Governance Notes

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Healthcare Workforce Scarcities: The Governance Role

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What's Inside:

An ever-lasting impact of the COVID-19 pandemic will be the permanent disruption of the American workforce. Hospital and health system leaders have witnessed firsthand the impact of staffing shortages on our nation's healthcare resources, with the predicament only accelerating with each new wave of the coronavirus. For the first time since 2004, the American College of Healthcare Executives 2021 survey reports personnel shortages of all types as the top CEO concern (displacing financial concerns to second place).[1]

As people-related shortages have risen to the top of the CEO worry list, the ramifications of the decline in the available healthcare workforce will impact nearly every item on the board's agenda. Traditionally, workforce matters have been squarely in the purview of the C-suite. CEOs and boards are now asking, "What is the role of governance related to workforce challenges? How and where do workforce shortages intersect with the board's responsibilities and strategic plan? How are workforce shortages impacting quality and patient safety? How should boards be thinking about and approaching this industry-wide challenge?"

The Governance Role

Even during a time of such negative labor market trends, the CEO continues to maintain prime responsibility for the healthcare workforce—with accountability to the board for results. However, the far-reaching impact of human resource

1 "Top Issues Confronting Hospitals in 2021," American College of Healthcare Executives (press release), February 4, 2022.

shortages places this subject at the center of the board's strategic deliberations and considerations. The board must balance its mission to meet the healthcare needs of its communities with the realities of staff availability. And most unfortunately, pandemic-related insufficient staffing levels have severely challenged organizations to consistently fulfill the promises of their mission. Boards must recognize and understand the C-suite and the governance roles surrounding healthcare workforce shortages. Areas for board attention:

- Board education
- Review of management's workforce development plan
- Strategy development
- Capital planning and financial implications
- Organized labor strategies
- Enterprise risk management
- Accountability and oversight

Board Education

First, the board should gain a thorough understanding of labor availability challenges in the market served by the hospital/health system. In the past, boards may have focused on the nursing and physician workforces. Boards should now expand their view to encompass the entire workforce—clinical and non-clinical. Boards should

→ Key Board Takeaways

- Invest the time to educate the board about healthcare workforce shortages.
- Understand the permanent nature of workforce changes; staffing shortages are occurring in all job categories.
- Respect the operational and leadership role of the CEO and C-suite for workforce development.
- Incorporate workforce considerations into all aspects of strategy development.
- Expand the board's existing oversight mechanisms to encompass accountability for workforce measures.
- Consider using the organization's approach to workforce management as an opportunity to distinguish the hospital/health system from other employers.

seek information on local and regional general population changes along with trends specific to the current and potential/future healthcare workforce. The goal is for the board to gain an accurate understanding of the current situation along with a longer-term forecast based upon the educational pipeline and future demographics. Boards should also learn about the unique workforce-related challenges in healthcare in contrast to other business sectors.

Management's Workforce Development Plan

Armed with its knowledge of the current labor pool market, the board (or a designated board committee) should thoroughly review management's approach to workforce development. The review should encompass both short-term and longer-term plans. The board should stress-test the assumptions underlying the plan. The board should also ensure that the approach is in alignment with the desired organizational culture. A robust internal communication strategy is an essential element of workforce development; the board should ensure that management's workforce development plan includes internal communication strategies that touch all workforce segments.

Strategy Development

The board's knowledge and understanding of workforce challenges and opportunities should become a standard element of all current and future strategic discussions and decisions. For example, the board would not make a strategic decision without understanding the financial implications and financial risk. Workforce considerations should have an equal place in the board's decision making.

> **➜ Example: Strategic Pivot Tied to Workforce**
>
> A health system may elect to partner with an existing post-acute care organization rather than investing in its own start-up post-acute care service.

As a starting point, the board and executive management should together reexamine the organization's current strategic playbook against the new workforce realities. Some strategies may need readjustment while others may remain in place.

Financial Strategies

The board and its finance committee should understand the implications of workforce shortages on current and longer-term financial plans. For example, wage hikes for current employees represent a permanent increase in the cost structure of hospitals and health systems. The board should recognize the impact on financial operating metrics, which may in turn influence future strategic decision making.

The organization's long-term plan to cope with a reduced healthcare workforce may also lead to capital reallocation. For example, organizations may prioritize investment in artificial intelligence and labor-saving technologies. Facility redesign and associated capital improvements may be necessary as a response to the changing environment. Investment in higher-education programs and partnerships may also lead to redeployment of capital resources.

Organized Labor

It is not surprising that labor unions have been vocal throughout the pandemic about key topics such as understaffing, workplace safety and availability of adequate personal protective equipment. Messages from labor unions are increasingly aimed at the general public and the media at large. Accordingly, boards must remain current on local and regional happenings in organized labor.

An understanding of contemporary trends in healthcare-based labor union activity may further inform boardroom decision making about financial priorities and other workforce strategies. For hospitals and health systems with active labor contracts in place, the board (or a designated committee) should receive periodic briefings on the status of contract negotiations, any potential labor stoppage activity, and associated risk mitigation strategies.

For hospitals and health systems without existing labor contracts, the board should conduct a discussion in executive session about labor unions in healthcare. Based on this discussion, the board may wish to create a document outlining the board's philosophy about labor organizations. Regardless of its position on labor unions, the board must emphasize the importance of an open, transparent, and inclusive organizational culture. The governing body has an opportunity to showcase the desired culture by adopting these same principles in the boardroom.

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Enterprise Risk Management

The board should revisit the enterprise risk management plan through the lens of current and future workforce shortages. For most organizations, workforce shortages will appear more prominently in the enterprise risk management plan now and going forward compared to the pre-pandemic era. As the C-suite formulates new workforce development initiatives, there should be a strong connection with enterprise risk mitigation strategies.

Accountability and Oversight

As boards gain an understanding of the current state of healthcare workforce availability, there may be a tendency to cast a sympathetic eye to the operational challenges faced by management. However, the governance responsibility remains clear—to hold management accountable for developing short-term and longer-term strategies that achieve key results in keeping with the hospital/health system's mission.

Accountability tools for boards include:

- Request a deep dive overview from the CEO and Chief Human Resources Officer (CHRO) covering the demographics of the current workforce. The deep dive should also include turnover trends along with recruitment and retention challenges. The overview should include summarized conclusions from exit interviews of departing staff.
- Ask for regular progress reports from management with a focus on both short-term plans and longer-term plans for workforce growth and enhancement.
- Schedule annual or semi-annual presentations from the CHRO to the full board about current and future workforce-related challenges.
- Although the board's performance goals for the CEO have traditionally included at least one metric related to human resources, consider whether the workforce metric used in the pre-pandemic world is still relevant—does it need to be

replaced? Or should additional human capital metric(s) be added? Consider adding new human resource-related metrics (see below for examples) to the CEO's annual performance goals. Another option is to weight the human resource metrics more heavily in the annual goals.

- Add the relevant workforce-related metrics to the dashboard that is tracked at each board meeting.
- Request an update on internal leadership development plans and progress. How is leadership development assessed and monitored? Are sufficient resources allocated to support internal leadership development?
- Stay on top of succession planning initiatives. Add to the board's calendar (or the relevant board committee) an annual or semi-annual report on the status of succession planning and leadership development for key positions.
- Consider the creation of a written statement of the board's compensation philosophy for the organization. This document can be used to clarify the board's position on compensation throughout the organization.

➜ Example: Workforce Metrics Appropriate for the Board/Committee Level

Reducing employee turnover:

- First year turnover
- Nurse turnover rate (monthly)
- Total employee turnover rate (cumulative)

Improve workplace safety:

- Total recordable incident rate

Others:

- Retention rate (an indicator of employee satisfaction)
- Offer acceptance rate (an indicator of the organization's overall attractiveness in the employee marketplace)

These metrics are from the author as well as from Maulik Joshi, Dr.P.H., "The Must Dos for Excellent Governance of Quality" (Webinar), The Governance Institute, 2020.

Board Organizational Options

Each board should make a specific decision about its ideal governance structure to cover workforce matters. Some boards may elect to enlarge the scope of an existing board committee (such as the compensation committee) to include workforce. Alternatively, the board may decide not to work through a committee and present all workforce business items to the full board. Both options are workable if the board is clear about its organizational structure.

➜ Sample Questions for Boards

One of the most powerful tools for boards is to pose thoughtful and insightful questions to the management team. Here is a selection of potential questions for directors to use in the boardroom:

- Do we have a forecast of our workforce needs for the next three to five years? Is the forecast segmented by major job category (medical, nursing, clinical, non-clinical, support)?
- What is our overall strategy for acquiring new talent external to the organization? What is our strategy for developing internal people?
- Do our strategic plans require new talent/skillsets for successful execution?
- Is our current level of investment in internal talent development sufficient? What level of investment will be needed in the future?
- How deep into the organization (beyond the C-suite) do our succession plans extend?
- Are our internal succession plan efforts successful? How do we measure success in succession planning?
- Are we actively exploring partnerships with other organizations as a component of our workforce development plan?
- What general trends have we learned from exit interviews?
- How do our workforce development plans dovetail with broader community or regional efforts?
- Do we have effective partnerships in place with higher education institutions? How does our organization evaluate the success of such partnerships?
- Is our organization welcoming to new hires? How do we measure this?

Health systems with subsidiary boards that maintain some fiduciary responsibilities have an added obligation. The governing body of the health system must clarify the duties of subsidiary boards related to workforce. The health system board must also explain the system's workforce development strategy, followed by regular communication about progress, to its subsidiary boards.

As the board reviews needed director competencies when considering future board recruitment, the board may wish to add human capital expertise as a highly desirable competency in a future director(s).

Recommendations for CEOs

CEOs are necessarily wary that devoting significant time and attention in the boardroom on workforce issues may blur the line between governance and management. Assuming an underlying positive relationship between board and CEO, this risk can be effectively mitigated. The best tool for the CEO is active communication to the board about the organization's overall approach, actions, and progress. Transparency is a highly effective tool to reassure the board that management is appropriately prioritizing energy and effort on workforce challenges. And as directors observe executive-level attention on workforce matters, the board will be more likely to remain at the governance level.

> CEOs should remember that most directors are also facing workforce shortages in their own businesses. There is an opportunity to learn from directors about workforce challenges—and solutions—in business sectors other than healthcare.

Final Thoughts

Boards must resist the notion that workforce shortages in healthcare are temporary. The long-term nature of the underlying workforce trends is forcing permanent change in human capital strategies. Opportunistic boards may view these circumstances positively—perhaps as an opportunity to become a recognized leader in internal talent development. Boards may also use labor shortage realities to focus the organization more tightly on key priorities. Finally, ongoing labor shortages may incent organizations toward new care transformation strategies. Change management skills of operational leaders are a must for navigation of this new environment in the healthcare world. Boards can lead the way by incorporating workforce-related concepts into ongoing strategy development coupled with effective oversight practices.

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.

The Corporate Secretary as a Key Healthcare Executive Officer

By **Anne M. Murphy**, Partner, *ArentFox Schiff, LLP*

The corporate secretary is occasionally viewed as an officer responsible for the important, but nevertheless behind-the-scenes aspects of governance administration. Seen in this light, there can be an undue emphasis placed on the mechanical scheduling, agenda-setting, meeting management, documentation, filing, and reporting aspects of this position.

Instead, the corporate secretary should be viewed more strategically as a key governance officer for the organization. They stand at the intersection between the board and the executive team and serve as a trusted advisor to board leadership. Properly envisioned and empowered, the corporate secretary can enhance the governing board's effectiveness and help the board achieve continued compliance with governance-related laws and fiduciary duties.

Evolving Governance Legal Standards

Increasingly, the law requires demonstrated effective governance and oversight by the board. This necessitates critical assessment and strong management of board composition; board self-evaluation, education, and refreshment of best practices; effective oversight of "mission critical" enterprise risks; availability of external board resources as appropriate; and the board "flying at the right altitude" so that it is informed at the appropriate degree of specificity on a wide array of issues. For non-profit healthcare organizations, these legal expectations extend into compliance with charitable law and tax-exemption requirements, as well as the myriad regulatory, compliance, and strategic issues associated with healthcare delivery.

These legal requirements can be facilitated through an effective corporate secretary who recognizes that many tools for effective governance are contained within his or her areas of responsibility.

Attributes of a High-Functioning Corporate Secretary

The corporate secretary is essential to the board meeting legal expectations related to governance, regardless of whether he or she is also an in-house attorney for the organization. While there are no rigid qualifications for serving as corporate secretary, there are core characteristics that bode well for success:

- Understand key developments in governance and compliance law, and how these are best translated into board practices. In the current climate, this includes an appreciation for what should be considered the organization's mission-critical risk areas. For these core risk areas, it is important to demonstrate that the board has identified the risk and has assigned continuing oversight responsibility to a committee of the board or to the entire board. Moreover, the board should set clear expectations for executive management as to the form and frequency of reporting related to these risks. If the corporate secretary is not the General Counsel, then close coordination with the General Counsel is appropriate.
- Be highly organized to manage board and committee scheduling, the nomination process, and documentation management.
- Engender trust and keep confidences, as appropriate, to establish strong relationships with board leadership and individual board members. As a keen observer of process and group dynamics, be able to anticipate the board's needs. Where is the board looking for assistance in developing best practices? Is a committee chair uncomfortable with the designated executive lead? Where are individual directors in need of enhanced education and orientation? Are there opportunities for improved time management by the board? Is it clear that the board is frustrated by certain processes? The corporate secretary is uniquely positioned to identify and help resolve these issues.
- Collaborate effectively in charged environments to navigate board-level disagreements and to be an honest broker of board-to-management differences of opinion. These differences of opinion can relate to varied topics, such as board size and composition, degree of management transparency around certain sensitive issues, number of committees, frequency and extent of meetings, amount of executive time dedicated to governance matters, timeliness of board materials production, and whether the board is entitled to approve certain management actions.
- Recognize that the board is somewhat dependent on executive management to identify critical issues and ensure that the board has appropriate information with the requisite degree of transparency. The corporate secretary, as a good communicator and advocate, can work to strike the right balance in this dynamic.

- Be inclined to cultivate strong working relationships with other executives, including the Chief Executive Officer, General Counsel, Chief Compliance Officer, Chief Financial Officer, Chief Strategy Officer, Chief Medical Officer, and Chief Human Resources Office, each of whom will likely interact with the board and its committees.

Emerging Responsibilities for the Corporate Secretary of a Healthcare Organization

The corporate secretary serves not only at the key interface between board and management, but also is directly responsible for specific tools that are critical to achieving effective governance oversight. In the current legal and business climate, the corporate secretary should consider whether the board is fully enabled to address the following evolving legal and fiduciary responsibilities:

- Identify and effectively oversee mission-critical risks for the organization. These risks may include legal compliance, quality and patient safety, value-based care implementation, staffing and supply chain management concerns, DEI (at the board, staff, and patient levels), adherence to mission and conflicts of interest, and health information technology. Has the board been educated on the need to evaluate mission-critical risks, and if so, has a detailed plan been developed to operationalize this oversight? Does the current board composition allow for effective board involvement? Are external resources needed to supplement the board's subject matter expertise? The corporate secretary can be a catalyst for these discussions.
- Consider whether a candid assessment of board size and composition, along with committee structure, needs to occur. Increasingly, legal standards expect the board to assume responsibility for its own effectiveness, through self-evaluation and reflection.
- Recognize that the appropriate balance needs to exist between the board and management. A board that is overly deferential to management, and that fails to engage in "constructive skepticism" and to insist upon transparency, will be vulnerable to the assertion that it failed to achieve effective oversight. The corporate secretary is well-positioned to ascertain any areas where the organization may be vulnerable on this front, and take steps to address them.
- Assist the board in the difficult task of time management, which is imperative to effective governance. This can include agenda development, committee structure, rotation of standing issues (ensuring mission-critical risks receive due attention), and balancing written materials with presentations.

Conclusion

Today's corporate secretary plays an important executive role, at a strategic level, in facilitating effective governance and compliance with emerging legal standards. Standing at the crossroads of governance and the executive team, he or she should be proactive in using the tools of the office to the full benefit of the organization.

The Governance Institute thanks Anne M. Murphy, Partner, ArentFox Schiff, LLP, for contributing this article. She can be reached at anne.murphy@afslaw.com.

Looking Out for Tomorrow's Board Leaders

By **Amelia Gulkis**, Network Board Administrator, *The University of Vermont Health Network*

No doubt your organization has devoted time at the board level to discussing the workforce crisis, its underlying demographic changes, and the impact on the healthcare workforce. Many hospitals and health systems are thinking creatively to build a pipeline for the next generation of healthcare workers, building interest in nursing and other careers as early as the elementary school years.

But how carefully are you looking at building the next generation of board members and board leaders? With increasing emphasis on diversity, don't overlook the importance of generational diversity in the boardroom. According to the American Hospital Association's 2019 National Health Care Governance Report, only 2 percent of voting board members were 35 years old or younger, while 66 percent were between the ages of 51 and 70. The Governance Institute's 2021 Biennial Survey of Hospitals and Healthcare Systems also showed that the average board member age is 58 and board members are typically between 40 and 75 years old.[1] A recent *Harvard Business Review* article cited that only 8 percent of organizations include age as part of their diversity, equity, and inclusion (DEI) strategy.[2] Clearly, boards can do more to incorporate millennials (born 1981–1996) and Generation Z (born 1997 and later) into the boardroom, and to be more mindful of generational diversity.

Why Generational Diversity Matters

Hospitals and health systems must be equitable and inclusive of the communities they serve, and having diverse perspectives and experience on the board is one way to support this objective. Younger people bring different personal interactions with the healthcare system and with the community as a whole. While older directors represent a demographic that is a bigger user of healthcare, younger directors

1 Kathryn Peisert and Kayla Wagner, *Advancing Governance for a New Future of Healthcare*, The Governance Institute's 2021 Biennial Survey of Hospitals and Healthcare Systems.

2 Megan W. Gerhardt, Josephine Nachemson-Ekwall, and Brandon Fogel, "Harnessing the Power of Age Diversity," *Harvard Business Review*, March 8, 2022.

represent a generation that will be utilizing—and paying for—the strategy the board is approving today.

Governance support professionals and directors should look around the boardroom and see how the generations are represented. If retirees are the only ones with bandwidth to enter leadership roles or take on new initiatives, you are missing an opportunity to bring new voices to the board. You also may not have the structure in place to attract younger board leaders—and other diverse talent—who are critical to your organization's future.

Fortunately, many of the actions to make the board more welcoming to younger board members can also increase the inclusiveness for other forms of diversity as well. And many of the things that make your board more attractive could already be on your list of goals.

What Are Younger Volunteers Seeking?

Much has been written about millennials' and Generation Z's desire for meaning and purpose in their work. Healthcare board service is therefore a natural fit for the interests of many younger people, especially as boards are increasingly taking responsibility for big societal issues such as health disparities and systemic racism.

➜ Key Takeaways

- Assess what generations are currently represented on the board.
- Consider what the younger generation can bring to the boardroom (e.g., a fresh perspective, needed expertise, interests that align with strategic goals, desire to utilize technology to improve board workflows and communication, etc.).
- Think through ways to make your boardroom more accommodating to younger potential board members.
- When building a pipeline of prospective board members, consider younger emerging leaders in the community that may have the expertise or experience your board needs.
- Introduce up-and-coming leaders to the organization through volunteer opportunities such as task forces and committees to see if they may be a good fit for future board service.

The majority of millennials are in the thick of building their careers while also balancing family responsibilities. This means they may have less time to commit to board activities—at least as they are traditionally assigned. If you have had the same board meeting structure for years, it could be turning off younger directors who must balance board service with full-time work.

Below are five ways to make your boardroom more accommodating to younger potential board members.

1. Recruit with a focus on generational diversity. Hopefully you are already looking not just at the board seats to be filled next year but several years into the future. When building a pipeline of potential board members it's wise to look at emerging leaders in the community. In the corporate world, efforts to diversify boards have focused on people with non-traditional backgrounds or experiences. According to the Nasdaq Center for Board Excellence, more specialized or newer expertise such as cybersecurity or sustainability can often be found in people a few levels below the C-suite. This cohort includes younger people who are rising leaders in their fields. Non-profit healthcare boards can also look to this group when recruiting new directors.

Not every promising candidate is ready to commit to the board right away. Similarly, the existing board will likely want to evaluate someone's commitment and style before nominating them. You have an opportunity to introduce these up-and-coming leaders to your institution through other volunteer opportunities such as task forces and committees. Look at who is volunteering elsewhere in the hospital, such as through your patient and family advisor program or other non-governance roles. Encourage the board to make introductions to local professional organizations and learn more about the community's young leaders who could be suited for future board service.

2. Incorporate lessons learned from the pandemic. The pandemic forced quick and dramatic changes in work habits and use of technology. The much-maligned video meetings certainly have some drawbacks. But they have opened up board participation to those who would have found it challenging otherwise—such as the person who can't take extra time out of the workday commuting to the boardroom or who must be home in the evenings with children too young to be left alone. For people in these scenarios, remote meetings have provided an opportunity to be more engaged in board service despite scheduling constraints. As you begin to cautiously open up the physical boardroom, consider keeping some of your meetings remote or hybrid to be more accommodating to those who need additional flexibility. If the board has turned over a few times since the last time you adjusted your meeting schedules, ask current members if the timing is optimal for them.

Younger board members who have grown up using technology can be "super-users" of your board portal and may be able to support your efforts to keep the board using the portal effectively. The board portal can save everyone a lot of time by streamlining communications and keeping the board connected between meetings. If you are not already maximizing your software tools for board communications, now is a great time to start.

3. Double down on best practices for meaningful board meetings and communication. Boards have a perennial desire to spend more time on strategic discussions and less time listening to reports. The preferences of younger directors can reinforce the need for meetings to be streamlined and meaningful. Studies of millennials in the workplace have shown their desire to understand how their work fits into the big picture. This can be carried through to the board level as well, and can be a catalyst for reshaping your agendas for the better. When creating meeting agendas, make sure you are focusing on the "why" of each agenda topic and how each item supports the institution's strategic goals. The boardroom shouldn't be the first place board members are learning of major issues. If they are, look at options for ongoing communication so directors stay up to date on what management is doing.

4. Lean in to your onboarding process. A robust onboarding and mentorship program orients board members to the institution and gets them comfortable in their leadership role. Help level the playing field between new and experienced directors by fine-tuning your orientation program. Provide a mix of background materials to read and structured education from senior leadership with plenty of time for questions. Having a mentor on the board—perhaps someone with similar personality traits or background—can be a great way for new board members to ask questions and learn about expectations informally.

5. Evaluate what's working. If you are already conducting a board survey, use that data to identify common themes of how to improve board operations. Use the mentor relationship to solicit honest feedback about what's working for your board members and how to make the role more meaningful. Pay particular attention to generational differences in directors' level of satisfaction with the board, and see how you might be able to tweak your operations in response.

Conclusion

Adding more generational diversity helps open the board to some new perspectives and builds a pipeline for future leaders. Looking at long-established practices with an eye towards making them friendlier to directors in different life stages will also benefit others. After all, every board member would appreciate fine-tuning meetings and communication to be more efficient.

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