

## The Pandemic and Public Hospital Governance: Critical Board Functions

By Kimberly A. Russel, FACHE, Chief Executive Officer, Russel Advisors

Throughout the pandemic, many resources have been developed to support the boards of healthcare organizations as they carry out critical governance functions in an era of great challenge. The Governance Institute has provided national thought leadership for boards—which have faced the unexpected, and in some cases the unimaginable, since early 2020.<sup>1</sup> For public hospital boards, there are further considerations. In addition to the governance actions that are incumbent upon all hospitals and health systems during the fight against COVID-19, the nation's public hospital boards have even greater responsibilities.<sup>2</sup>

Public hospitals form the foundation of the healthcare safety net upon which millions of patients are dependent. Public hospitals are on the front lines of the struggle to achieve health equity and public hospitals are integral to graduate medical education in the United States. COVID-19 has also disproportionately impacted the patient populations that public hospitals serve. Against these

1 See [www.governanceinstitute.com/page/COVID-19-Resources](http://www.governanceinstitute.com/page/COVID-19-Resources).

2 Marian Jennings, M.B.A. et al., [“Preserving Critical Board Functions during the COVID-19 Crisis,”](#) The Governance Institute, May 2020.

### Key Board Takeaways

- Step up the level of communication with the umbrella governmental entity
- Verify that all viable external sources of governmental pandemic relief funding have been pursued
- Charge the finance committee with updating the financial forecast
- Engage the board in public advocacy
- Tune up the full board, C-suite, and board leadership succession plans
- Update the bylaws if needed to accommodate virtual board and committee meetings
- Recalibrate the strategic plan in keeping with the changing healthcare environment

realities, what are critical steps for public hospital boards right now?

### Communication with Overarching Governmental Authority

Although standard communication processes between the public hospital board and its overarching governmental authority (such as a municipality, county, or state) are likely in place, communication must be accelerated and expanded through the course of the pandemic. Leaders of governmental authorities—both elected and appointed—are also facing immense challenges in seeking financial stability during a time of great uncertainty. If the governmental entity is a guarantor of the public hospital's debt, the public hospital board should expect an even greater level of concern that will generate

enhanced oversight.<sup>3</sup> There has been a flood of misinformation about the pandemic's impact on hospitals that the public hospital board must combat with frequent and transparent communication with its sponsoring governmental entity. (See **“Information to Communicate to Your Governmental Entity”** sidebar on the next page for communication elements.) Dashboards are an effective way to routinely transmit this information.

In most cases, the CEO has established a routine line of communication with his or her counterpart (such as the city manager or county executive). During

3 Jeff Lagasse, [“Public hospitals are compounding COVID-19 budget risks for large urban counties, Moody's finds,”](#) *Healthcare Finance*, October 14, 2020.

## Information to Communicate to Your Governmental Entity

- Operating trends: census, length of stay, emergency department visits
- COVID-19 statistics and outcomes: number of COVID patients in house, number of COVID patient discharges and deaths, number of COVID tests performed, testing turnaround time
- Personal protective equipment availability
- Financial metrics: operating ratios, including operating margin; debt obligations and debt service compliance; cash assessment; bad debt; and charity measures
- Capital plans: any major changes in capital spending
- Workforce: turnover statistics, number of job openings, workforce engagement data, temporary labor statistics

the pandemic era, board-to-board communication must be enhanced, including update meetings between the public hospital board and the governmental supervisory board (such as a city or county board). A regular communication format (perhaps a scheduled periodic phone call) between the board chair and the elected leader of the sponsoring governmental entity is highly recommended.

## Financial Planning

COVID-19 has decimated the financial health of many public hospitals. In conjunction with the CFO, this is a key time for the board's finance committee to ascertain whether the organization has pursued all available external federal and state support. Researching and applying for many different governmental grant and loan programs is time consuming and frustrating for the internal finance team—as the rules of the various programs are complex and can change frequently. The finance committee should carefully evaluate the need for external assistance to supplement the efforts of the internal finance team.

The finance committee must also update the short-term and mid-term forecasts of financial support from the public hospital's sponsoring governmental entity. The pandemic

has the potential to change the financial (tax support) foundation for cities, counties, and states—and this may in turn impact funds flowing to public hospitals.

The finance committee must use updated forecasts to present a realistic financial picture to the board. The financial forecast will in turn inform future capital and other strategic decisions. The board should draw heavily on the finance committee's report as it recasts the organization's strategic plan.

## Advocacy

Advocacy is certainly not a new element on the board's agenda. However, the impact of COVID-19 on most public hospitals has placed the advocacy function higher on the board's priority list. COVID-19 has shone a bright spotlight on hospitals and the overall healthcare system. Hospitals are receiving a high level of attention from elected leaders—locally, regionally, and nationally. This means the timing is ideal for the voices of public hospital board members to be heard by those decision-makers with the responsibility and the power to allocate public financial resources. Public hospital directors are especially effective advocates—their knowledge and understanding of public hospital needs combined with

their commitment as volunteers is a powerful combination. Public hospital CEOs should seek opportunities to engage board members in select advocacy efforts.

## Succession Planning

The pandemic has highlighted the need for all boards to focus on both C-suite and board succession planning. For most public hospitals, board succession planning is dependent upon elections or appointments by a governmental entity. This does not excuse the public hospital board from participating in succession planning. The pandemic is a platform to open the difficult discussion of board succession planning in case one or more board members are unable to serve due to personal illness with COVID-19. It is also possible that a director(s) may resign a board seat to focus on navigating his or her own business through the pandemic. The well-prepared board will have a pipeline of qualified potential directors who are willing to be considered for appointment or election to the board should unplanned vacancies occur. The public hospital board should also ensure board leadership succession planning is in place in case the board chair and vice chair are unable to serve.

## Public Board Meetings

As the nation went into various stages of shutdown in March 2020, public hospital boards sought legal guidance on the legalities of virtual meetings. Each state's sunshine laws are unique, and there were often conflicting local legal opinions on the allowability of virtual meetings. Expect the sunshine laws of many states to be updated and clarified to incorporate virtual meetings in the future as a result of this pandemic. Meanwhile, public hospital boards

should reassess their bylaws to ensure they are in synchrony with state guidance regarding the circumstances and conduct of virtual meetings.

## Strategic Planning

COVID-19 has reinforced the importance of a flexible strategic plan. Public hospital boards should re-examine and update the strategic plan, accounting for evolving trends in healthcare. The pandemic is creating new partnerships and competitive dynamics. The public hospital board must prioritize its own learning about the volatile healthcare environment so that the board's strategies are both sound and well-grounded.

## Mission Critical

Our nation's public hospitals are critical in fighting the virus on behalf of our most vulnerable citizens. The importance of public hospitals in our country's healthcare infrastructure cannot be overstated. Public hospital boards maintain both the responsibility and the opportunity to remain strong and viable to carry out their critical missions.

*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](mailto:russelmha@yahoo.com).*

