



Case Study Update: Governance Lessons After a Year of COVID

In February 2020, The Governance Institute published a [case study](#) detailing Lakewood Health System's journey in restructuring its two boards and emphasizing board member education to better enable the organization to maintain a strategic focus on the future. We followed up recently with Lakewood leaders to see how the changes they made prior to and leading up to 2020 helped them steer the organization through the past year.

Case Study Background

The governance point of view at Lakewood Health System in Staples, Minnesota is that ongoing board education, coupled with a recognition that staying strategic is a continuous effort, helps their boards remain forward-thinking and able to perform at their highest potential. Their journey towards continuous governance improvement began about 10 years ago, when board meetings had become "stuck in a cycle" of presentations and little dialogue. The system has two boards that needed distinct roles laid out: the district board, which is elected by the public, owns the property and debt, and has an affiliation agreement with the system board; and the system board, which is self-perpetuating and focuses primarily on strategy, operations oversight, and future vision. Once the roles of the boards were clearly defined, it helped the system move forward with implementing strategy. Two representatives from the district board sit on the system board to ensure collaboration between the partner governing bodies.

The governance committee maintains a continual focus on how the board conducts its work and how it can improve. It looks at every upcoming agenda to take a critical look at how the system board is spending its time and prioritize agenda items. It frames agenda items to ensure they are truly strategic in nature, and preps the management

team so that the information being provided to the board always has implications for strategy and/or enables the board to make better strategic decisions.

Lakewood also strongly emphasizes ongoing board education. Board members regularly utilize Governance Institute resources and attend conferences. New board members must attend the state hospital association's half-day "boot camp" program, along with the system's own trustee training and orientation. Board officers must have completed the state's certification program. Board members bring back ideas from conferences and "try things out" to see what works and what doesn't.

We followed up with President and CEO Tim Rice, System Board Chair Jim Hofer, and District Board Chair Mary Theurer, to see how Lakewood's governance structure has positioned the organization to handle the pandemic and if it has changed their future perspective.

TGI: How have you been dealing with board member engagement through virtual meetings?

Jim Hofer: We hold video meetings using [Microsoft] Teams, and last March we thought we would try it for a month and then revisit the issue. Virtual meetings were then extended to December and then to "indefinitely." I think we are doing quite well with it. The governance committee still meets monthly to set up the board agenda for future board meetings, and we have of course kept COVID on the forefront, for both board meetings and governance committee meetings. Finance committee meetings involve how COVID has impacted our revenue/expenditures and bottom line. During board meetings we hear from our Vice Presidents of Nursing, Senior Services, and our CMO about how things are going with COVID; then we still need to move on with our regular agenda in the same 90-minute span. It has changed things, and yet

→ Lakewood Health System's Strategic Priorities

- Maintain independence while entering into affiliations and partnerships to be able to provide value-based care and remain fiscally sound
- Pursue growth opportunities in certain service lines through affiliations and partnerships
- Improve access
- Maintain ability to recruit top-notch clinicians as a rural healthcare provider
- Be better positioned for transitioning from fee-for-service to value

in my view we are more engaged now in helping the operations team and being a sounding board for them.

We have seen boards struggle to understand the best way to support their organization through the crisis while still doing all of the other important work, maintaining best practices and focus on the future. What has been the primary role of your two boards in supporting the organization and specific examples of what you are doing differently at the board level?

MaryTheurer: For the district board, having the two system board representatives reporting back specific system duties has helped our board stay engaged. I think that our ongoing strategic focus has really helped us through this. We remain fiscally sound; there were some challenges but we looked ahead at what we thought COVID would mean to us. When we were helped with stimulus money from the government, we immediately worked to determine how we needed to use those dollars, how to account for them, and how to keep track of what dollars might need to be paid back so that we didn't spend them if we didn't need to. We supported the administration when they had to make the difficult decision to furlough staff. We set up alternate sites for blood draws for patients who were concerned about being exposed in the hospital; we had a tent set up outside that worked well. The most unique thing is that we bought two fish houses and put one in our main campus parking lot and one in the satellite clinic parking lot so that we could have two drive-through testing and vaccination sites in the middle of winter and the staff could stay warm in the fish houses. There weren't any silos—that's the most important part.

We just completed our audit—we had a clean audit [done entirely remotely], which is one of the main things that we strive for and were able to accomplish this in a very difficult year.

If you could go back through time and think about the way your governance functioned before you embarked on this journey, what would be some key differences in your organization's strength and position now, a year into the pandemic, had you not had this structure and focus on strategy in place?

Tim Rice: We definitely would not be positioned where we are today. I think having the structure with the governance and finance committees being utilized so fully, having COVID discussions at designated times during board meetings, and the governance committee working on topics and agendas in light of all that was going on, made a critical impact. The facilitation between the governance, finance, and

executive committees to set the agendas helped us maintain our focus on COVID while still focusing on moving the organization forward. This future-focus enabled us to realize that we won't be going back to where we were. Now we ask, "What are the opportunities, what can we learn, and how can we build on it?"

How will your strategy change based on your COVID experience?

Tim: If anything, it can't be a five-year plan. We have a longer-term vision, but now we have to look at our objectives and strategies annually to adapt and change more quickly. Due to technology, and the changes and implications of that, it heightens the responsiveness we will need in order to remain competitive.

Mary: The governance committee will focus on succession planning now too, as Tim has announced his retirement in a couple of years [after a 42-year tenure]. The search for the new CEO has begun. We knew that this was coming up, so we started this process at least two years ago. We hired a consultant and identified some internal candidates. The governance structure we have developed will serve us so well as we move forward in our search.

It's a unique opportunity to be doing strategic planning and succession planning at the same time, connecting the dots on strategic capabilities needed against our potential leaders.

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—Tim Rice, CEO, Lakewood Health System

Tim: [As a component of the succession planning process,] we are developing and mentoring potential leaders within the organization by bringing in an outside coach who can observe and provide real-time feedback. Reports from the coaches are given twice a year to the governance committee. At our last meeting, the coaches presented their perspectives about our succession planning, provided mini evaluations of the potential candidates, and discussed other ways we can support leadership development within the organization. This program, due to its cost and time commitment, had to be approved by the board. I believe it says something

about our board in allowing us to invest in new models of leadership development, to have the best model possible for succession planning.

What are you looking at for the future? Have your strategic priorities changed in light of COVID?

Tim: Our strategic goals remain essentially the same; but now we are asking how do we achieve these goals by moving more quickly? How do we improve the internal dialogue? If you rely on a smaller core group of individuals in today's organizations to set the direction, you want to make sure you aren't missing something. We are trying to broaden our dialogue within the whole organization so we can encompass those true connections to our customers and our community, to make sure we are moving in the right direction. For example, what does independence mean to you? It might be different between physicians and the board. Do we clearly understand all perspectives?

The other important strategy we are intrigued with now is how to push this all down to connect strategically with employees—the individuals who are closest to the patients. I think that the goals we have are the right ones, but we have to better operationalize them—to identify what we need to do to effectively achieve those goals.

Jim: Our physicians definitely want us to remain independent. They are represented on the governance and finance committees and the board, so we have regular dialogue with them and can understand and respond to their needs. One of our strategies is new service lines. We have added urology and dermatology, which has been very successful. We are now looking at where the gaps are to determine what we can do in-house versus referring patients out.

Mary: Last year the team brought to the board the idea of building a negative pressure area in the hospital to treat COVID patients. We did not yet have any COVID patients, but the board approved it so we moved forward and built it, thinking they would come. It took a while for the patients to come, but that gave us time to plan, prepare, and obtain the equipment and PPE supplies. When the COVID patients came, we were ready because we were proactive.

We were just named the workplace of choice again for this year, with national recognition for that as well, even during these difficult times. I believe that is all because our leadership is looking forward, and bringing those ideas to us. The board listens and takes heed, knowing that what the information presented has

gone through an exhaustive process before it gets to us. Innovation will always be a focus for us. It might not always be one of our five strategic pillars on its own, but it weaves throughout all of them.

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—*Mary Theurer, District Board Chair, Lakewood Health System*

Tim: Education has really been the key to how a lot of this has evolved—it brings new ideas. Every time we come home from a conference, we bring something home. That is how our committees and education guidelines were developed. That resulted in having certified board members, and then certification requirements to be an officer. If you look back, promoting education and setting guidelines for that up front has perpetually grown us to this point, and developed our relationships as well. We still are concerned about the number of organizations that don't promote board education. We have seen the benefit of it. Our concern is that if we don't do it, our patients and residents are impacted [negatively].

Nimbleness with our structure and integration allows us to move quickly. Innovation is built into the culture. That really helps. The board is allowing us to not worry about failing. We are allowed to take risks. To create that relationship where we feel comfortable bringing big, bold ideas forward to the board allows a lot of great things to happen.

