

Critical Approaches for Assessing Strategic Options for County- and District-Owned Health Systems

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For county- and district-owned health systems, the current healthcare environment poses serious challenges. Most (but not all) county- and district-

owned hospitals are rural. This often means fewer options, fewer resources, and a greater likelihood that current or prospective partners misunderstand the unique value proposition that a county or district-owned rural health system provides.¹

The governance complexity of county- and district-owned health systems creates additional hurdles and more challenging stakeholder dynamics. When combined with operational challenges and the potential for disputes that play out in the public, the result can be a deterrent to recruiting and retaining key staff or effectively moving ahead to address pressing organizational and community health needs.

Trust between the health system and the county or district board is often in short supply when needed most. Addressing suboptimal operating results and making significant changes require trust and a shared vision for the future. Unfortunately, a lack of trust and poor communication between stakeholders can prevent effective problem-solving and hinder buy-in on strategic objectives and direction. However, a well-crafted strategic options assessment can lay the foundation for a shared vision of the future between the health system board and the county or district board.

For county- and district-owned hospitals, the value of a strategic options assessment will be best realized if it is a joint undertaking of both the hospital and county or district boards. If that cannot occur, developing effective working relationships and trust between the hospital and district or county boards is critical. Once that is

1 For more on the unique value proposition of rural health systems, see Jeff Sommer, Eric Shell, and Clare Kelley, "[Communicating the Rural Value Proposition to Prospective Partners](#)," Rural Focus, The Governance Institute, July 2021.

achieved, it is possible to develop a shared understanding of the organization's risk profile and trajectory and a shared vision for the future.

Stroudwater has seen how disagreements between leadership can become a lose-lose situation for the local hospital or medical center and also for the county or district and the communities they serve. The lessons learned below can serve as guideposts to other communities in hopes that they can avoid these pitfalls:

- **Personal relationships and history are necessary for success.** If leaders at the health system and county or district board cannot work together, this will be a huge barrier to building trust and problem-solving—both critical ingredients to assessing strategic options. If the current leaders cannot or will not work together, identify a hospital board member and a district or county board member who are both trusted and respected and can move beyond past grievances to start a dialogue. This conversation could become the basis for the formation of a joint working group that can begin to tackle problems and problem-solve.

→ Why Should a County- or District-Owned Health System Assess Its Strategic Options?

A strategic options assessment is valuable to a county- and district-owned health system because it:

- Creates a common fact base that the health system and county or district boards can use to inform discussion and decisions.
- Allows for an objective analysis of the strategic risk profile of the organization and how it is changing.
- Provides the organization with a set of strategic objectives by which it can evaluate its current strategy and execution as well as alternative options.
- Is a critical step in developing a shared vision for the future, as well as consensus on the best option for achieving that vision.
- Provides a platform by which health system leaders and county or district board members can collaborate to define the future for their local healthcare delivery system and build trust, effective working relationships, and improved communication.

- **Effective communication and listening are critical.** Communicating by press releases or leaks to media will only erode trust and working relationships that are essential for moving ahead. The health system and county or district should commit to communicate directly with one another and not via the press. When public communication is necessary or warranted, both parties should work together to provide facts, tackle issues, find common ground, and commit to address areas of concern.
- **Time is of the essence.** Avoiding the issue or kicking the can down the road will only exacerbate matters. Delay and the appearance of not being transparent or forthright will only erode trust and credibility. Not addressing a dysfunctional relationship or breakdown in trust will only add fuel to the fire. Stroudwater has seen health systems and communities suffer through a decade or more of public charges and counter charges, which plunged the organizations into further turmoil with no long-term solutions. Only when new leaders were able to cut through the vitriol and grievances were problems solved. It is best to do the work of investing and building the relationship between the health system and the county or district board before the organization is in crisis.
- **Avoid the health system and the district or county each having their own advisor.** Even if both advisors are well qualified and objective, they may spend all of their time answering different questions. The result will be each side staking out positions based on a different, and occasionally, contradictory set of facts. The adversarial process that results will create more distrust and dysfunction and will hamper problem-solving. Instead, form a small joint committee composed of health system board members, county or district board members, and select community leaders. The joint committee is tasked with the selection of an advisor to work with a joint committee for the health system and the county or district. The process will benefit from one comprehensive set of objective facts.
- **Prior to hiring an advisor, be sure to understand if they have a hidden agenda or only are expert at one potential outcome.** It is important to have an advisor that isn't invested in only one outcome of the process. When selecting an advisor, ask how frequently they recommend alternative options and whether they are an expert regarding those alternative options.
- **Do not get trapped in the blame game or just finding fault.** The focus should be on a shared vision for the future for local healthcare delivery, addressing constraints, and finding solutions. If both the health system and county and district board share a common vision for the future and have sound working relationships, much is possible.

→ When Is It Appropriate To Do a Strategic Options Assessment?

- **When the health system does not need to do one.** More options are available when things are going well and the organization is not in crisis. If leaders wait until there is a crisis—and trust and a sound working relationship between the health system board and the county or district board are absent—the obstacles confronting health system and county or district leaders have grown larger.
- **If a health system and county or district leadership can agree to jointly engage in such a process.** A process that has buy-in and participation of both health system and county or district leadership will provide a framework for successful problem-solving and consensus-building. Without joint engagement, the value of the process will be significantly diminished. If both the health system and county or district leadership do not have mutual buy-in for a joint strategic options assessment, start by focusing on building trust and a working relationship between the health system and district or county boards. Creating a venue—a working group or task force—where communication and exchange of information can occur is a good start. Identify early wins—less contentious issues that can build confidence and demonstrate there is an effective model for working together.
- **If the organization is struggling and questions about its long-term sustainability and viability exist.** If this is the case, time is of the essence. Do not wait until everyone around the board table agrees there is a problem. Getting a commitment to study a problem and develop a common fact base is the first step. Ideally, the work of building trust and working relationships between the health system board and county or district board has been underway long before a crisis emerges. If that has not occurred previously, discussions around a shared set of common facts can be the basis for further agreement around next steps.

Fortunately, many county- and district-owned health systems have been able to effectively address or avoid the above risks. These issues are not insurmountable, but they do require energy and leadership. The reward is the opportunity to overcome these problems and build lasting value for the community. We have seen successful outcomes result in renewed confidence in the local health system, tens of millions of

dollars of incremental investment, and significant service enhancements. However, when the health system and county or district cannot overcome these barriers, the result has been bankruptcy, reduced and disrupted services, continuing litigation, and significant value destruction as measured in the capacity of the local health system to fulfill its mission to the community. It is essential that the health system and county or district leaders understand the risks and work together to strategically plan for the future.

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