

Pre-Read for Session 2: Assessing Strategic Options and Criteria
May 2024

Attention to strategic options is a big part of the board's work. Better options, and the better vetting of options, contribute to better forward planning, decision making, risk management, and problem solving. But what do we mean by better options? And for hospital and health system boards, what kind of standard practice for option analysis makes the most sense? What is the advantage of having a good balance of options—a portfolio of strategic options? And further, what are the “background concerns” of executives and boards as they review strategic options? While this may seem like an endless array of questions and considerations, the *work to be done* by boards on this matter comes down to this: *the oversight of strategic options as assets*.

The Basics of Optionality

There are some general principles of strategic options and governance, and for the purposes of this session, the best set of options tends to reflect through these five planning themes:

- The healthcare world is complex and dynamic, and not everything can be reduced to a single alternative, or one option model, or one anchor.
- The value of strategic options increases or degrades as uncertainty and risk factors change, and continuous assessment is part of the process.
- Dealing with a good portfolio of options for taking care of today while getting ready for tomorrow is a balancing act with many moving parts.
- The bigger chess board of strategic options is informed by the board's criteria, mission discernment, and the capacity to execute and adapt.
- The best proxy for success, near term and long term, is a solid array of strategic options that are designed for execution and adaptation.

These principles apply to easy small moves as well as bold large moves in strategy and structure, programs, business models, and processes. The main consideration here is that the board's focus on strategic options should reflect on the so-called “earned right” to keeping strategic options at the ready, and the discipline to engage any option at the proper moment in time, or perhaps not at all. From the boardroom:

- What do you anticipate in this healthcare environment?
- What are the capabilities of your healthcare organization?
- What are the table stakes for strategic readiness, operational systems, and healthcare innovation?
- What are the strategic options that are presented, and what criteria do you apply to evaluate the appropriateness of each?

These are just some of the questions that deserve attention in board and executive team conversation.

Strategic Options and Criteria

For hospital and health system boards, there are a few general criteria for the analysis of strategic options. These criteria help define how boards and executive teams can approach options in a “could do” versus “should do” framework. While these general criteria will have

different lenses for community hospitals, academic medical centers, regional medical centers, and integrated systems, the subject matter tends to reflect on four principal concerns:



Service line intentions are a strong factor for sorting strategic options. These help to define the relevance of options for the offering of clinical service lines, community needs and perceptions, quality, access, and operational scope and scale. The key question for boards is this: How does this option address the service line objectives defined for today and service line standards that will be evaluated at some point in the near future, as well as over the longer-term horizon?

Resource alignment is a key consideration for strategic options because at many levels, priorities must be matched with people, funding, systems, and the time considerations that go along with making things happen. In many cases, resource alignment is at the center of problem solving and risk considerations that emerge in the execution of strategy. Friction with resource alignment is a widespread challenge. And with finite resources, there are always some investment options.

Stakeholder advantage is something that matters with most strategic options as boards and executives consider the relevance of these options for patients, employees, providers, investors, and partners. Any aspect of change that has implications for quality, access, cost/value, control, or practice can be gauged with this basic question: Does this strategic option improve things for stakeholders? How does this shape the conversation on community benefits and perceptions?

Value-added significance is a big idea in healthcare transformation, just to restate the obvious. As boards and executives review strategic options—great and small—a constant challenge is the cost/value impact question: Does this option improve value, at what level and for whom? And what are the assurances that cost/value consequences for a particular strategic option are real, achievable, sustainable, and gauged for the likely risk considerations—near term and long term?

Summary Themes and Arguments

Strategic options are an important area of governance and management focus, and they are subject to serious conversations, assessments, and appropriation thinking. *Routine options* for operational plans can be addressed with basic decision making and problem-solving criteria. *Bolder options are generally more complex in nature and scope.* These require more complete information, more thoughtful reviews, stress testing, deliberation, and case arguments. Better strategic options are assets. They are essential ingredients for the organization's strategic agenda.