

## Unique Challenges Facing Children's Hospital Boards

*By Steven T. Valentine, Vice President, Business Advisory Services, Premier Inc., and Board Chair, Orthopaedic Institute for Children, an Alliance with UCLA Health*

### Context and Profile

In order to understand the unique challenges facing board members of children's hospitals, we need to start by understanding the environment that many face while serving their pediatric and adolescent populations. Children's hospitals today experience significant challenges in the following areas:

- Federal reduction of CHIP funding
- Federal reduction of 340B funding (a discount drug purchasing program for non-profit hospitals)
- Oftentimes, a poor payer mix and high uninsured population
- Very sick patients who require a multidisciplinary team of caregivers and super specialists for their diagnosis and treatment
- Patients who typically need social service support from community resources, and the children's hospital has to coordinate access to these resources prior to discharge
- Advocacy for children who don't have a voice of their own and rely on others to communicate their needs

The profile of a typical children's hospital is that of teaching, academic affiliation, complex patients, research (both basic and clinical), full services (newborn through adolescence), robust outpatient services, various clinics, and a healing environment suitable to their age.

Of course there are challenges that overlap both adult and children's hospitals that include reimbursement pressures (different payment methodologies), delivering high-quality care, providing good patient experiences, Medicaid regulations, fiduciary responsibility, approving medical staff members, and developing a vision for the organization. The other big issue is addressing whether to remain independent or join with a partner or adult care provider.

### Key Board Takeaways

- Commit to continuing education (reading publications, attending conferences, viewing Webinars, etc.) that will inform you about healthcare trends, payment changes, and policies from the federal and state governments that impact funding and access for children.
- Commit to learning about the unique healthcare needs of children: vaccinations, dental care, neonatal care, well care, health habits, and issues related to their small size and, for the very young, no way to communicate their needs.
- Use your community contacts to introduce your organization to various social service organizations that can be helpful to children. Collaboration opportunities exist, you just have to look for them and then cultivate them.
- Constantly look for opportunities to identify and recruit people who are in a position to contribute time, resources, and/or money to support your organization.
- Be prepared to advocate for children who don't have a voice to communicate their needs. Having or cultivating relationships with elected officials at the state and local level can be very helpful.

### Policy and Regulatory Environment

Given the unstable healthcare policy environment and unique patients that children's hospitals serve, many challenges force boards to operate at the top of their

game. Paul Viviano, President and CEO of Children's Hospital Los Angeles and Chair of the California Children's Hospital Association said, "Advocating and lobbying for children at all levels—federal, state, county, and city—is critical to address the changing reimbursement, eligibility standards, regulations, and program funding, and are the highest priority for board members." He goes on to say, "Children can't advocate for themselves and a board member's responsibility is to do this."

Board members should have strong ties to elected officials, community leaders, and other advocates. They must have the ability to facilitate meetings and communications to officials who can improve the resources available to meet children's healthcare needs as well as navigate and influence the heavy regulatory maze that children's hospitals have to operate in.

Board members also have to be smart and have the ability to understand a very complex care delivery organization that will include serving a patient from the clinic or physician's office to outpatient services to acute-care admission through post-acute care, home care, and return to the physician's office or home. Patients at children's hospitals are typically very sick and require special resources, highly skilled clinicians, and complex care treatment.

### **Competition for Philanthropic and Other Community-Based Support**

Board members also face special requirements in addition to political and elected official contacts and relationships. They must have strong relationships with donors and businesses that are in a position to raise funds or donate money and resources to support the hospital or specific programs, services, research, teaching, or provide patient financial assistance. There is significant competition for fundraising dollars both in healthcare and other areas, especially teaching/schools. Board members need to make the case for not only the healthcare needs of the pediatric patient but also their social needs such as transportation, food insecurity, and housing.

Board members, working with management, need an outreach strategy to coordinate and

collaborate with community organizations to access resources for the children. Sometimes this requires joint fundraising between the hospital and community organization. Therefore, board members must have the appropriate and specific contacts in an area targeted to children and healthcare.

Todd Suntrapak, President and CEO of Valley Children's Hospital in Madera, California, identified the following as a big challenge for his board members: "Our mission requires board members to struggle with finding a balance between defining the financial margin that is necessary to meet our organization's needs while delivering high-quality care and addressing the growing social deterrents of health affecting the pediatric population we serve."

### **Relationships with Other Providers and Payers**

Children's hospitals are specialty hospitals providing services to a narrowly defined age group. Typically children's hospitals have to develop relationships with referring healthcare organizations such as:

- Women's hospitals for deliveries
- Community clinics (e.g., federally qualified health centers and rural health clinics)
- Community hospitals for pediatric and adolescent patients
- Medical centers that lack the specific depth of specialty services found at a children's hospital

Depending on the area served and its managed care penetration, a children's hospital will need to participate in other networks such as a clinically integrated network (for contracts with employers and health plans) or a narrow provider network (with health plans or health systems that have a special relationship with a health plan that has a network that includes selected qualified providers and excludes others). This also may include a network of other children's hospitals covering a much larger geographic area.

### **Competency, Skills, and Effectiveness Assessments**

A good practice for boards of children's hospitals is to conduct an annual survey

assessing the skills of the individual members and the effectiveness of the board in total. The survey should be tailored to children's issues and include topics such as understanding of the healthcare industry, financial information, quality and patient satisfaction, how the organization functions, its mission and vision, strategic direction, etc.

The survey results are used to identify the strengths and weaknesses of the board and where board members need additional education, skill strengthening, and orientation. The same discipline can be applied to committees of the board using a specifically designed survey tailored to each group that is assessed.

### **Funding and Economic Challenges**

Children's hospitals deal with complex funding and payment issues and they are heavily regulated by numerous agencies. This means fiduciary responsibilities of the board are significant because a thorough understanding of "following the money" is essential, which

drives the ability of the hospital to meet its mission.

Heavily impacting the economics of the children's hospital is the governmental funding support through provider fees, regulation, 340B payments, disproportionate share hospital (DSH) funding, Medicaid payments, etc. This requires the unique intersection of advocacy, influence, and connections of the board members.

### **View to the Future**

Board members of children's hospitals can and must rise to the task of meeting the unique challenges facing their organizations. Board members who are willing to learn, listen, contribute their skills and talents, use their influence, and work with management, physicians, and other board members will enable a children's hospital to meet its mission, accomplish its vision, and provide a foundation for sustainability and future success. Boards that can adopt good governance practices will provide a great and lasting benefit to the children of our country.

*The Governance Institute thanks Steven T. Valentine, Vice President, Business Advisory Services, Premier Inc., and Board Chair, Orthopaedic Institute for Children, an Alliance with UCLA Health (Los Angeles, CA), for contributing this article. He can be reached at [steve\\_valentine@premierinc.com](mailto:steve_valentine@premierinc.com).*

