

PHYSICIANS ON YOUR BOARD: MAXIMIZING A HIDDEN ASSET

Kimberly A. Russel, FACHE
CEO
Russel Advisors

Prepared for

The Governance Institute Leadership Conference
September 2020

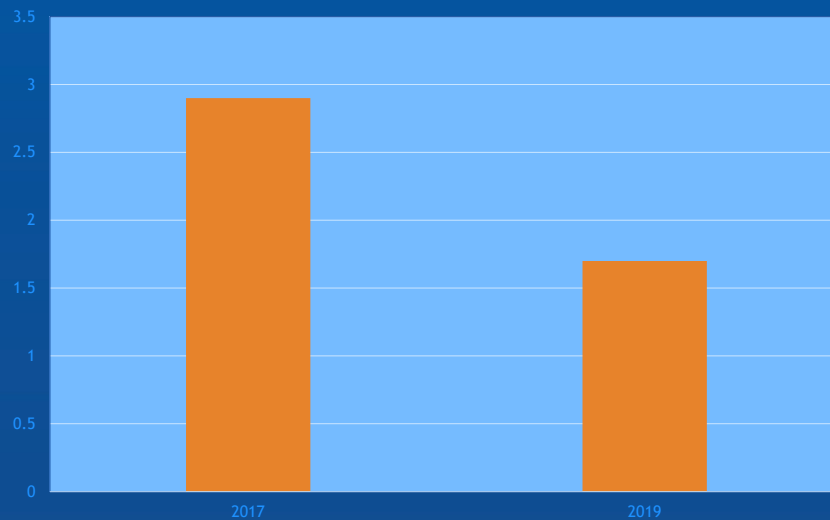


The Governance Institute®

A SERVICE OF **nrc**
HEALTH

1

Average Number of Physicians on the Board



The Governance Institute®

A SERVICE OF **nrc**
HEALTH

2

- “ Overall, there is a moderate statistically significant positive correlation between the number of physicians on the board and board performance...For independent hospitals, there is a positive correlation between the number of physicians and overall evaluation of board performance...”

2019 Biennial Survey of Hospitals and Healthcare Systems,
The Governance Institute

3

3

PHYSICIAN VOICES

- “I was the translator to bridge business and medicine to move things forward.”
- “I brought perspective to the board on value-based care.”
- “I encouraged the board to expand...geographically.”
- “I provided a viewpoint on women’s health issues.”
- “I was the loudest voice against a proposed merger.”
- “I advocated for our system to acquire a hospital in the town where I grew up.”
- “I led the planning to assure that an acquisition...would receive support from the medical community.”

4

4

DIFFERENT PATHWAYS TO BOARD SERVICE

- Elected medical staff leader
- Administrative physician leader
- Employed
- Self-employed/private practice
- Employed by another entity

5

5

EXPANDED CONTRIBUTIONS

- Strategic Planning and Prioritization
- Mergers and Acquisitions
- Biomedical Ethics
- Change Management
- Diversity and Socioeconomic Status
- Advocacy

6

6

BOARD BENEFITS

- Board effectiveness
- Diversity of experience and thought
- Medical Staff relationships

7

7

POTENTIAL BARRIERS TO PHYSICIAN BOARD SERVICE

- Time
- Director independence
- Conflicts of interest

8

8

EMPLOYED PHYSICIAN BOARD MEMBERS

- Selection is critical
- Positive medical reputation is foundational
- Non-representative governance
- Director role supersedes employment issues
- Conflict of interest policy is essential
- Not eligible to serve on Compensation and Audit Committees

9

9

ADDITIONAL ISSUES FROM THE SURVEY

- Board service compensation
- Management/Governance boundaries
- CEO leadership style
- Term length
- Physician director selection

10

10

PITCHING TO A PHYSICIAN DIRECTOR PROSPECT

- Carefully select the approaching individual(s)
- Address time obligations
- “What’s in it for me?”
- Introduce the new opportunities presented by board service

11

11

PHYSICIAN DIRECTOR RECRUITMENT

- Governance Committee role
- Experiential requirements (medical reputation, leadership)
- Business ownership/management experience a plus
- Understanding of healthcare beyond his/her specialty
- Willingness to accept all fiduciary duties
- Consider physicians external to the medical staff

12

12

ONBOARDING TIPS

- Consider a customized orientation
- Complete introduction to fellow board members
- Assess financial knowledge and personalize orientation as needed
- Fiduciary duties/legal requirements
- Onboarding follow up

13

13

INCREASING PHYSICIAN DIRECTOR ENGAGEMENT

- Reset expectations of the CEO and board leadership
- Assign physician directors to broad selection of committees
- CEO and board chair reinforce openness/expectations of full participation of physician directors
- Board chair may specifically invite comments from quiet physician directors
- Consider new recruitment strategies

14

14

PHYSICIAN DIRECTOR TAKEAWAYS

- “It is an honor to serve”
- “I take lessons learned and bring them back to my practice”
- “I like the opportunity for the board to serve as an advisor to the CEO”
- “I learned how to bring a group to consensus”
- “I learned about the financial aspect of hospitals”
- “Everybody has a different take on issues; I learned to look for compromises”
- “I learned how important the hospital is to the community...how intricate and complicated the relationship can be”

15

15

BOARD TAKEAWAYS: MAXIMIZE HIDDEN ASSETS!

- Enlist the full expertise of physician directors to increase board effectiveness
- Customize physician director orientation
- Rely upon strong participation from physician directors for M&A discussions/decisions
- Fully engage physician directors in long term planning and ongoing strategy development
- Consider broadening recruitment to include a physician who meets the IRS independence test
- Each physician director is unique; no interchangeability

16

16

QUESTIONS AND DISCUSSION

17

17

THANK YOU!

KIMBERLY A. RUSSEL
RUSSEL ADVISORS
RUSSELMHA@YAHOO.COM

18

18