

## Building and Nurturing a System Board Mindset

*By Kathryn Peisert, Managing Editor, The Governance Institute*

**H**ealth systems represent the future of care delivery transformation. 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 transformation through, but only if the board can build and nurture the right culture and leadership structure to achieve true “systemness.” The transition in roles from a hospital board member to becoming a system board member lies primarily in mindset. This article delineates specific areas of focus for a newly-formed system board.

A system mindset helps to 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. **We believe systems need to act now like the systems they want to be 10 years from now.** Building more, stronger relationships with payers and large employers to help lower costs and transform care will be essential.

### Changing the Mindset

Typically, in order to achieve the full benefits of “systemness,” the system board needs to have the appropriate level of control and authority over its affiliates so that it can manage issues in the changing

healthcare delivery system including: competition, system brand, major system-wide strategic initiatives, asset investment, and eliminating waste and duplicity.

Before, the board may have been overseeing strategy, quality/safety, and financial performance of a single hospital, with perhaps an employed physician group. Now, the board must look at a wider set of data from differing providers and facilities, but do so in a way that ensures focus and decision making at the strategic, future-focused level. Well-oiled machines need well-oiled governance first and foremost, the most important priority in order to achieve any current or future goals. The governing board’s structure needs to allow the system to have flexibility and time to devote to strategic issues, moving forward the strategy and vision for the organization as a whole. Each board in the system needs a clear understanding of its new role and purpose, ideally by using an “authorities matrix” document.

Start with engaging all board members in creating a set of guiding principles for what governance should accomplish and why, and use these principles as guideposts for how your organization’s transformation will take shape.

Potential discussion questions for a newly-formed system board retreat in order to move faster towards systemness include:

- What kinds of innovations or care transformations is the system working to achieve, both now and into the future?
- Based on the answer to the question above, what should be our guiding principles for how and why our governance structure should help our organization succeed in its innovation/transformation goals?
- How long are our system board meetings, and what percentage of 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?
- 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 might the governance structure hinder our ability

to recruit, engage, and retain critical board talent?

- Does each board in the system serve a clear role or purpose? How does our 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?
- 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?

## System Board Focus

The system board needs to ensure successful accomplishment of the following key priorities:

- **Setting strategic direction to achieve the future vision** based on where the organization needs to be 20 years from now. Be bold and innovative, for if not now, when?
- **Ensuring "systemness"** benefits can be realized, by setting and enforcing standards and expectations for performance metrics and reporting structures/processes across the enterprise. Part of this includes considering opportunities for consolidation, integration, and alignment such as:

---

**A system mindset helps to 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.**

- » Aligning clinical and administrative functions across the enterprise to ensure the improvement of quality while reducing costs and reducing unexplained variations in care.
- » Focus on achieving consistency and eliminating overlap, removing management silos and creating consistent standards and expectations across departments.
- **Removing hospital walls** by looking beyond bricks and mortar to a focus on care delivery transformation across all care settings, to enable consumer-centric care that is accessible and affordable where the patient needs it.
- **Staying out of operations.** System boards, even more so than hospital boards, need to rely on management to ensure daily operations and meet quality and financial metrics. Effective oversight must still occur at the board level but can be done so utilizing committees, so that the full system board meetings can remain future focused, at a strategic level at all times. The relationship with the CEO should be one of mutual respect and understanding, where both challenge each other but maintain the proper role boundaries.

In order to achieve this level of focus, system boards need to ensure that their meeting schedule

and especially agenda structure facilitate system-level and future-focused discussions, with enough time for deep, generative ideas and deliberation. The system board committees should be the "right ones" to get the work done (e.g., not too many), with a vigorous reporting process to the full board.

## Subsidiary Board Focus

To ensure that subsidiary hospital boards play meaningful roles and add value to their health systems, it is time for these boards to "declutter" what they do and how:

- Focus on the required roles and responsibilities of the subsidiary board today, not those of the past, including those you may wish you still had.
- Eliminate most, if not all, local board committees. Have the board serve as a "committee of the whole."
- Reduce the number of scheduled board meetings to six or fewer meetings per year.
- Refocus energy outwardly: forging community partnerships and serving as recognized leaders in improving community health.

## Hospital Board vs. System Board Activities

The table below demonstrates some key differences between the way a hospital board would carry out an activity compared with a system board. (This is not a complete list!)

Hospital Board	System Board
Approve long-term and annual quality performance criteria based upon industry-wide and evidence-based best practices for optimal performance.	Hospital board activity PLUS: ensure consistency across the entire organization in quality measurement, reporting, standards, policies, and interventions such as corrective action with practitioners.
Participate in establishing and approving a comprehensive strategic plan and long-range vision that are consistent with the organization's mission.	Hospital board activity PLUS: ensure effective mechanisms are in place for subsidiaries to understand their role and achieve goals in relation to implementing the system-level strategic plan.
Set annual goals for board and committee performance that support the organization's strategic plan/direction, and regularly monitor performance against those goals.	Hospital board activity PLUS: Set annual goals for subsidiary board and committee performance that support the organization's strategic plan/direction, and ensure that subsidiary boards are regularly monitoring performance against those goals, using standards and reporting methods established by the system board.
Follow a formal, objective process for evaluating the CEO's performance annually, using goals and objectives agreed upon with him or her at the beginning of the evaluation cycle.	Hospital board activity PLUS: Create standardized mechanisms for CEO performance evaluation and compensation for all subsidiaries.
	Maintain an effective bi-directional communication plan with all boards in the system to ensure that systemness and standardization can be met, and that all boards are aligned to and working in tandem with system-wide goals.

## Authority Matrix

The core purpose of an authority matrix document is to clarify and assign authority for key decisions that are necessary to manage the affairs of the organization.

Similarly, it is helpful to clarify that system board "approval" rights typically include the right to review and either accept, adopt, amend, disapprove, modify, or send back for further consideration an action recommended by a subsidiary or committee. "Ratification," on the other hand, typically includes only the right to accept or reject a recommendation; such ratification rights typically are found for sponsors or corporate members of health systems.

Sample Terminology for Governance Authorities Matrix	
<b>Approve</b>	To review and make the final decision (accept, adopt, amend, disapprove, modify, or send back for further consideration), acting in a manner that reflects the system's mission, vision, and values and is in the best interest of the system; monitor effectiveness of those responsible for carrying out the decision.
<b>Participate</b>	To directly participate in discussion, development, and/or evaluation processes. Where indicated, includes formulating a recommendation for system board approval.
<b>Responsible</b>	To be fully accountable for implementing, monitoring, and/or evaluating. <i>(Note: the matrix would clarify the responsibilities included by decision type.)</i>
<b>Provide Input/Receive Info</b>	To receive information/provide comments it believes appropriate or necessary to the system board, the system CEO, and/or other system senior management.

**Organize the governance authorities matrix around the six core fiduciary responsibilities of the health system board.**

In the collaborative shared governance model, it is important to be very clear about where fiduciary authorities and responsibilities reside for specific decisions that are necessary for managing the organization. The six responsibilities along with one illustrative example within each are presented below:

Six Fiduciary Responsibilities	Illustrative Example of Related Decisions
Mission/Strategic Planning	Aggrement of consolidation and merger for the health system or any subsidiary
Governance	Revisions to or restatement or repeal of bylaws for the health system and all subsidiaries
Quality Policy/Oversight	Establishment of standards for practitioner credentialing across the health system
Financial & Compliance Policy/Oversight	Incurrence of debt (including but not limited to loans, notes, bonds, and mortgages)
Community Benefit & Advocacy	Adoption of a CHNA Implementation Plan, consistent with requirements of federal, state, and/or regulatory requirement
Executive Oversight	Selection and appointment of senior management other than the system CEO

Functioning as a true system differentiates organizations and enables long-term sustainability. The goal: to be one system focused on delivering the exceptional, affordable, and highly reliable services our communities deserve.

