, and oversight for an increasing number of facilities across broad geographic areas. The roles of remaining non-fiduciary boards may be limited to oversight of community benefit compliance activities. In the best case scenario, they may also have a role in local contracting, physician engagement, and facility-level quality of care.

For the multi-facility fiduciary boards, the expansion in responsibilities for multiple facilities in different geographic

1 Elements of Governance®: *The Distinction Between Management and Governance,* The Governance Institute, 2006.

contexts is complemented by new pressures to meet financial targets, as well as review and approve a broad spectrum of financial investments and contracts. The expansion in geographic coverage, new pressures to meet financial targets, and dramatic expansion in the scope of issues to be considered in moving beyond the delivery of acute-care medical services has already taken a toll. Murphy notes in his 2013 TGI white paper that "many hospitals and health systems are reporting that it is increasingly difficult to identify, recruit, and retain qualified board members."[2]

In this environment, leaders may be increasingly inclined to limit the focus of discussion in board meetings to fiduciary issues, presenting other strategic issues such as data systems development, care redesign, and engagement of other stakeholders as tasks for management or discussions for once-yearly board retreats, if at all. Such an approach may be reinforced by the limited scope of expertise among current members, as well as concerns about imposing new demands and/or recruiting new members with broader competencies to participate on a voluntary board.

Charting a Path to the Future

How do we chart a path that creates the space for a more dynamic relationship between boards and leaders that embraces a deeper connection to local and regional stakeholders, and what are the competencies needed to support such a fundamental transformation?

One of the historical areas of board oversight where there is particular attention to competencies in the new environment is in quality of care. As we look at the intersection between care management and broader population health improvement, quality considerations have expanded into new sites for service, new roles for more diverse care team members, and a broader scope of services and activities. As noted by some researchers, sorting through many different perspectives and the evolving environment should contribute to "a more aggressive, collaborative process between the board, management, and medical staff leadership."[3]

A number of the specific competencies for hospital and health system boards consistent with emerging needs have been referenced by authors in earlier TGI articles, and include diversity, change management, enterprise risk, scenario planning, social media,[4] outside clinical perspective, information technology, nursing, and public policy.[5] Other competencies to consider in recruitment include, but are not limited to epidemiology, community and economic development, collaboration with community-based organizations, participatory action research, social policy, education, and environmental health.

As noted by Peregrine in his 2014 white paper, the consolidation of hospitals and health systems, combined with the scope and scale of transformation in healthcare has spurred a reexamination of the breadth of competencies needed among board members.[6] An important consideration is the imperative for hospitals to engage in a substantial and ongoing manner with a diverse range of stakeholders at the local and regional level. Examples of stakeholders include, but are not limited to the following:

- Municipal government agencies such as community and economic development, parks and recreation, and planning
- Regional agencies such as transportation planning and public utilities
- Health and human service agencies
- Philanthropy
- Elected officials
- Community development organizations (e.g., CDCs, CDFIs)
- Federally qualified health centers
- Community action agencies
- Neighborhood associations
- Local coalitions
- Community and consumer advocacy organizations
- Higher education institutions

Individuals who bring expertise as leaders of and/or as partners with these kinds of organizations can offer critically important insights into how hospitals and health systems can leverage their resources to effectively address both the symptoms and underlying causes of health problems in local communities. For example, knowledge of municipal, health and human service agencies, regional agencies, and philanthropy assists in the identification of priorities and associated funding streams, and opportunities for proactive alignment. Similarly, experience with community development organizations creates opportunities to influence, focus, and strengthen investments in areas such as affordable housing and healthy food financing in economically disadvantaged communities served by hospitals. Knowledge of federally qualified health centers and community action agencies also provide invaluable insights into creative models for the redesign of care that enhance access and create a two-way flow of information and insights into factors that influence health behaviors. Board members and leaders with experience in the engagement of local coalitions, neighborhood associations, and advocacy groups are well positioned to inform the design of comprehensive health improvement strategies that meaningfully engage local residents. Last, but certainly not least, deeper engagement and knowledge of these broader dynamics and stakeholders positions hospital and health system leaders to advocate for public policy development that contributes to increased investment in addressing the social determinants of health.

Senior leadership will need to both hire team members and recruit new board members who possess new and unique sets of skills and networking connections that offer the potential to leverage internal expertise and resources. In the course of this process, colleagues have noted that it will be important to periodically revisit the organizational mission and values and chart a pathway that outlines how functions and roles will change during the transition.[7]

2 Sean Patrick Murphy, *Board Recruitment and Retention: Building Better Boards, Now…and for Our Future,* The Governance Institute (white paper), Spring 2013, p. 7.

3 Michael Peregrine, *Healthcare Governance Amidst Systemic Industry Change: What the Law Expects,* The Governance Institute (white paper), Winter 2014, p. 14.

4 Sean Patrick Murphy, 2013.

5 Don Seymour and Larry Stepnick, *Governing the 21st Century Health System: Creating the Right Structures, Policies, and Processes to Meet Current and Future Challenges and Opportunities,* The Governance Institute (white paper), Fall 2013.

6 Michael Peregrine, 2014, p. 22.

7 Murphy, 2013.

Meeting the Challenge

As noted previously, the general movement among health systems towards an operating company model of governance is driven in part by the growing imperative to align strategies, services, and resource allocations and increase efficiency. At the same time, there is a need to adapt strategies to unique local circumstances, requiring rigorous evaluation and risk assessment to determine optimal design and to inform appropriate adjustments.[8] As noted by Peregrine:

> *"It is well recognized that healthcare organizations are no longer merely an aggregation of hospitals; rather, they are expanding regionally to pursue initiatives such as clinically integrated networks, population health, and wellness for entire communities."*

This new image of "health" systems represents a fundamental expansion in the scope of services and activities, partnerships and affiliations, and the context in which actions are taken. While the demand for high-quality acute-care medical services will continue, it will be viewed as one component of a broader spectrum of roles and responsibilities that focus on increasing health and well-being in local communities. As noted by Peregrine, in such a profound transformational process, a predictable response will involve an expansion of the role of governance:

> *"If the presumption is that the board must work 'smarter, faster, and longer' in the new environment, that effort is likely to be manifested through a more focused, involved, and engaged board."*[9]

At the same time organizations are considering how to improve health in communities, it is important to understand that the increasing availability of geo-coded data will offer the potential for comparative analyses of hospital contributions to addressing health disparities. In this context, it will become increasingly important for boards and leaders to be in a position to effectively articulate their institutional role in the regional context. Since some hospitals are more proximally located to economically disadvantaged communities, while others are in a more favorable payer-mix environment, questions will

be increasingly raised in public settings about the relative contributions of different hospitals. Are there board members who are prepared to ensure that their organization is ready for these kinds of analyses? Are they prepared to raise questions and request information that may have only been tangentially addressed in meeting materials? How will the way we measure success in the future be different from how we measured it in the past?[10]

With these and related challenges in mind, a generative approach to board engagement proceeds with the general understanding that:

a) Senior leaders will present proposed strategies *as drafts* prior to their implementation.
b) Strategies in areas such as data systems, care redesign, population health, and stakeholder engagement will vary substantially from prior approaches.
c) There *will be* questions and specific suggestions offered by board members to strengthen a proposed strategy.

In doing so, it is important to build a common understanding and expectations among members of the senior leadership team. They operate in a challenging environment with many demands upon their time, and in board meetings where one is in the presence of peers and supervisors, as well as the full board, there may be sensitivity to comments from board members that may be viewed as a critique of the quality of their work in the presence of their peers.

The Role of the Board in Setting Strategic Direction

The Governance Institute recommends that the board play an active role in developing organizational strategy. Some boards task management with creating the plan and sending to the board for review, amending, and approval. Other boards work directly with management, via a strategic planning committee, to develop the plan from the ground up. The board must be involved at regular stages to direct management to alter or update the plan as changes happen in the organization and in the industry. Sophisticated boards are discussing the types of strategic issues addressed in this article at most board meetings (in fact, spending more than half of board meeting time on strategic issues), actively monitoring the organization's strategic direction, and making suggestions as needed to strengthen tactics, goals, and objectives. If the strategic plan is not achieved, it is the board's ultimate responsibility.

Next Steps

In an effort to encourage a more generative working relationship between boards and leaders that supports the bold steps to transform healthcare and our communities, the Public Health Institute, in partnership with The Governance Institute and Stakeholder Health, with the support of the Robert Wood Johnson Foundation, is convening a series of one-and-a-half-day intensives with teams of leaders and board members from hospitals and health systems across the country.

The Alignment of Governance and Leadership in Healthcare (AGLH) initiative focuses on building common knowledge and understanding of the challenges and

8 Peregrine, 2014, p. 17.
9 *Ibid.,* p. 27.
10 Richard Clarke, "The Burning Platform: Producing Change in Difficult Economic Times," *Board-Room Press*, Vol. 20, No. 2, April 2009, pp. 7–15.

opportunities associated with the changes in healthcare financing, and works with these teams to identify specific next steps to build internal capacity and shared ownership for health with diverse stakeholders across sectors. Key next steps for hospitals and health systems seeking to move in this direction include:

1. Assess the competencies of current board members, with attention to the broader set outlined in this article.
2. Having identified potential gaps, develop a strategy for recruitment, including engagement of future board members as members of relevant committees.
3. Establish and implement an agenda for board education to build common knowledge and establish protocols for dynamic engagement.
4. Build understanding and support among the leadership team for a generative approach to dialogue board engagement that creates space for meaningful input.
5. Integrate the competencies outlined in this article and associated responsibilities into the job descriptions of key senior leaders to support professional development and alignment with the board development process.

These basic steps provide a tangible starting point to the larger transformation design process led by senior leaders, and ensures that board members understand and appropriately support the bold steps to be taken in the months and years to come.

The next program for the Alignment of Governance and Leadership in Healthcare initiative takes place October 29–30, 2016, in Nashville, Tennessee. The Governance Institute will publish future articles and publications over the next year covering the goals outlined by participating organizations, the processes put in place, and results and lessons learned. For more information about this program, visit www.governanceinstitute.com/mpage/Home.

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