

GOOD GOVERNANCE CASE STUDY

An Online Series by **The Governance Institute®**

Taking Governance to the Next Level: Driving Improvements through the Board Self-Assessment

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Taking Governance to the Next Level:

Driving Improvements through the Board Self-Assessment

Organizations Profiled:

Warren L. Forgey, CPA, CGMA, M.H.A., FHMA, FACHE,
President and CEO, Schneck Medical Center

Kyle Hansen, CEO and Administrator, Logan Regional Hospital

Timothy Pehrson, Former CEO and Vice President, Intermountain Healthcare, North Region

E.W. Tibbs, Jr., President and CEO, Centra Health

Statement of Interest

Today's hospital and health system boards are facing a multitude of obstacles. To ensure they are effectively governing and reaching their highest potential, it's critical that boards take time to perform a yearly formal assessment, and use the results to make sustainable improvements to governance. The board is responsible for its performance, and while it may *think* it is performing at its best, it needs to be certain. Even high performers have room for improvement and can use the results to elevate their boards to the next level.

Hospital and health system boards use The Governance Institute's BoardCompass® Board Self-Assessment to critically assess their performance. It allows healthcare directors to review their performance in comparison to similar organizations throughout the country and connects boards with Governance Institute resources to address areas that require performance improvement. The assessment process provides a strong basis for board education and planning and is the first step toward optimal board performance.

This case study highlights three healthcare organizations that have shown strong improvements in their scores year over year—Centra Health, Schneck Medical Center, and Logan Regional Hospital. It explores the value of regularly taking the assessment and how these boards use the results to drive improvements in governance.



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Organization Profiles

Centra Health is a regional non-profit healthcare system based in Lynchburg, Virginia, that is made up of four hospitals (Centra Lynchburg General Hospital, Centra Southside Community Hospital, Centra Bedford Memorial Hospital, and Centra Virginia Baptist Hospital), a full array of post-acute services, and a health plan. With more than 8,200 employees, 400 employed providers and physicians, and a medical staff of nearly 700, providing care in 64 locations, Centra Health serves over 600,000 people throughout central and southern Virginia. Centra Health's service to the community and commitment to excellent care is demonstrated by its many physician practices, outreach programs, screenings and tests, educational media and publications, and community health programs.

Schneck Medical Center in Seymour, Indiana, has evolved from a 17-bed hospital to one of the most respected health institutions in the nation in the last 100 years. It now has more than 1,000 employees, 125 volunteers, and nearly 300 physicians who serve residents of Jackson, Jennings, Scott, and Washington counties. Along with emergency and surgical services, Schneck Medical Center has grown to include a cancer center, a pediatrics practice, primary and urgent care facilities, and a rehab facility.

Logan Regional Hospital, part of Intermountain Healthcare, is a not-for-profit, full-service regional medical center and level 3 trauma center located 80 miles northeast of Salt Lake City, serving residents of northern Utah, southeastern Idaho, and western Wyoming. Logan Regional Hospital provides advanced technology and highly skilled care providers and includes a cancer center, women and newborn center, digital imaging services, and heart catheterization services.

Setting the Stage for High Performance: Engaging in a Yearly Board Self-Assessment

Since 2012, the Centra Health board has taken The Governance Institute's board self-assessment annually. The board is committed to setting the stage and standard for the organization about constant and consistent performance improvement, which includes each member reflecting on how they can be better individually and collectively as the governing body. This sends a message to management, the medical community, and staff that board members are devoted to being good stewards of the community's resources and are maximizing all the different ways they can create value. "Without a progressive, engaged governance body, there's a limitation to how far management can go. Our board takes its role in continuous performance improvements very seriously, and has a constant set of feedback for us to ensure we're honoring our obligation to be better," said E.W. Tibbs, Jr., President and CEO of Centra Health.



Over the last few years, the organization has adopted LEAN methodologies and principles. The board self-assessment complements this by encouraging the board to continuously improve its processes, which sets a tone from the top of high performance. It starts with the system board, which flows down to the committees and subsidiary boards, and is carried through and out by management to staff and physicians. For the Centra Health board, it's not just about taking the assessment, but really using it to set a culture of improvement throughout the entire organization.

The Schneck Medical Center board also takes the self-assessment annually, so it is able to compare results year over year. Consistently taking the assessment gives the board a benchmark to work from and provides a platform for the CEO to monitor if board members understand key

processes to successfully govern, or if there are gaps that need to be addressed for the board to reach its full potential.

In 2011, Schneck Medical Center was a recipient of the Malcolm Baldrige National Quality Award, and leadership continues to implement Baldrige practices throughout the organization. One of the main points they have learned from Baldrige is to make sure to validate and understand data. The board self-assessment gave leadership the tool to validate what level of understanding the board truly has around board processes, rather than just making assumptions. “How do we really know if the board is comprehending its duties at the level we believe it should? How do we validate board members’ level of understanding of the mission, vision, strategic plan, and our overall goals? We can’t just leave it to chance. We want to make sure they have a certain level of knowledge and understanding and the self-assessment allows us to do that,” said Warren L. Forgey, CPA, CGMA, M.H.A., FHMA, FACHE, President and CEO of Schneck Medical Center.

Leaders set a goal to make Schneck Medical Center an organization of excellence—a top-decile performer in everything it does. To achieve this the board needs to be performing at its best, so it uses the board self-assessment to ensure a high level of excellence at the governance level. Like many organizations, it divides its work into pillars—quality, finance, workforce, and customer experience—and leadership sets overall organization-wide metrics related to each of those.

The self-assessment has helped them accomplish their goals, and maintain a more advanced, involved board. “For me, it’s about keeping the board focused and engaged on those high-level metrics and then also have the board challenge us on those,” Forgey said. “It’s not having a board meeting where we report out that the customer experience in the emergency department is bad but we’re working on it, and they say, ‘Well, good. Tell us how it goes.’ But having a board that’s engaged enough to say, ‘Okay, tell us what you’ve done, what you’re currently doing, and what you’re going to do to move that performance level.’ It’s management’s responsibility to set the plan and achieve those goals but keeping the board focused on those results and having them engaged is crucial.”

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*—Warren L. Forgey, CPA, CGMA, M.H.A., FHMA, FACHE,
President and CEO, Schneck Medical Center*

Using the Results to Create Improvement Plans

At Schneck Medical Center, after the board takes the assessment, Forgey reviews the results with the board and then separately with the executive team. They look to see if there are any declining scores from the previous assessment or anything that’s below a top threshold. This includes looking at the overall categories as well as specific questions. “We typically, as an organization,

focus our performance goals on the top decile. Any time we fall below the top decile, it becomes an actionable item for us,” Forgey said.

The assessment results are used to put together an action plan and an education plan. Forgey works with the executive team to decide who will present the education. For example, if it’s a financial issue, the CFO will take ownership and provide education at a future board meeting to address those shortfalls. Often the board simply needs additional explanations. For instance, some of the board members were confused by the term “independent board member” in the assessment and answered related questions with a “neutral” response. After providing an explanation, the score for this question on subsequent assessments improved significantly. Using the self-assessment to direct educational efforts ensures the board is receiving the training it needs throughout the year to eliminate any knowledge gaps.

The Logan Regional Hospital board, as well as the other boards that are part of Intermountain Healthcare’s North Region,¹ take the survey yearly as well, which has helped leadership see areas for improvement. They then have a formal process where the CEO and executive committee review the self-assessment results to determine how best to focus and facilitate improvement discussions with the boards.



The CEO starts by scanning the results to see where the board is scoring lower than the top decile and then highlights these areas for discussion. They also look to see if there are any significant decreases or increases since the last board self-assessment, and where the boards compare nationally. After sharing these areas for improvement with the executive committee, and seeking its ideas on how to have the conversation with the full board, the executive committee members are given assignments to help facilitate board discussion at the retreat.

At an all-day board retreat, chairs then review the results, celebrate the successes, and solicit ideas on how the board can improve. These ideas are placed in an action plan, which is utilized by management to create activities to drive better performance. Board members feel listened to because they see their ideas being put into practice shortly after the retreat.

Using the governance best practices coming from the survey and other Governance Institute resources, the CEO and his team created what they call “Board Annual Key Process Standard Work.” This is a six-page Gantt chart spreadsheet that outlines the board activities for the year that helps board and management leaders execute the best-practice guidelines (e.g., processes for board meetings, orientation, education topics, committee plans, self-assessments, conflicts of interest, board recruitment, bylaws, and the board retreat). “It shows timing, so it’s very easy to just pull out the document on a monthly basis and look at the next upcoming three months and see what we need to get done,” said Timothy Pehrson, Former CEO and Vice President of Intermountain Healthcare’s North Region. “Then if there are any new best practices that come

¹ At the time of this interview, Logan Regional Hospital was part of Intermountain Healthcare’s North Region, which also included McKay-Dee Hospital, Cassia Regional Hospital, Bear River Valley Hospital, and Layton Hospital. At the end of 2017, Intermountain Healthcare restructured and is no longer organized by regions.

along, we just update this Key Process Standard Work. All of the work is generally a reflection of and gives the best practices that we've gleaned from The Governance Institute."

To ensure consistency and collaboration among the hospitals, they also have a monthly board preparation meeting with the CEOs of all the region's hospitals and their assistants who help support the boards. During this meeting, they go over board and committee work, quickly look at presentation slide decks for meetings to make sure they are coordinated, and discuss the annual processes and best practices. This ensures everyone is on the same page and provides the opportunity to incorporate new items or make adjustments to the work plan.

The Board Annual Key Process Standard Work drives what the boards do every month so they take time to refresh it as needed, make sure they are on track, and have regular dialogue with board members around the plan. "We have a standard approach to how we work with our boards, everything from our agendas to education topics to administrator report outs," said Kyle Hansen, CEO and Administrator of Logan Regional Hospital. "We try to be fairly standardized because many of the same things apply to all of our boards, and so we're trying to find ways to do that consistently across the hospitals. Over time, we've gotten better and better at that using best practices from the survey." It has not only helped them become high-performing boards, but it helps regional leadership create a common Intermountain voice amongst each board.



Steps for Best Utilizing the Board Self-Assessment

- Have the board chair, CEO, and governance/development committee thoroughly review the assessment results to see where the board is scoring lower than the top decile, how scores compare to previous years, and where the organization compares nationally.
- Distribute the assessment results to all board members, and have someone (e.g., the board chair, governance committee chair, or another facilitator) present the results and facilitate a discussion.
- Create a work plan for the year to identify opportunities and action steps for performance improvement—and a process to ensure that improvement goals are met.
- Use the self-assessment as a best-practice guide for the board to enhance its governance processes.
- Commit to a culture of continuous improvement and accountability.

Implementing Changes through Governance Institute Best Practices

Since the Centra Health board began taking the annual assessment, it has experienced significant change, including shrinking the board by half, putting in place practices such as term and age limits, and moving toward a competency-based board—all elements that led to a more modern, effective governance structure.

"Taking the assessment enabled the board to have a readiness to get better and understand that healthcare is a complex sport, and that, while they're volunteers, their service is essential to us being able to be successful. Management can't do it alone," Tibbs said. The changes and restructuring that took place laid the groundwork for Centra Health to work closely with The Governance Institute to improve its governance processes. It used the self-assessment to implement improvement plans and continuously measure the board's progress. This helped the board stay focused on important aspects of improvement including the nominating process and new

and current board education. These best practices were then carried through to all the committees and subsidiary boards.

The governance committee of the system board also actively ensures the board is performing at its best by providing feedback to individual board members about performance, and staying in constant recruit mode to get the best and brightest on the board. It creates a plan so that the board is properly educated on needed topics, whether that be through Governance Institute conferences or monthly “brown-bag” sessions where management provides short education sessions on key topics. The brown-bag sessions are even videotaped and made available to boards and committees throughout the system.

Tibbs makes sure the items on the survey become normal conversations among board members. “As they hear about the survey topics more and more and become comfortable with it through things like publications, conferences, brown-bag sessions, or just dialogue with management, it makes our board stronger. It makes our board members capable of asking better questions and focusing conversations on the results necessary for us to be successful instead of board meetings being report after report and no real action or challenging topics,” he said. The board also improved meetings through The Governance Institute’s recommendations of committing at least half of meeting time on strategic topics and using consent agendas to optimize time. Having these practices and strong governance processes in place, such as the right policies, committee structure, and board and committee makeup, has enabled the organization to thoughtfully work through challenges and improve the organization and the board.

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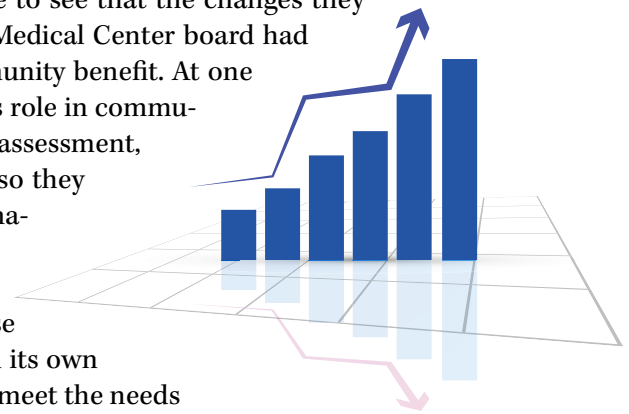
Taking the assessment has helped the Schneck Medical Center board improve by pointing out its knowledge gaps—some that have been surprising to leadership. One year, leadership saw a gap in understanding around the questions related to financial reporting, and they identified the lower scores were mostly around tasks the finance committee is responsible for completing. For example, while the finance committee had in-depth knowledge of how the annual audit process works, the board as a whole was somewhat unclear since it didn’t have that same level of involvement. Now they are careful to regularly reinforce to the board how these processes work. “We try to work as much as we can through our committees, which are made up of board members, so the board has a degree of comfort letting the committees do the bulk of the detailed work. This works well and has helped our board meetings be more streamlined. Seeing the assessment results told us we



just needed to spend a little more time on those key issues coming through from the committees,” Forgey said.

The self-assessment also led the board to realize it needed to do a better job of involving physicians in governance. To address this it expanded the strategic planning process to include medical staff members. The board formed advisory committees comprised of physicians and advanced practice providers and actively engaged them in long-range planning. This has proven to be beneficial in developing the strategic plans, but equally important with subsequent implementation of the plan. This process also engaged members of the medical staff directly with the board since they invite those physicians to the semi-annual Board Summits that are designed to develop and review the strategic plans.

By taking the assessment every year, leadership is able to see that the changes they implemented are truly making a difference. The Schneck Medical Center board had a significant jump in self-assessment scores around community benefit. At one point there was a lack of understanding around the board’s role in community benefit and how it impacts the community. From the assessment, leadership saw that the board didn’t have that direct link so they spent more time clarifying this and gave them the information to make this connection (e.g., the community needs assessment is something it does every three years, which it connects to the strategic plan, and it links back to those community needs). Because of the board’s improvement in its own performance in this area, the organization is better able to meet the needs of its community through making sound, strategic decisions that focus on community need and mission fulfillment.



Since improving the board’s assessment scores around community benefit, Logan Regional Hospital has also found it easier for the board to connect the dots between the needs of the community and the services and outreach efforts the hospital can provide. A college athlete in the community was recently drafted to an NBA team but had to decline due to severe anxiety and panic attacks. One of the board members heard this story and made the connection to ways the hospital could partner with him to raise awareness around mental illness, which is a major community need and focus for Logan Regional Hospital. Because the board member was able to make this connection, the hospital is now hosting an event where the athlete will speak to both youth and parents in the community about mental illness and awareness.

Leadership at Logan Regional Hospital also agree that making improvements is often just about reinforcing behavior and providing more clarity. For example, when they scored lower on questions around conflict of interest, the board chair took the time to remind board members that they do a conflict-of-interest disclosure every year, and go over the process to ensure everyone thoroughly understands conflict-of-interest practices. The survey also prompted the executive committee to revisit the board’s attendance policy and, as a result, two board members self-selected to be removed from the board. This allowed them to add two new, more engaged members, which has resulted in a higher-functioning board overall.

At Logan Regional Hospital, it begins with board orientation so the importance of assessment is engrained into board work from the very beginning. At orientation they walk through their duties and responsibilities and receive a “quick reference guide,” all which have been developed with the survey in mind. Six months later, they are asked to do an individual board member assessment. This reinforces those best-practice behaviors and makes them more attuned to performing at a high level. They also assign a mentor to new board members, which is a

recommendation from the survey. This gives new board member someone to go to for help or questions, but also reminds the mentor of their duties.

“We really try to model the behaviors that are outlined in the survey,” Pehrson said. “We’ve looked at what The Governance Institute said are best practices and then used that to design the way we organized the board and the way we talk with the board to drive those behaviors.” Being an excellent healthcare system requires excellence at every level of the organization—chief among those is the board. Board members are quick to speak up and ask tough questions because they have been encouraged to do so through the use of the survey and other Governance Institute tools. Intermountain hospitals perform in the top quartile or decile nationally on many measures of success.

Taking the board self-assessment often leads to making changes, as it did at Centra Health, which can be intimidating, but the outcome will be a stronger, more sophisticated board ready to take on today’s challenges. Tibbs provides parting advice for his colleagues: “Early into these process improvements, it can feel different and a little scary or nerve-wracking to have your board more deeply involved. You may get worried that the board is going to get involved in management instead of strategy, oversight, and governance. But if you have the right processes in place, that will take care of itself. Don’t let traditional ways of thinking get in the way of being a good CEO or senior leader in healthcare. Figure out how to engage the board and, ultimately, it will pay dividends.”