

Pediatric Focus

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Key Areas of Focus for Children's Hospital Boards

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As we near the end of another eventful year, many boards are pausing, taking a breath, and self-assessing where they stand. Children's hospitals have experienced the result of continued decreasing birth rates and, therefore, decreasing NICU and pediatric inpatient use. At the same time, patient severity has increased. This, in turn, results in cost pressures as volumes decline and fixed costs prove to be difficult to reduce. The continued staffing and labor issues (including shortages) and the closure of small obstetric and pediatric inpatient units by community and rural hospitals has created a bigger access issue for children's hospitals. Children's hospitals are also experiencing a decline in payer reimbursement as their payer mix deteriorates to more Medicaid and health insurance exchange patients. Lastly, pediatric behavioral health is still a big unfilled need both on the inpatient and outpatient side. The shortage of providers only makes the situation more difficult.

So, what is a children's hospital board to do? This article highlights five focus areas for boards as they work to navigate the challenges and opportunities ahead.

Double down on fundraising. Thankfully, the stock market has done well for a number of years and the baby boom age group is or has retired with significant assets. They are a prime target for solicitation of donations. Careful cultivation of potential donors is needed to attract and capture the larger gifts that can make future-changing contributions to a hospital.

One final play in the revenue-generating space is to pursue legislative support for additional funding or grants (national, state, or local). This can be for facilities, provider/caregiver support, or a specific program.

Identify the board's gaps. Completing a board self-assessment on an annual basis will help the board pinpoint its weaknesses and strengths. This is an invaluable tool to identify the needs of the board going forward. Lining up the needs of the organization and the weaknesses of the board provides a guideline to use when recruiting new board and committee members. If you are following the typical three-year terms and three-term maximum for board membership, it should be easy to identify gaps in composition and when they can be filled. It can also be helpful to identify potential board members and get them on a committee prior to being on the board. This allows the board to utilize their expertise prior to an opening and will give them early exposure to healthcare and organizational terminology, board culture, and the institution's strategy, financial condition, and mission.

The board composition should have a variety of perspectives, for example, a mix of men and women, people with different backgrounds, those familiar with healthcare or not, some with financial means, and members who are inquisitive and fast learners. A mixture of skills that meet the needs of the board and organization going forward are critical to building for the future. Some children's hospitals have a nominating or governance committee that can vet and screen potential board candidates. Conducting a background check and review and verification of a resume, along with conducting interviews of references put forward by the candidate are all necessary steps.

Invest in cybersecurity and AI. As children's hospitals address the future capital expenditure needs of their organization, two areas will require disproportionate investment: cybersecurity and artificial intelligence (AI). Cybersecurity/ransomware can cripple the hospital and potentially its network of providers. The cost of paying ransoms or rebuilding the IT system can be hundreds of millions of dollars as well as expose confidential patient information. This can be a significant distraction for the organization and set it back years—with both financial and reputational damage. The AI investment will only increase going forward as it is adopted in the process of diagnosing and treating patients. For children's hospitals, it will also impact research and educational activities and therefore put pressure on spending.

Consider the special needs of pediatric patients. Children's hospitals are different from adult hospitals. Children need to have an advocate (typically a parent or family member), the payer mix may be less desirable (lower paying), and they may need a subspecialist that is hard to find or hard to access due to a limited supply. Children often have anxiety and fear because of the contact with new and different caregivers. Children's hospitals may need to take more creative approaches to combat this. For example, having a dog as part of the comfort team is a big help to reduce anxiety and ignite joy in children.

Yet, children are resilient and tend to roll with the punches, especially with a loving family at their side.

Lean into the new role of children's hospitals. The growing role of the children's hospital is one of becoming a hub for all levels of pediatric care. As rural hospitals close and obstetric units close (which means newborn units close as well), the children's hospital becomes the center of the pediatric delivery system. Children's hospitals will need to invest in geographic diversification strategies using clinics, telehealth, and mobile units. Obtaining grants and funding will be critical to this strategy. Having an electronic medical record that is accessible at all the venues or technologies will be necessary to maximize the quality and patient satisfaction provided to the pediatric patient. This also means that children's hospitals will need to expand their research and education activities to ensure a supply of top-notch physicians and care teams that can treat the sickest pediatric patients. Critical to this hub-and-spoke strategy are the electronic medical record and telehealth. Many of these children have family members that may be working two jobs and are not available to be at the hospital every day or transport their child to the healthcare provider location. Therefore, virtual communication becomes critical along with the support of on-site family members.

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Discussion Questions for the Board

- How is the board supporting fundraising efforts to ensure the organization receives significant, future-changing contributions?
- Does the board advocate for legislative support for additional funding or grants that could bring in additional revenue?
- Does the board regularly conduct a self-assessment? How does it utilize those results to identify gaps in performance and membership?
- What near- and long-term investments are needed in cybersecurity and AI?
- How will your organization need to evolve to meet the growing access and care needs of pediatric patients?

In conclusion, children's hospital board members have much to provide the organization in terms of financial support, knowledge, energy and enthusiasm, skills, and contacts/connections with others that can help. A board built on the needs of an organization is a sure-fire way to enhance the success of the organization into the future. The future is hard to predict and, therefore, the board and management team must be flexible and dedicated to operating in the unknown future, which will continue to pose threats and challenges.

Additional Resources

- [Board Self-Assessment: A Core Responsibility](#) (*Elements of Governance*)
- [Board Recruitment](#) (Intentional Governance Guide)
- [“Expanding Board Criteria Beyond Competencies to Enable More Holistic Recruitment”](#) (*BoardRoom Press* Article)
- [“Collaboration Is Key to Addressing the Tech and Trends of 2024”](#) (Governance Feature Article)
- [“Philanthropy Partnerships Can Transform Healthcare”](#) (Pediatric Focus Article)

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