System Focus
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The Five Ws: A Year's-End Review of Health System Challenges

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At the end of the year, we like to take this opportunity to share some stories and common themes we have uncovered from our visits with system members since January. This year, the themes are centered around the "five Ws"—who, what, where, why, and when. Many of the items encompassed within the five Ws affect the rest of governance, as we highlight below. The following are some important challenges and opportunities that we believe truly represent the current state of health system governance. (For background and context, we list the "what" first, and then the "who.")

What: Redesigning System Governance Structure for True Alignment

U.S. health systems continue to grow and evolve. While they grow, the nature and function of the services they offer continues to change as well, such as a shifting of inpatient services to outpatient, expanding clinical services and medical homes, layering medical staffs and employed physician groups, academic and research institutions joining the mix, public merging with private, and non-traditional partners like post-acute care and social service organizations. All of this brings major implications for governance—not just complicating the job of board members, but more importantly, creating the issue of how to structure governance to best enable systemness and alignment within the new shape and size of the health system.

We see many different governance structures in place around the country, most of which are dependent on individual organization and market circumstances such as size, geographic spread, historical considerations (how did the system grow and how did those boards come together at the time?), and ownership issues (faith-based, public/district hospitals and systems, etc.). For now, these structures are as dynamic and fluid as the systems themselves. While most organizations are seeking to reduce the number of boards and committees across their system, some have added boards or layers of governance in order to help manage size, spread, and purpose. Moreover, boards within systems are changing roles, going from completely fiduciary in nature to a combination of fiduciary/advisory, to completely advisory.

Designing governance structure is more than just making sure the board(s) can function at their peak. Some health system leaders believe that governance structure should mirror and facilitate the operating structure of the system, and we tend to agree that is a strong approach that more systems should be using. For example, how does the system disseminate standards to reduce clinical variation? How does the governance structure enable or hinder that system-wide standardization? If boards are operating in their own silos without the whole picture, the system has a limited ability to ensure that quality and patient safety improvement goals will be met.

System governance transformation sometimes involves a stepping stone or two (or three!) in order to help board members make the transition, as they often find their roles changing or perhaps even being eliminated altogether. So structure discussions should include the possibility of a middle step that will help get to the ultimate structure later on, with fewer or smaller bumps along the way (such as going from 10 boards to five, and then at a later date reducing those five to three or one with additional committees to pick up the scope of work).

The ongoing challenges we see when it comes to governance structure include:

- Systems with multiple boards still struggle to ensure that all boards are working towards the same goals and not working against each other.
- Board members deal with too many board and committee meetings, resulting in duplication of effort and time not being well-spent in inefficient structures. (This is a problem for the management team and support staff too as

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they have to attend and present at all of these meetings!)
- Subsidiary boards remain confused about their role relative to the system board and other boards within the system. (This is sometimes despite the existence of an authority matrix; perhaps one is sent out but not reinforced or supported from the system on down.)
- Subsidiary board members tend to fear relinquishing control to the system and feel that their purpose is being stripped away, and thus are experiencing dissatisfaction and becoming less engaged.

Committees are of crucial consideration when it comes to system governance structure, and can be a great place to increase board member engagement and sense of purpose. In systems, subsidiary boards require fewer committees, or even potentially no committees, depending on the scope of the board's responsibility. Subsidiary board members can sit on system-level board committees to increase engagement, communication, and alignment. Board committees at all levels should be assessed to determine if they are adding value or duplication, and whether those tasks are being done by the right people, in the right place, and at the right time/frequency.

Finally, form follows function (part of the why, which we will get to later!). Governance structure affects board composition and recruitment, for instance. A streamlined and efficient structure makes better use of board member, staff, and executive time, which can help attract potential board members and keep them engaged once they come on board. Secondly, different boards with different roles require different skills.

In one example, a small health system in the Northeast had so many meetings (10 per month, counting both board and committee meetings) that they struggled to find people with the time available to serve. And the people who were available didn't have the needed competencies or skill sets. Which brings us to...

Who: Board Composition and Recruitment Challenges

We all know it is essential to have the right people on the board—those who possess the right competencies and skills to help guide the organization and set a strategic vision. Health systems are being charged with transformation through innovation, which involves new and different skills than just five years ago. More importantly, as governance structure evolves and board roles are reimagined, the skills needed on each board within the system change as well. Our members are in a state of flux right now in determining what kinds of people are needed, and then going about how to find them.

We recommend that systems conduct a competency evaluation based on the organization's strategic vision and goals. What kinds of innovations or care transformations is the system working to achieve, both now and into the future? What kinds of skills are needed to complement those goals? What skills at the governance level would help achieve those goals faster or better? Match current board members with this list of skills and competencies and identify needed holes to fill, either through bringing in new talent, or determining if board education and development in a particular area could be effective (or a combination of both!)

Then finally, connect it to structure—where should those people with certain skills be placed within the governance structure? On which boards/committees will they make the most impact? For example, many of our members use the system/parent board to focus on strategy and innovation, while the other boards within the system focus on ensuring fulfillment of system-wide operational performance goals related to quality and finance, along with community health activities. Different skills and competencies are needed on these different kinds of boards.

Where: Look in Less Traditional Places for New Board Members

As the needed competencies become more acute and specific, many health systems are finding it difficult to recruit board members, and they are questioning whether they should pay board members for their service.

In addition to a skills problem, boards also face a diversity and age problem. There are opportunities to find more diverse and younger board members who are "up and comers"—middle managers on their way up the corporate ladder, or self-employed entrepreneurs with an innovative spirit. Look beyond traditional businesses to community agencies that intersect with healthcare, such as schools (teachers, administrators), cultural and arts institutions, social service workers, and consulting organizations that support non-

profits. (Committees are great ways to bring in potential new board members—connecting back to structure!) Finally, nurses are poorly represented in governance and can play a critical role in helping boards understand how complex systems of care affect each patient's experience.

While the board compensation trend has remained relatively low and steady, some larger systems can make a strong case for compensating board members that come from out of the area and bring a unique skill set that is not found locally. If you do consider compensating your board members, it is important to keep in mind that most not-for-profit systems do not compensate, and those that do tend to keep compensation relatively low ($5,000 or less) in order to avoid creating conflicts of interest. You will be under more scrutiny from regulators and might be compelled to provide strong reasoning as to why board members need to be compensated, especially if other health systems in your area do not provide board member compensation.

Why: This Is an Unprecedented Time

Health systems represent the future of care delivery transformation. Independent hospitals are along for the ride and, though we don't like to admit it, are becoming scarce. Systems have the resources, scale, and fortitude to get the job done. Systems are at the forefront and can provide the innovative leadership to see this through.

An enhanced governance structure helps focus and clarify the role of the system board so that it can spend meeting time on the issues that matter most to achieving strategic goals and the future vision. How long is your system board meeting, and what percentage of that meeting time is spent on hearing reports vs. strategic discussion? How can changing the board and committee structure help to free up time for the system board to do what it needs most? (Hint: This is one of the reasons why finding the right governance structure is so important.)

When: Now!

We believe systems need to act now like the systems they want to be 10 years from now. Building more relationships with payers and large employers to help lower costs and transform care will be essential. Don't wait for the money to follow—demand your reward for delivering value. Hold payers accountable.

But systems still have a long way to go in discovering the best structure to support system goals and alignment. Well-oiled machines need well-oiled governance first and foremost. We encourage you all to consider this to be your most important priority in order to achieve any current or future goals. Start with engaging all board members across the system in creating a set of guiding principles for what the governance structure should accomplish and why, and use these principles as guideposts for how the transformation will take shape.

Here are some generative discussion questions for health system boards to consider in order to move faster towards systemness:

- What should be our guiding principles for how and why our governance structure should help our organization perform at its best?
- Where is the waste, inefficiency, and/or duplication in our governance structure? How does that affect the rest of the system and its ability to achieve goals and transform?
- How can/should the governance structure enhance/facilitate the operating structure? (On the flip side, is our operating structure working for us, and if not, how should that be changed along with the governance structure?)
- How does the governance structure hinder our ability to recruit and engage/keep critical board talent?
- Does each board in the system serve a clear role or purpose? How does the authority matrix work for us? What could be changed or improved? Are we reinforcing that matrix with communication and education for each board so that all board members understand their purpose and how they will carry that out?
- How do we ensure that we are thoughtfully utilizing our committees to enable the work of the board(s)?
- If our subsidiary boards were thought of as committees of the system board, how would that cognitive shift change subsidiary board function/expectations? What expectations do we have of a board's connection to its committees that we don't have with a subsidiary board? Should it be different?
- What skills do we need in governance that we don't currently have? Which boards require which skills and why? Where are some new places we should look within our communities to find younger, more diverse board members with the skills we need?

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