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New Look, New Perspective

Our last issue launched our new TGI brand. We are moving forward with a renewed energy, working with the kind of innovation mindset that our authors have been calling on healthcare boards to lead with since even before the pandemic. Our biweekly MyTGI online newsletter, launched in January, features our Key Governance Questions series in addition to the latest articles. More recently we launched a new quarterly health policy vlog with Paul Keckley, and we will be bringing more frequent and regular resources and insights on AI from topmost experts in this evolving field via an AI resource center on our Web site. We will soon launch a three-part video series for public hospital boards, and more to come.

The authors in this issue emphasize the need for speed in getting new board members up and running so that boards can always function at their fullest potential. They are calling for changing your mindset and broadening your focus, making bold decisions about complex challenges, maximizing the board's shaping of the strategic direction, and transforming board meetings to generate strategic discussions. Let's take that innovation mindset and move forward together in new and exciting ways!

Kathryn C. Peisert,
Editor in Chief & Senior Director

Click Here to send us comments or feedback.

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Colorado Springs, Colorado

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The Broadmoor
Colorado Springs, Colorado

LEADERSHIP CONFERENCE
October 16–18, 2024
The Ritz-Carlton Dallas, Las Colinas
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Disruptive Change Calls for Bold Governance

By Michael Ugwueke, Methodist Le Bonheur Healthcare

"The times they are a-changin'"—it was true 60 years ago when Bob Dylan sang those iconic words, and it is true today.

Never before in my 37 years in the industry, have I seen the pace and force of change we have experienced in healthcare over the past few years—and I've seen a lot of change. We know the instigators—technology, consumer attitudes and expectations, a growing aging population, workforce challenges, and AI. Add to that, competition from non-traditional players, the "disruptors" by the names of Amazon, Walmart, Walgreens, Microsoft, Google, UnitedHealth Group/Optum, and others.

Acknowledging this change, addressing this change, and indeed *surviving* this change compels leadership to change. We cannot just continue to be reactionary. What made us successful in the past is no longer guaranteed to make us successful today or tomorrow. The industry demands a new bold mindset. We have to rethink our strategy and innovate.

Changing Mindsets

But innovation carries risk, often a high level. And healthcare presidents and CEOs can only be as willing as their governing boards are to seek risk. This is why changing times also demand a change in the traditional approach to governance.

The industry faces enormous threats and pressure. We have seen huge consolidation, and that will continue. A lot of rural hospitals are closing. Yet, some boards are still focused narrowly on their communities, trying to be protective of the little they have, which could stifle growth for their organizations.

Board members need to come to the realization that their "bottom line" role is to figure out: How can we ensure that our organization, with limited resources, can provide high-quality, equitable care to all our distinct patient populations?

To succeed in this mission, boards must foster innovative decision making and solutions. The board should encourage the CEO to experiment and take calculated risks in efforts to fulfill the organization's mission. Because management will not always succeed, boards must allow for failure. Working with a board that understands the dynamics of the industry and recognizes the need to take risks enables management to present ideas that are not conventional and commit to higher-risk opportunities, backed by appropriate due diligence of course, to reach an agreed upon strategy for moving forward.

Michael Ugwueke, D.H.A., FACHE
President and CEO
Methodist Le Bonheur Healthcare

Again, because of so much disruption, boards must think differently, availing themselves of opportunities to explore areas they have not traditionally explored, often in the form of partnerships. Hospitals and health systems should be looking for ways to partner with both healthcare and non-healthcare organizations that add value to their organizations. I don't think healthcare entities need to own everything. But it takes a bold mindset to get to that level of thinking and deliberation. That mindset is what's currently lacking.

Competency-Based Boards

For healthcare organizations to flourish within the industry's dynamics, boards must change, too. Boards are often stifled by the homogeneity of their composition—a remnant of the Hill-Burton Act, which funded the construction of community hospitals nationwide post-World War II. Since their inception, these community hospitals have been governed largely by members of the community—historically, people with means. This resulted in governing boards comprised of members with similar backgrounds, experiences, and skill sets.

A lot has changed since the proliferation of the community hospital. Healthcare—both the business and clinical side—has become much more complex and vulnerable to the industry's accelerated pace of change. More diverse perspectives and skill sets in the boardroom will enhance the board's capacity to define and address current and future challenges within the industry and foster creative solutions.

But most boards are what I call "perpetual" boards, where board members appoint new members from the community who "look" like them—bankers, lawyers, and businessmen. We are at a point where the competency-based board should be standard across the industry. There are still places where board members should be publicly elected or politically appointees. But I would advocate that every community board needs to conduct a competency assessment to be intentional in determining the gap between what skill sets currently exist on the board and what is required to bring diverse ideas and experience to boardroom discussion and decision making.

For example, cybersecurity comes to mind. Cyberattacks can be devastating to a hospital. A board member with technology expertise will add value to

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››› KEY BOARD TAKEAWAYS

- **Foster innovative decision making and solutions**. Encourage the CEO to bring new, unconventional ideas to the board. Ensure that board members are open to considering opportunities that have not traditionally been explored and taking calculated risks that have the potential to further the organization's mission.
- **Develop a competency-based board**. More diverse perspectives and skill sets in the boardroom will enhance the board's capacity to define and address challenges and adopt creative solutions.
- **Be bold and well-informed**. It is imperative that boards stay in their governance lane and don't drift into operations, but boards cannot govern as they have in the past. To guide their organizations in this competitive environment, boards will need to be knowledgeable enough to know what questions to ask, make tough decisions, and support leadership in pursuing riskier (but promising) opportunities.

> *Some boards are still focused narrowly on their communities, trying to be protective of the little they have, which could stifle growth for their organizations.*

Shifting Profit Pools: Reconsidering the $1 Trillion Medicare Advantage Opportunity

By Deirdre Baggot, Ph.D., Rahul Ekbote, Kevin Wistehuff, Luke Marazzo, and Kirah Goldberg, Oliver Wyman

Eleven thousand baby boomers age into Medicare every day. This will continue through 2030 when the youngest of that generation turns 65. As the Medicare-eligible population grows so does the migration to Medicare Advantage (MA). As of April 2024, more than 50 percent of Medicare beneficiaries were in an MA plan.[1] That percentage will hit 60 percent by the end of the decade and is expected to keep climbing.[2] This translates to nearly 10 million additional MA lives as the pool grows from 33 million to over 42 million.

The size and growth of MA are too big of a source of revenue for health systems to ignore. In 2023, MA plans constituted over 50 percent of total payments for Part A and B benefits. By 2031, it is projected that MA plans will receive over $900 billion in Medicare payments for Part A and B, growing its share of the total to almost 60 percent.[3]

Despite this growth in MA penetration, some health systems are retreating from the segment. Citing delayed payments, high denial rates, prior authorization decision making, and untenable administrative costs, 19 percent of health systems reported that they stopped accepting MA in 2023 and an additional 61 percent are planning to or considering eliminating the offering in the next 24 months.[4] While opting out of MA may ease some near-term pressures, it's a risky strategy in the long run and leaves room for others to gain market share. It also threatens weakening relationships with payers as they extend value-based care to other lines of business.

Meanwhile, companies like ChenMed and Oak Street Health are broadening their footprints with purpose-built care delivery models anchored in value-based arrangements. Their strategies heavily rely on diverting volume from hospitals.

Health systems must transform their business models starting with four no-regret moves: transform access, invest in patient acquisition, collaborate with payers on activities like risk adjustment, and modernize their utilization and care management skills. Adopting these strategies will enable health systems to be leaders as value-based reimbursement expands across other lines of business.

KEY BOARD TAKEAWAYS

- **Providers** should make a series of no-regret moves: orient towards open, easy access; accelerate patient acquisition, including enabling same-day and next-day specialty access; and redefine their patient engagement strategy.
- **Payer-enabled** efforts should orient towards effectively managing patient risk including mastering risk adjustment and developing patient-centric utilization and care management.
  - How do health systems balance short-term profits with long-term financial sustainability with the rapid rise of MA?
  - What are the major factors entrenching health systems in a fee-for-service business model versus value-based models?

No-Regret Move #1: Commit and Execute on Transforming Access

Hospital-owned primary care clinics historically underperform physician-owned

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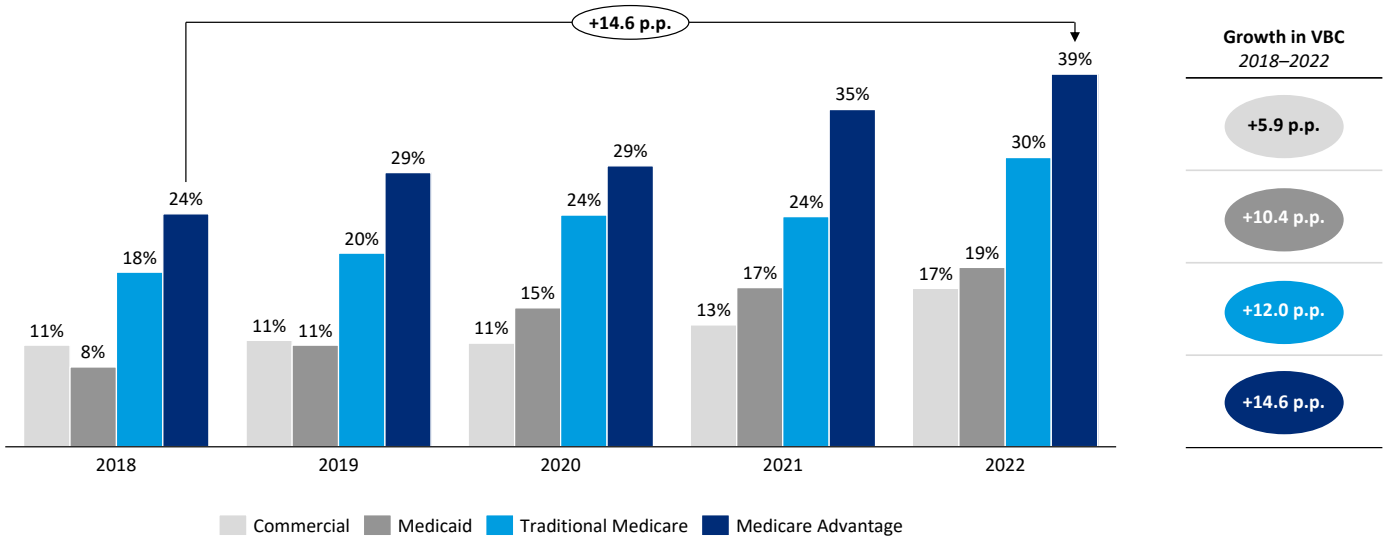
Exhibit 1: VBC Two-Sided Risk Contracts by Line of Business

Percentage of healthcare payments flowing through two-sided risk arrangements
%, 2018–2022, by line of business



Note: VBC is defined as payments flowing through two-sided risk arrangement | Source: Health Care Payment Learning & Action Network's 2017–2023 APM Measurement Reports. © Oliver Wyman

1 CMS Medicare Monthly Enrollment data.
2 Tricia Neuman, Meredith Freed, and Jeannie Fuglesten Biniek, "10 Reasons Why Medicare Advantage Enrollment is Growing and Why It Matters," KFF, January 30, 2024.
3 Juliette Cubanski and Tricia Neuman, "What to Know about Medicare Spending and Financing," KFF, January 19, 2023.
4 *HFMA CFO Pain Points 2024: Margin Challenges & Opportunities for Vendors*.

The Need for Speed: Onboarding for Maximum Board Engagement

By Laura S. Orr, Forward Governance Consulting

Joining a board of directors can be analogous to starting a new job. While most healthcare board positions today remain unpaid, the transition into a board seat has many parallels to starting employment with a new company—the new member is excited to join the organization, ready to make an impact, and often keenly aware of the learning curve ahead. Many aspects of the role are still unclear, the people are largely unknown, the jargon is foreign, and, for many, the industry is brand new. Management, board leadership, and existing board members are equally eager for the new member to join—interested in the skills and new perspective they will bring, optimistic about their future engagement, and yet uncertain how the new member will commit their time and attention or influence the board culture.

Hospitals and health systems have invested in new employee training and orientation to ensure new hires are up-to-speed and performing at their highest level as quickly as possible. These same organizations should view new board members in a similar light. A common belief is that it takes anywhere from one to three years for a new member of a healthcare board to feel well-versed and ready to contribute at the highest level. That timeframe can seem much too long when the strategic opportunities and challenging headwinds facing healthcare today require that the entire board is knowledgeable, nimble, and functioning at maximum capacity. Healthcare organizations must find a way to shorten the onboarding time for new members and have them fully engaged and contributing as quickly as possible. An ineffective or inefficient onboarding process can significantly limit engagement and involvement where directors are needed most. A thoughtful process will compress the learning and engagement curve to benefit the organization, the board, and the individual members.

Good governance practices limit the maximum tenure of directors. Therefore, healthcare organizations should find ways to optimize the onboarding process and maximize the thought leadership and overall contributions of each member. The most successful onboarding programs start early, are multi-faceted, and require a committed partnership and investment by the organization, the incoming board member, and the full board.

Onboarding Process

››› KEY BOARD TAKEAWAYS

Pre-boarding:

- Provide prospective members with a written job description with clear roles, responsibilities, and expectations. Ensure that they understand board duties and are up for the commitment.
- Have candidates meet with multiple board members to learn more about the organization and the benefits and challenges of serving on the board.

Orientation:

- Hold in-person orientation sessions that provide a detailed overview of the organization and board operations.
- Send new board members pertinent materials to review on their own (e.g., bylaws, past minutes, annual reports, committee charters, etc.), as well as a point person to contact for any questions that arise.

Additional Onboarding:

- Have new board members meet individually with key senior leaders.
- Ensure the CEO and board chair meet with the new board member in the first six months of their board service.
- Pair new members with a seasoned board member who has the time and ability to dedicate to mentoring.
- Have new board members attend a meeting of every board committee at least once during their first year on the board.
- Offer the opportunity to round with providers and staff to see firsthand the mission in action.
- Develop an intentional ongoing education and engagement plan, building on the momentum created during onboarding.

Pre-boarding

The most critical component of onboarding may occur before prospective board members are ever elected, or what could be considered the "pre-boarding" period. Sharing clear expectations during the cultivation stage is the foundation for a successful onboarding experience and overall board member engagement. It is not uncommon during the cultivation process to downplay board member expectations in hopes of successfully recruiting the candidate. Minimizing expectations on the front end can have lasting consequences over the course of the new board member's tenure. The board member may believe they are meeting the expectations represented during recruitment while management and board leadership may be frustrated or disappointed with the board member's perceived lack of engagement.

To avoid this misalignment, it is essential to be unapologetic in describing a director's roles, responsibilities, and expectations to prospective board members. Hospital and health system board roles are strategic and complex and require a significant investment of time and involvement in and out of the boardroom. Management and board leadership must get comfortable with the fact that some board candidates will decline to join based on a realistic preview of the role. The cultivation phase is a time to share the mission, vision, and impact of the organization and it is equally important to share the realities of what is required to be a strong board member. Board candidates should receive a written job description with clear roles, responsibilities, and expectations. Prospective board members should meet with multiple board members to learn more about the organization and

gain a breadth of perspective on the many benefits and challenges of serving on the board. The goal is to have every new board member arrive at their first board meeting well versed in their role and responsibilities and committed and ready to engage immediately.

Orientation

Orientation should be a structured component of onboarding and scheduled as soon as possible upon a new member's election to the board. Depending on election practices, orientation may occur with an individual or a group of new members. Orientation is the concentrated educational component of the onboarding process and includes organized meetings as well as self-study. Orientation requires a time commitment on behalf of new board members, existing board members, and management. It should be considered mandatory and included in the expectations discussion and document provided during pre-boarding.

A common belief is that it takes anywhere from one to three years for a new member to feel well-versed and ready to contribute at the highest level. That timeframe can seem much too long when the strategic opportunities and challenging headwinds facing healthcare today require that the entire board is knowledgeable, nimble, and functioning at maximum capacity.

Structured Meetings

Broad education for new board members is essential. Many members begin their board service without deep knowledge of the organization and very little understanding of the complexities of healthcare. If possible, these meetings need to be held in person to promote relationship building with management and fellow board members. While management may play a large role in orientation, other board members should participate as well.

Orientation may span multiple sessions depending on preference and availability for one long session or two to five modules over several weeks. These meetings should provide an overview of the organization and board operations. At minimum, orientation includes:

Organizational overview:

- Tour of all major facilities
- History of the organization, including the origin story and key milestones
- Current strategic plan, including top two or three opportunities and challenges ahead
- Financial overview, including organizational financial position and an introduction to the healthcare business model

Board operations:

- Board and committee structure and roles
- Board and committee leadership
- Conflict-of-interest policy and process
- Board calendar, including scheduled board and committee meetings and key organization or community events
- Board meeting overview, including a preview of a typical board agenda and discussion of what to expect and encouragement to engage

Self-Study

In addition to a structured orientation program, new board members need to invest time in self-study early in their tenure on the board. The management team should determine the most pertinent materials for review and provide the best contact(s) if a member has questions while reviewing. Documents for self-study often include, but are not limited to, annual reports, financial statements, organizational bylaws, committee charters, 990 IRS filings, board and committee rosters, board-related policies, minutes from the previous three board meetings, a list of healthcare acronyms and explanations,[1] and the management organizational chart. Along with self-study materials, provide new board members with a clear point of contact for any questions that arise.

Some organizations consider orientation to be the full onboarding experience. While this concentrated education experience is necessary and foundational, it is not sufficient.

Orientation Process for New Board Members

C-Suite 101

The senior leadership team can play an impactful role in new board member onboarding. C-suite leaders provide subject matter expertise that is also organization specific. When new board members meet individually with key senior leaders early in their board service, there is an opportunity to accelerate the learning curve. For example, meeting with the Chief Financial Officer to review the budget and financial performance will not only provide an understanding of the organization but can also lead more quickly to an understanding of the complexities of the healthcare business model. Meeting with the Chief Strategy Officer provides an in-depth understanding of where the organization is going, why, and how progress will be measured. Spending time with the Chief Compliance Officer will quickly introduce key risks and mitigation strategies. The Chief Quality Officer or Chief Medical Officer can explain key quality indicators, why they are important, and the improvement plans underway. They can also provide education on credentialing and the role of the board, a process that is often foreign

1 See *Healthcare Acronyms & Terms for Boards and Medical Leaders, 12th Edition*, The Governance Institute, 2023.

to new board members. While these are examples, there may be other members of the senior leadership team who should participate in the onboarding process. In addition, the CEO and board chair should meet with the new board member in the first six months of their board service. These individual conversations will provide knowledge and insights that may otherwise take years to discover through regular board meetings. In addition to the deep learning these meetings will bring, the relationship building between the senior leadership team and new board members can strengthen trust and transparency within the board culture.

Board Immersion

Deep and wide exposure to the board can be one of the most impactful and efficient elements of onboarding. Creating opportunities for new members to connect with board colleagues will provide direct board perspectives, educate on current board focus and challenges, and build relationships. Examples of board immersion activities include mentor programs and committee rotations.

Mentor Programs

Enlisting existing board members in the onboarding process can accelerate learning and help create a sense of belonging for new members. A formal mentoring relationship will typically last six to 12 months and is often led by the governance committee. The governance committee should regularly assess the board to determine who is willing and able to participate in mentoring. The ideal mentors will have significant knowledge of the organization and the board, be a positive voice, and have the time and ability to dedicate to mentoring. The pairing of new members with a board mentor should be thoughtful and intentional. Providing structure to the program will maximize outcomes and overall experience. For example, arrange for the mentor to attend orientation with the mentee, encourage them to meet monthly or bimonthly including shortly after each board meeting to debrief, and to address questions that come up from time to time for the new board member. Additionally, mentors can facilitate introductions to other fellow board members by inviting them to attend a monthly mentoring meeting. While the mentoring program is incredibly beneficial for the new member, it also contributes to the ongoing engagement level of mentor members.

Committee Rotations

Another board immersion tactic during onboarding is to have new board members attend a meeting of every board committee at least once during their first year on the board. Experiencing firsthand the committee-level discussion and work will provide a closer perspective and deeper knowledge than is available during high-level report-outs to the board. This experience is also a means to find the committee(s) that are the best fit for the new board member, pairing up the member's interests and skill set with the board committee needs.

Mission in Action

Board members who are the most passionate about the mission tend to also be the most engaged. The onboarding process provides an opportunity to deepen a new member's understanding of the unique impact the hospital or health system has in the community and beyond. To see the mission in action, board members should have direct exposure to patients, staff, and providers.

Rounding

When board members can move outside of the boardroom and round with providers and staff, they see firsthand the mission in action. Board members need to be provided opportunities to accompany the medical staff during patient rounds, witnessing both the patient and provider experience. New members should also participate in staff rounds with management, listening to staff share their successes and challenges. Grounding new board members in the mission and the care provided across the hospital or health system daily can serve as a powerful foundation for board service. Participating in rounding provides a lens and perspective the board member can return to time and time again as decisions are made, keeping the patients, families, providers, and staff in mind. Rounding experiences shouldn't be limited to the onboarding experience; these opportunities can continue to strengthen board engagement year over year.

> *When new board members meet individually with key senior leaders early in their board service, there is an opportunity to accelerate the learning curve.*

Employee Events

Hospital and health system employees are the backbone of the institution, carrying out every aspect of patient care and service delivery. As part of the new board member onboarding experience, management should offer as many opportunities as possible for members to engage with staff. In addition to rounding, invite board members to participate in a new employee orientation session or any employee celebrations. Have new board members experience an

all-leadership meeting or an employee or provider town hall meeting. As a way to better understand the organization's diversity, equity, and inclusion efforts, new board members can participate in a committee meeting or attend an employee resource group meeting. These opportunities provide a genuine view into the organizational culture and the passion and dedication of staff.

board chairs and management should challenge themselves to maximize strategic discussion during the board meeting. This will require the effective use of consent agendas and executive summary materials provided to board members with ample time for review in advance of the board meeting. Often, one strategic discussion will include multiple challenges and opportunities—financial

Sample Onboarding Plan

The below represents a sample one-year onboarding plan assuming a December board election.

December	January	February	March
• Board election of new member(s) • Assignment of mentor • Orientation session(s) • Facility tour(s) • Self-study materials	• Self-study (cont.) • Orientation (cont. if needed) • Mentor meeting #1 • C-Suite 101: Finance	• C-Suite 101: Strategy • Committee rotation #1	• Mentor meeting #2 • Patient rounding

April	May	June	July
• C-Suite 101: Quality • Committee rotation #2 • New employee orientation	• Mentor meeting #3 • Committee rotation #3	• Staff rounding • C-Suite 101: IT	• Mentor meeting #4 • Committee rotation #4

August	September	October	November
• Committee rotation #5 • CEO/Board Chair check-in	• Mentor meeting #5 • Town hall or leadership meeting	• Hold for any makeup needs—Committees or C-Suite 101	• Mentor meeting #6 • Employee Resource Group meeting

Ongoing Education and Engagement

The case is strong for optimizing onboarding programs to maximize the early contributions and engagement of new board members. To fully realize that investment, it is equally important to have an intentional ongoing education and engagement plan, or "post-boarding" program, building on the momentum created during onboarding.

Strategic Agenda Management

For new and long-tenured board members alike, strategic discussion will drive learning and engagement more than an agenda filled with management and committee report-outs. While there are essential items of business that must be managed during a board meeting, board chairs and management should challenge themselves to maximize strategic discussion during the board meeting. This will require the effective use of consent agendas and executive summary materials provided to board members with ample time for review in advance of the board meeting. Often, one strategic discussion will include multiple challenges and opportunities—financial implications, quality, compliance, staff and provider engagement, enterprise risk, and the external healthcare environment. These strategic discussions not only provide rich context and information for the board, but the management team is also able to leverage the many experiences and perspectives around the table.

Continuous Education

The dynamic healthcare environment demands ongoing and up-to-date education for governing boards. Governance committees can partner with management to create an annual board education plan. These plans should include education needs identified through board self-assessments and changes or trends in the local and national healthcare landscape. Keeping board members apprised of evolving strategic opportunities and threats, as well as changes to regulatory requirements, is an important component of an annual education plan. Ongoing education needs to be provided in a variety of formats including live sessions with opportunity for interactive discussion (in-person or virtual), on-demand Webinars, curated articles, books, and podcasts, and board-focused conferences or other peer-learning opportunities.

Measuring Success

Pre-boarding, onboarding, and post-boarding practices should be evaluated over time and evolve to meet the needs of the changing environment and new generations of board members. As members close out one full year of board service, the governance committee should solicit feedback to determine what worked best and what could be improved in the pre-boarding and onboarding process. Similarly, use the annual board self-assessment process to evaluate ongoing education and board and committee meeting effectiveness. Using this information to continuously improve will ensure new members have the information and knowledge to add value as quickly as possible, and all members are aware of the dynamic healthcare environment and are engaging at a high level.

Serving on the board of directors for a hospital or health system is an important and complex role. Each member of the board must be knowledgeable and engaged. Today, more than ever, there is a need for speed to effectively onboard new members and maximize their contributions. The rewards of having a new board member engaging at full capacity justify significant investment on the front end by the management team, the board, and the new member. This investment can result in a highly knowledgeable and effective board moving the organizational strategy forward.

For additional Governance Institute onboarding resources, view www.governanceinstitute.com/boardorientation. Also see our Intentional Governance Guides at www.governanceinstitute.com/intentionalgov.

TGI thanks Laura S. Orr, CEO, Forward Governance Consulting, for contributing this article. She can be reached at laura@forwardgovernance.com.

Reclaiming the Board's Role in Strategy

By Dan Clarin, Courtney Midanek, and Amanda Steele, Kaufman, Hall & Associates, LLC

This article is part two in a series on reigniting the strategic plan after a turbulent era. The first article looked at the need to revisit strategy and recalibrate the best path forward.[1] Part three will explore strategic growth opportunities for hospitals and health systems.

As healthcare market conditions continue to stabilize after several years of pandemic-era volatility, many hospital and health system leaders are revisiting their organizations' strategic options for long-term sustainability. Beyond the age-old question of independence, we find much more complex questions to unpack. The strategic options available require careful consideration by hospital executives and board members alike. Many healthcare organizations may not be able to pursue all desired pathways within their existing resources and competencies.

At the same time, the path to a fully integrated partnership with certain organizations is narrowing, for reasons that include increased regulatory scrutiny and more discernment from potential partnering organizations that are experiencing an enhanced level of distress and may not be prepared to partner in a meaningful way. Health systems are also exploring partnerships with nontraditional healthcare players to deliver some services, from specialty providers to technology-focused digital partners.

From a board standpoint, ensuring that their leadership team has a rigorous strategic plan to differentiate the health system and keep up with a rapidly evolving marketplace is of primary importance. Boards must also be able to provide critical feedback on the organization's overall vision and value proposition, understanding the communities it serves. In this role, boards play a major role in pressure-testing the assumptions and feasibility of the strategic plan and posing tough questions to executive leadership, which might include:

- Are we being bold enough in our strategy?
- Can we afford a particular service line or facility? What trade-offs are we implicitly making?
- Can we execute a new initiative on our own?
- What types of partners/partnerships do we need (if any) to successfully execute our plan?

Wanted: Board Members with Strategic Capabilities

Boards seeking to reassert the primacy of their fiduciary role to steer the strategic direction of their organizations—in addition to their historic focus on community service—will require new skills and capabilities to achieve that goal.

Forward-looking hospitals and health systems may seek board members with a broader range of capabilities and experiences that prepare them to participate in strategic discussions. For example, a board member with cybersecurity or artificial intelligence experience from their professional roles might be particularly valuable to a healthcare organization in the future.

Larger, geographically dispersed organizations might consider conducting a national board search to identify members with the capabilities and perspectives needed to push their organization forward. For example, organizations might seek board members who have successfully scaled large corporations and understand how to drive those benefits. Organizations serving more discrete geographic areas may need to more deeply engage their community to identify professionals who are interested in being board members and growing into those roles over time—or look beyond current boundaries to attract board talent.

These strategic capabilities will provide needed depth and breadth to generative board discussion. Additionally critical is discerning between decisions that are governance-based, versus those that should be handled by management. While board members should trust their executive teams to own operational-level decision making, it is imperative that there be organizational accountability to the board and that strategic plans are implemented, even when that means making difficult choices.

››› KEY BOARD TAKEAWAYS

- Does our executive leadership have a rigorous strategic plan to meet the needs of a rapidly evolving healthcare landscape?
- Is our organization capable of executing this strategic plan?
- What competencies and experiences do we need on our board to provide critical input to our strategic direction?

Conclusion

As healthcare organizations reconsider their strategic options for long-term sustainability after pandemic-era turbulence, boards must play a critical fiduciary role in helping shape the path forward. This role includes ensuring their executive leadership has a strong strategic plan—and providing critical input on the organization's ability to support and execute it.

> *While board members should trust their executive teams to own operational-level decision making, it is imperative that there be organizational accountability to the board and that strategic plans are implemented, even when that means making difficult choices.*

In turn, organizations must be able to recruit, train, and retain board members with the capabilities to participate in those conversations—which may require casting a broader net than in the past.

TGI thanks Dan Clarin, Courtney Midanek, and Amanda Steele, Managing Directors at Kaufman, Hall & Associates, LLC, for contributing this article. *They can be reached at dclarin@kaufmanhall.com, cmidanek@kaufmanhall.com, and asteele@kaufmanhall.com.*

1 Amanda Steele and Dan Clarin, "What Is Our Organization Trying to Be? Strategic Planning after Turbulence," *BoardRoom Press*, The Governance Institute, April 2024.

Disruptive Change…

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an organization more than would have been the case 10 or 20 years ago. Someone with a risk management background will provide insight in protecting operations and capital. Someone with a payer background would be able to provide the "other" perspective of healthcare delivery. Of course, a board still needs traditional competencies of banking, business, healthcare, etc., but diverse expertise will provide in-depth knowledge that guides management in making more effective decisions in light of today's challenges.

Finding these candidates may prove challenging, especially for some smaller communities, which may not have a large pool of candidates. To attract this expertise, there should be a willingness to seek candidates from wherever they live—inside or outside the community. This might necessitate changing practices, such as providing board members with compensation or perhaps a nominal stipend to cover travel expenses for those who live out of town.

Board work is also increasingly time consuming. Preparing for meetings can require reviewing pages upon pages of materials, so some form of compensation can help to offset time spent in preparation, similar to the approach of for-profit industry. This may be controversial, but it also may be time. Change necessitates change.

We can't wait for disruptors to skim off the profitable areas of healthcare. Hospitals and health systems must not react to the innovators, we must be the innovators.

Governance, Not Management

Just to be clear, I'm not suggesting that boards dabble into operations. The line of distinction between governance and management is one practice that should not change.

What I am urging is that boards be knowledgeable enough to know what questions to ask, encourage leaders to pursue opportunities that may be risky, and enable them to take chances on opportunities that may or may not work out. This may mean forming new kinds of partnerships with new types of collaborators or looking outside of county or state lines for growth opportunities.

The days of the rubber-stamp are long gone—or should be. Board members need industry knowledge and introspection to guide their organizations in a competitive environment.

Healthcare cannot just sit idle; we have to respond to this barrage of changes. We can't wait for disruptors to skim off the profitable areas of healthcare. Hospitals and health systems must not react to the innovators, we must *be* the innovators. This bold mindset begins with governance.

TGI thanks Michael Ugwueke, D.H.A., FACHE, President and CEO, Methodist Le Bonheur Healthcare in Memphis, Tennessee, for contributing this article. He can be reached at michael.ugwueke@mlh.org.

A Practical Approach…

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service line leaders, guided walking tours of various departments and other areas of the organization, presentations by outside industry experts, and others.

Keep It Simple

Sometimes simple things can make a difference, as one Florida health system comprising three hospitals discovered by adding a 10-minute period at the beginning of their board meetings mimicking *The Wall Street Journal* section labeled, "Heard on the Street." This is a time for openly discussing concerns, questions, rumors, or other relevant subjects that board members would like to bring to the attention of the group. Board members have become more aware and attuned to things they hear about competitors, from providers, news reports, and other items that should be put on a watch list (or dismissed) before becoming larger issues.

Tips for Increasing Strategic Discussion

- Have the board chair and CEO work together to carefully plan board agendas to ensure time will be spent on strategic topics.
- Utilize a consent agenda.
- Set an expectation that members read pre-meeting materials and always come prepared.
- Meet in person when possible—face-to-face discussion always brings about richer conversations.
- Ensure the board is receiving ongoing education so it can govern with insight and have generative discussions about strategic issues.
- Intentionally reframe boardroom discussions to be more strategic—how does this impact or link to our strategy?

In the Boardroom

Every board should consider whether increasing the strategic nature and context of issues they discuss will help improve the efficacy of how board meeting time is invested (rather than spent). Creating agendas that explicitly link discussion topics to the strategic plan/goals/objectives, and conducting discussions with this perspective in mind, can be like putting on a pair of glasses to examine quality, financial, operational, and strategic issues with greater focus and clarity to better fulfill the mission, achieve its goals, and serve its communities and stakeholders.

TGI thanks Guy M. Masters, M.P.A., President, Masters Healthcare Consulting, and Governance Institute Advisor, for contributing this article. He can be reached at guymasters11@gmail.com or (818) 416-2166 and www.mastershealthcareconsulting.com.

Shifting Profit Pools…
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practices across all key access metrics, including:

- Third next available appointment for new patients (two vs. five days)
- Third next available for established patients (two vs. four days)
- Percent of appointments scheduled the same day (31 vs. 14 percent)

New MA care delivery models work to further capitalize on this discrepancy, aiming to outpace physician-owned primary care by measuring third next available in hours rather than days, or by boasting sooner next available metrics for all patients. MA providers achieve these outcomes with a complement of internal capabilities such as 24/7 physician access, dedicated care coordination staff for patient outreach and engagement, and a variety of ancillary services like provider-covered transportation.

As health systems look to compete with purpose-built providers, they need to prioritize access to drive a focus on managing population health in lower-acuity, preventative settings.

No-Regret Move #2: Redefine Patient Acquisition Strategy

MA enrollees have more choice than ever before. The average number of MA plans available to eligible enrollees has more than doubled since 2018, growing from roughly 20 to over 40 in 2024. This means health systems must be more deliberate about patient acquisition.

Health systems should look to new MA care delivery models that leverage personalized, targeted direct-to-patient acquisition strategies, supported by a dedicated team and targeted tactics:

- **Teams**: Patient acquisition teams composed of community ambassadors, event planners, acquisition specialists, and broker managers who work to design, execute, and refine direct-to-patient acquisition strategies.
- **Tactics**: Best-in-class models contract with as many MA plans as possible to maximize the catchment area and volume of the potential pool of patients, while actively pursuing value-based contracts (from upside-only to two-sided risk). This is coupled with a strong grassroots-marketing approach, leveraging physician-led educational sessions, and dedicated community ambassadors. Health systems are uniquely qualified to win in this space since they are often trusted brands in their community, providing a strong starting foothold for patient acquisition, both independently and in partnership with MA plans.

No-Regret Move #3: Master Risk Adjustment

Capturing the true acuity of a patient's condition is the lifeblood of MA care delivery models. For 2024, CMS revised its risk adjustment model (v28) to be driven by ICD-10 codes. The nationwide average impact of this transition will apply a downward rate pressure of up to 2.5 percent, further underscoring the importance of payers and providers collaborating to accurately capture the risk of Medicare enrollees.

Health systems can learn this approach by employing practices such as:

- **People**: Train staff across the enterprise to instill a shared understanding of the importance of risk adjustment regardless of role. Trainings should reinforce how appropriate coding is essential to accurately assess and manage patient care. Far too often, risk adjustment is viewed as an administrative task rather than a critical input to patient care.
- **Process**: Risk adjustment processes must be designed to offer real-time insights into coding gaps pre-visit at the point of care. These insights must be integrated into provider workflows to accurately capture patient diagnoses without comprising on efficiency and quality. Prospective identification of suspected conditions is an opportunity for collaboration between providers and payers (e.g., clinical information sharing, point-of-care EMR alerts, etc.) as each has a complementary view of the patient's medical history.
- **Tech**: Electronic health records, easy and intuitive systems that help providers document the diagnoses per CMS requirements, and analytics with real-time notifications at point of care help bolster providers' ability to accurately capture patient acuity in real time.

No-Regret Move #4: Become the Gold Standard in Care and Utilization Management

High-performing MA providers succeed in value- and risk-based arrangements by developing cost management capabilities that bring some previously payer-managed proficiencies in-house:

- **People**: Purpose-built providers deploy interdisciplinary care teams that can manage a range of patient needs from physical health to behavioral health to social determinants of health. These efforts are supported by care navigators who help members access benefits and services to meet care goals, guide members to high-value specialists and other providers, and manage post-discharge transitions.
- **Process**: Seamless and accessible services are of the highest priority for patients independent of who is coordinating their care. Creating this seamless ecosystem requires ongoing collaboration and data, and information sharing between payers and providers, particularly health systems that cover a broad swath of a patient's medical care. Within a health system the priority should be to enable strong referral and information flows between specialists and primary care practitioners, including workflows to ensure visit adherence, increased visibility of specialist notes, and aligned incentives between primary and specialty care to manage cost, quality, and utilization.
- **Tech**: Timely and accurate data exchange are at the heart of this transformation, both within health systems and between health systems and payers. From real-time admissions and discharge data to 360-views of the patient for all involved stakeholders is the holy grail. Health systems have a pivotal role to play, which will require continued investment in data, analytics, and reporting infrastructure.

While Medicare is known for payment model innovation, it isn't unreasonable to expect that these value-based payment models will grow across other lines of business. Health system boards and senior leaders who are transforming their business models to succeed in any value arrangement will be best positioned to deliver on their promise to the communities they serve while also improving their organization's balance sheet.

TGI thanks Deirdre Baggot, Ph.D., Partner and Private Capital Leader, Rahul Ekbote, Partner, Health and Life Sciences, Kevin Wistehuff, Principal, Luke Marazzo, Associate, and Kirah Goldberg, Senior Consultant, from Oliver Wyman for contributing this article. They can be reached at deirdre.baggot@oliverwyman.com.

A Practical Approach to Increasing Strategic Discussions

By Guy M. Masters, M.P.A., Masters Healthcare Consulting

A long-held board meeting benchmark and best practice recommended by The Governance Institute is that more than half of board meeting time should be spent in "active discussion, deliberation, and debate about strategic priorities of the organization." Yet, according to its 2023 biennial survey, only 45 percent of boards are doing so. On average boards spend about 30 percent of meeting time in active discussion, deliberation, and debate about strategic priorities of the organization.[1]

So, how do you reach the 50 percent target? Doing so takes an intentional approach to framing board discussions and leveraging board meeting time. This article provides tips for increasing strategic discussions, as well as insight from hospital and health system leaders.

What Qualifies as "Strategic"?

For your board:

- How difficult is it to consistently achieve this 50 percent benchmark?
- What percent of your board meeting time currently qualifies as strategic?
- Could your board discussions be richer and more productive if this were to increase?

As a place to begin thinking about the 50 percent standard relative to your board, consider the topics typically on your meeting agenda: realistically, which discussions qualify as being strategic in nature? With current board concerns about financial performance, operations efficiency, escalating expenses, inflation, workforce shortage issues, cybersecurity, survival, and others, is there room on the board meeting agenda to increase time and focus on strategic issues? Or might these very subject areas qualify as being strategic in nature, and if so, how?

Challenging the Status Quo: Frontline Viewpoints

Spend Meeting Time Wisely

Steven T. Valentine, President of Valentine Health Advisers, has served as board chair for two Los Angeles-area hospitals concurrently for several years. He was board chair at The Luskin Orthopaedic Institute for Children in Alliance with UCLA Health for 10 years, and chair of Dignity Health Northridge Hospital Medical Center for six years. As a self-imposed rule, board meetings for each organization consistently lasted between one-and-a-half and two hours. This was achieved largely due to carefully pre-planned agendas, including consent agenda items and tightly framed reports on finance, quality, and other committee updates. To make board discussions strategic, both board agendas and meeting prep activities included:

- Time for the management team to talk about current topics and trends impacting financial performance, operations, medical staff, and quality, as well as what actions other similar organizations, including competitors, were doing to respond to these challenges.
- A period of 10 minutes or longer, if needed, was allocated for market updates, current events, and their strategic implications to the organization and its strategic direction.
- Articles, white papers, and other relevant materials were frequently distributed to board members prior to and between board meetings to keep them informed and aware of changes, innovations, opportunities, and potential threats.

In spite of these activities, Steve observes that the 50 percent standard has been difficult to sustain through the pandemic years and beyond. He estimates that both the Orthopaedic Institute and Northridge Hospital boards' discussion time allocations are technically closer to one-third each for strategic, financial and quality, and operating challenges. He does believe that these three areas are inextricably linked together and are by their very nature the essence of strategy. (The key is to ensure that board members are actively discussing and debating these issues, rather than spending the majority of board time passively listening to reports they could have read prior to the meeting.)

Take Education to a Higher Level

Jeremy P. Davis, President and CEO of Grande Ronde Hospital, a critical access hospital in La Grange, Oregon, is very mindful and proactive about ensuring his board members are all exposed to local, regional, and national strategic issues regardless of their rural location and circumstances. His organization consistently budgets for board members to attend selected relevant conferences each year to hear current thinking from industry experts, as well as to network with their peers and compare their challenges, solutions, concerns, and opportunities. He considers these events as essential components of their ongoing education to govern with insight and better understanding of the issues and their impact on their hospital.

A prominent Midwest healthcare system that has been a long-time Governance Institute member consistently takes a proactive approach to conference attendance by their board members. Prior to attending, board members and senior leaders review the agenda topics and speakers and pre-select the breakout sessions they will attend. At the close of each day, the board members arrange for a meeting room to debrief on their takeaways and insights from the presentations. They discuss ways to apply principles and practices to their governance responsibilities and system strategies.

Other hospitals and health systems have proactively taken steps to broaden the strategic horizons and awareness levels of their board members by scheduling optional 60-minute education sessions prior to the formal board meeting. These include presentations by

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››› KEY BOARD TAKEAWAYS

- If your strategic board discussions are less than 50 percent of meeting time, how big of a gap is there between where you are now and where you would ideally like to be?
- Is your current assessment of board time spent on strategic discussion too little, too much, or about right?
- How can your board change old habits, change the status quo, and begin to look at discussions of every topic type through the lens and perspective of, "How does this issue or decision impact our strategic direction, our ability to fulfill the mission, and achieve our goals?"

1 Kathryn Peisert and Kayla Wagner, *Think Bold: Looking Forward with a Fresh Governance Mindset*, The Governance Institute's 2023 Biennial Survey of Hospitals and Healthcare Systems.