

Secrets of Successful Public Hospital Governance

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Sweeping changes in the environment and in the economics of providing healthcare have incentivized many public hospitals to exit the traditional public ownership structure. However, for most public hospitals, changing structure and ownership are not politically or financially feasible. These hospitals are expected to remain under government control. The best practices cited in this article will be of most benefit to hospitals that will maintain their public status for the foreseeable future.

Public hospitals are the safety net and the foundation of the American healthcare system today. Public hospitals come in all shapes and sizes: state, county, city, district; urban and rural; teaching and nonteaching; large and small. Board leadership in public hospitals must be as strong or stronger than governance in the private sector. The special nature of public hospitals makes this very difficult to accomplish. Public hospital board members are often elected or are appointed by a political governmental entity; partisan politics can easily enter the public hospital boardroom. Most public hospitals are subject to state-based sunshine laws and many public hospitals face serious financial challenges. Even with these encumbrances, there is opportunity for public hospitals to exhibit

Key Board Takeaways

- Public boards can influence the selection of new board members using an open and transparent methodology.
- The CEO and board leadership must initiate and nurture ongoing communication with the overarching governmental authority.
- Know and respect the relevant sunshine laws; utilize any available flexibility.
- Clarify the lines of authority between the public hospital board and its governmental authority.
- Employ careful stewardship of the public board agenda.
- Consider delegating as much decision-making authority as possible to the CEO.
- Develop a private foundation.
- Use the public nature of the board to share positive stories about the organization and to meaningfully connect with the community at large.
- Use the transparency requirements for public boards as a strategic advantage.

excellent governance and C-suite leadership.

Parent Authority Relationship

The CEO and board chair must prioritize the relationship between the board and its overarching governmental authority. This is a time-consuming and never-ending task—especially with regular turnover of political leaders. The CEO can take the lead in communicating early and often with these groups. This may be informal communication such as a coffee chat with key political leaders or more formal such as regular presentations to the political entity and routine written reports about the hospital's financial status and other activities. The political authority may designate

a representative to attend (as a guest) all meetings of the public hospital board. This gesture should be welcomed as another ongoing communication mechanism.

Clarification of the board's authority versus the authority of its parent governmental agency is vital. This is often detailed in local code or law. Given the constantly changing healthcare environment, it is not unusual for questions of authority to surface that are not covered in existing code. In this circumstance, it is helpful for the board and parent agency to establish a memorandum of understanding (MOU) to more fully detail authority lines. The MOU may also be used to describe communication expectations between both parties.

Board Composition

The public board and CEO have an important role to play in board recruitment. Even though directors may receive a board seat via public election or appointment by a governmental authority, sitting board members and the CEO can be influential. Potential board candidates, along with those responsible for such appointments, need careful education about the true job description of a public hospital director. The education should focus on the purpose, responsibilities, and fiduciary duties of the board, which are generally not congruent with building an individual's political career. This education should be conducted in an open, public meeting and should cover these points:

- Time commitment required—including time outside of regular board meetings, such as ongoing education, meeting preparation, and attendance at hospital events
- Compensation (usually there is no compensation in contrast to other political offices such as City Council or County Commission)
- Functional expertise needed on the board
- Legal responsibilities of the board
- Clarify the board's constituency—many potential public board members are surprised to learn that the board's constituency includes all patients and communities served by the hospital, not solely the voters or members of a political district
- Focus on the mission/purpose of the organization
- Conflict-of-interest policy and its strict enforcement

The board and CEO should actively work to generate interest in board service among those individuals who share the mission of the organization

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and would potentially bring needed expertise and diversity to the board. This process can be handled with a board governance committee. One pathway to success is for a sitting board member to volunteer to a prospective elected board member: "I will help you through the campaign process." For appointed boards, the goal is to create a positive working relationship over time so that the appointing authority will accept from the board a short list of recommended candidates for consideration.

Public Transparency as a Strategy

Public transparency via the sunshine laws is often presented as an obstacle to success. Without question, public hospital CEOs should learn their state's sunshine laws front to back. If the sunshine laws allow closed door board meetings for certain circumstances, then enjoy this flexibility. Public hospital CEOs should also have in their contact file a local legal expert who can provide guidance and interpretation about the state's sunshine laws when questions or grey areas surface. Some local hospital associations have been very successful in amending state law to provide more flexibility for public hospitals. For example, The Iowa Hospital Association has successfully represented its municipal hospital and county hospital members in achieving needed reforms in Iowa's sunshine laws.

Conducting business at board meetings that are open to the public can be particularly challenging

in a competitive environment. Careful attention must be paid to the phrasing of items on the board agenda; the agenda item descriptions must be accurate but also written with an eye to the outside reader. If the law allows, certain items can and should be covered in executive session.

The savvy public board can use transparency to the advantage of the organization. A segment of each public board meeting can be devoted to sharing a positive story that the organization wishes to highlight. The public board also has an opportunity to deeply engage with its community. Citizens may attend board meetings and/or may offer comments directly to the board in public session. Although board members should consider this feedback as anecdotal, discussions with the general public can and should impact the community health needs assessment and other planning processes.

In the past, public hospitals were at a distinct disadvantage in comparison with private healthcare organizations regarding public access to organization-specific information, such as financial data and executive salary information. With 990 reporting requirements for 501(c)(3) organizations, transparency is now an obligation for all.

Board Education

Public hospital CEOs must necessarily spend considerable time briefing individual directors prior to public board meetings. Discussions of this nature are often face-to-face or by telephone. Elected/appointed

board members understandably don't wish to be surprised by any agenda items at a public board meeting. Some board members are more confident in posing questions one-on-one to the CEO outside of the public board meeting.

Ongoing education is critical for all board members, and public boards are no exception to this rule. The public hospital CEO must devote significant time to board education; there is simply no substitute for a continuous learning strategy for public board members given the complexities of public healthcare delivery systems. Doubling the time devoted to education of the public hospital board is an outstanding investment.

As the relationship develops and strengthens between the board and

its CEO, the organization benefits when the board provides the CEO as much financial and decision-making authority as possible (for example, contractual authority). Higher levels of delegated responsibility to the CEO are usually based on some level of reporting back to the board.

Another strategy for success is to develop an associated private non-profit foundation. The foundation can function as the charitable/fundraising arm of the organization. The foundation, as it grows, may also be utilized to support growth for the organization, such as obtaining and holding real estate.

All healthcare organizations are striving to deeply engage with their communities. Public hospitals are positioned to generate deep loyalty with their current and future

patient populations. Public hospitals are ideally equipped to develop solutions for the social determinants of health. Citizens in communities with public hospitals often feel a very real sense of ownership ("it's my hospital")—sometimes this is a direct result of paying taxes that support the hospital, other times it's simply a source of community pride. Public hospital boards have a tremendous opportunity to exploit this connection with the people served.

The mission of public hospitals in service of vulnerable populations is of paramount importance to our nation's health. Strengthening public hospital governance will benefit these critical organizations and the patients served.

The Governance Institute thanks Kimberly A. Russel, FACHE, Chief Executive Officer of Russel Advisors and Governance Institute Advisor, for contributing this article. She can be reached at russelmha@yahoo.com.

