

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, United-Health 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



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and commit to higher-risk opportunities, backed by appropriate due diligence of course, to reach an agreed upon strategy for moving forward.

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

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.

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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 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.

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.

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