



## Governance Practices that Support Systemness

By **Pamela R. Knecht**, President and CEO, **ACCORD LIMITED**

**Over two-thirds of community hospitals in the United States are in systems, according to an American Hospital Association 2022 survey.<sup>1</sup>**

Therefore, much has been written about the various *governance structures* utilized by healthcare systems. Those articles address corporate and governance structures as well as the number, type, size, and composition of parent and subsidiary boards and committees.<sup>2</sup> By contrast, this article describes key *governance practices* used to increase “systemness” regardless of the structure. In other words, these practices can be used whether a subsidiary board has substantial or minimal final decision-making authority and whether or not it has its own committees.

### The Need for Systemness

It may be helpful to review why health systems were created. All system models have one common goal: to function as a more integrated system to provide higher value to those they serve. Over decades, organizations both within and outside of healthcare have improved their “value proposition” by focusing on lowering costs and increasing quality. They began by creating system-wide vision, goals, and processes. Then they targeted ensuring high reliability, reducing redundancies, eliminating variation (as much as possible), and achieving economies of scale. Through these and other means, health systems are better positioned to consistently provide the right care at the right time in the right place at the right cost.

<sup>1</sup> *AHA Hospital Statistics, 2022 Edition*, American Hospital Association.

<sup>2</sup> For example, see these resources from The Governance Institute: Pamela Knecht, “Remind Me: Why Do We Need Systemness?,” *Subsidiary Focus*, September 2018; Pamela Knecht, “Linking Governance Structure to Strategy,” *BoardRoom Press*, August 2015; Guy Masters, “The Board’s Role in Achieving Systemness: How to Measure, Monitor, and Improve It,” *BoardRoom Press*, June 2020; *Restructuring Governance for the New Healthcare Environment: The Evolution of System Governance and Development of Best Practices*, Winter 2020.

## **Alignment between Operations and Governance**

Many healthcare executives have been increasing systemness *operationally*. However, they are often limited in their ability to fully optimize systemness because governance is not sufficiently aligned with the vision. Too often, the practices used by subsidiary boards and committees are more aligned with being independent than being part of an integrated system.

### **Current Reality**

The current situation is that there are many different health system governance models across a continuum from decentralized to centralized. In more centralized systems, the parent board has strong reserved powers over its subsidiary boards, some of which are purely advisory. Those subsidiaries may have few or no committees and may already be relying on the parent board's governance committee and board support professional for a board portal, orientation, education, annual calendars, coordinated meetings, standardized governance documents, and consistent, regular communications.

But in more decentralized models, where subsidiary boards have retained significant decision-making authority, they might have a robust committee structure and a history of their own governance practices and documents. In addition, they could still be supported by the subsidiary CEO's executive assistant and/or an attorney. Sometimes the members of those boards have a difficult time imagining how to maintain their separateness while taking advantage of being part of a larger system. The practices described in this article might be especially useful to this type of subsidiary board, its support personnel, and its management team as they move toward optimizing systemness.

### **Practices for Systemness**

There are many actions that system, regional, and local boards can take to function in a more integrated manner regardless of their governance structure.

#### **Starting Out**

##### ***Common Board Portal***

A first step is to utilize a common, secure portal that is easily accessible by all board and committee members across the system. This tool enables all serving in governance to access information on the system (e.g., history, strategy,

services, and finances) and its governance (e.g., structure, rosters, bylaws, policies, and meeting materials). In addition, it can become a rich repository of shared educational information (e.g., articles and videos).

### ***System-wide Orientation***

Ideally, there is *one* annual, in-person orientation session for all new board members to help them have a common understanding of the organization, its governance, and their role. An added benefit to this approach is that individuals meet and learn from colleagues; this increases their sense of being part of the system.

### ***Clear Governance Authority Matrix***

A critical part of orientation is clarifying the role, responsibility, and authority of each board and committee. According to The Governance Institute’s 2021 Biennial Survey, only 31 percent of system respondents stated that “the assignment of responsibility and authority is widely understood and accepted

## **→ Key Board Takeaways**

There are many governance practices that support systemness regardless of the board and committee structures utilized. The following practices should ultimately be overseen by the system/parent board’s governance committee, aided by a full-time, system-level governance support professional who can ensure consistency and coordination across all boards and committees.

#### ***Starting out:***

- Common board portal
- System-wide orientation
- Clear governance authority matrix

#### ***Getting together:***

- Shared continuing education
- Joint committee meetings
- All-boards retreat

#### ***Next steps:***

- Integrated annual board topic calendar
- Coordinated meeting timing
- Standardized documents

#### ***Increasing effectiveness:***

- Regular communication
- Consistent reporting expectations
- Common evaluation and goal setting

by both local and system-level leaders.”<sup>3</sup> Therefore, orientation should include a clear explanation of the system’s governance authority matrix.

The matrix should use consistent language to describe decision involvement and authority (e.g., develop, provide input, recommend, or approve) for each governance responsibility (e.g., finance, quality, and strategy). Only one entity should have final approval for each responsibility and each similar entity (e.g., hospital boards) should have the same authority.

## **Getting Together**

### ***Shared Continuing Education***

Inviting all who serve in governance to attend the same continuing education session(s) virtually or in-person has multiple advantages. Everyone hears the same information at the same time, relationships are built, and a “one system” culture is emphasized.

### ***Joint Committee Meetings***

If hospital boards have committees, invite all serving on similar committees to meet as a group. For instance, convene an annual joint quality committee meeting to discuss system-level quality metrics and share best practices.

### ***All-Boards Retreat***

High-performing systems convene an all-boards retreat at least once a year. These events often include education on healthcare trends as well as updates from the CEO on the system’s performance vis-à-vis the strategic plan. In-person retreats also solidify cross-system relationships, support systemness, and help provide direction to all boards and committees.

## **Next Steps**

### ***Integrated Annual Board Topic Calendar***

Each year, the system CEO and board chair develop a calendar of board topics and approvals. The calendar lists which items will be approved in which system board meeting (e.g., audit, operating budget, executive compensation, strategic

3 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.

plan). This allows subsidiary boards and committees to integrate their workflow appropriately.

### ***Coordinated Meeting Timing***

It is easier to function as an integrated system if meeting calendars are synched. Ideally, subsidiary boards meet the same number of times in a year (e.g., quarterly) and their meeting dates are coordinated with each other and with the system board and its committees. This allows sufficient time to prepare agendas and materials that flow into each other.

### ***Standardized Documents***

One of the most valuable practices is to ensure all governance documents are consistent across the system. Highly evolved systems have standardized bylaws, board policies, and committee charters. In addition, they have templates for agendas, minutes, dashboards, and other meeting materials.

## **Increasing Effectiveness**

### ***Regular Communication***

Almost all boards within systems wish there were better communication. They want to feel sufficiently informed to fulfill their responsibilities to both the system and their community. The best subsidiary board meetings include reports from system management on system strategies, finances, and operations as well as updates from local management. In addition, the system CEO and local management send regular updates to all board and committee members.

### ***Consistent Reporting Expectations***

Great systems set clear and consistent expectations regarding how information will flow among management, committees, and boards. For instance, each committee is expected to create an executive summary of its “asks” of the board. Common dashboards for key information (e.g., finance, quality, and strategy) are used. Committees and boards all provide their written minutes in sufficient time to be included in board packets.

### ***Common Evaluation and Goal Setting***

Using the same evaluation tools helps ensure that all are rowing in the same direction. If all boards use the same self-assessment instrument (e.g., The Governance Institute’s BoardCompass<sup>®</sup>), the report can identify challenges and best practices in each entity and across the system. That information serves as

the foundation for developing annual, system-wide and entity-specific board development goals.

## Final Advice

Each governance practice described above has been successfully implemented. However, two critical success factors were: changes were led by the board(s), not by management, and participative processes were utilized. This is especially important if the system is new or if subsidiary boards have/had substantial authority.

Therefore, the system governance committee should lead this effort and consider it a change initiative. Subsidiary boards, management, and board support professionals should be engaged in education and discussions about how and when to implement which practices. In this way, the system governance committee and its professional support person models both good governance and the vision of systemness.

*The Governance Institute thanks Pamela R. Knecht, President and CEO, **ACCORD LIMITED**, for contributing this article. She can be reached at [pknecht@accordlimited.com](mailto:pknecht@accordlimited.com).*

