Survey Results Show Health Care Governance in Transition

by Mary K. Totten

The move toward value-based health care delivery and payment requires new and diverse skills, a commitment to continuous learning, a deeper understanding of community health needs and an unprecedented level of alignment and teamwork among board members, executives and clinical leaders.

“Transformational governance,” is the term often used to describe board work in times of significant change, but what does that mean for health care organization boards today? Identifying and using a broader range of competencies to select, evaluate, and develop board members and leaders; ensuring diverse voices and perspectives inform the work of governing; conducting frequent assessments of effectiveness at multiple levels of board work; and structuring governance activities as learning opportunities are just some of the best practices necessary for effective governance of hospitals and health systems that are growing in size and complexity.

Are health care organization boards rising to the challenge? Results of AHA’s 2014 National Health Care Governance Survey, based on responses from 1,078 CEOs and 710 board chairs, paint a picture of a field in transition.

While survey findings indicate progress in some areas, they also suggest multiple opportunities for governance improvement.

Some Progress; More Opportunity for Improvement

Notably, survey results confirm both system and subsidiary boards are sorting relative roles and responsibilities. As might be expected, system boards are shouldering more fiscal and strategic responsibilities, while subsidiary boards continue to provide important linkages to local communities. The survey report facilitates comparisons like this one because, for the first time, results are broken down by type of organization—独立 hospital boards, subsidiary boards in health systems and boards of systems.

The 2014 survey results also indicate the percentage of clinicians on boards has declined since the last survey was conducted in 2011. At the same time, board chair and CEO respondents report high levels of alignment among boards, medical staffs and nursing staffs—a critical foundation for dealing with transformational change. High levels of board engagement in quality and safety, identified by both CEOs and board chairs in this survey, may be one reason for the strong level of reported alignment among boards, physicians and nurses.

Survey findings suggest that challenges facing boards center on slow adoption of governance best practices, particularly in board composition, development and performance evaluation.

Composition. Although the communities served by health care organizations are becoming increasingly diverse, survey results indicate a lack of progress in diversity in race, ethnicity, gender, age and clinical professions in the boardroom. Key findings include:

- Although minorities now comprise 37 percent of the nation’s population according to the U.S. Census Bureau, almost half (47 percent) of all hospital boards in America have no ethnic or minority representation.
- The percentage of women on boards remains the same (28 percent).
- Board members are older: the percentage of board members age 50 or younger has declined from 24 percent in 2011 to 21 percent in 2014 while those between ages 51 and 70 and 71 or older have both increased.
- While the percentage of physicians serving on boards remains the same at 20 percent, the percentages of nurses and of other clinicians on boards declined from 2011 to 2014 (6 percent to 5 percent and 5 percent to 4 percent, respectively).

2014 survey results indicate that diversity varies by board type. For example, system boards have more African American, male and physician members and more members between the ages of 51 and 70.

While growth in demographic diversity is lagging on boards, knowledge, skill and personal capability competencies are being used to bring a broad range of expertise and perspec-
tives to the board table. On a scale of one (not at all) to five (completely), on average board chairs (at 3.8) and CEOs (at 3.5) said these types of competencies are being used to select and evaluate board members. Respondents considered skills in finance and business and strategic planning and visioning to be most important in selecting new board members and board chairs. Expertise in patient safety and quality and previous board experience also were viewed as important in selecting board members and chairs.

Results indicate, however, that about 40 percent of hospitals responding to the survey do not use competencies at all in selecting new board members or board chairs. Because competencies are directly related to the performance of a job or skill, their use is unlikely to increase without a specific understanding of board member and leader responsibilities. The finding that almost half of CEOs surveyed said their organizations lack role descriptions for board members and board and committee chairs indicates a clear opportunity to improve governance effectiveness. Defining a board member’s or board leader’s role is the first step toward identifying the competencies needed to perform that role effectively.

Board Development and Performance Evaluation. Managing change requires a commitment to continuous learning and performance evaluation at all organizational levels. A troubling survey finding is the reported decline in most types of board education from 2011 to 2014 (see Figure 1). Almost all hospitals and health systems reported having some type of new board member orientation. However, findings indicate that these processes emphasize educational basics and frequently lack mentoring by more seasoned trustees or shadowing of clinicians to learn more about care delivery. Eighty percent of respondents said board orientation involves meetings with the CEO and senior leadership; about 40 percent said orientation includes a meeting with the board chair.

Periodic assessment of governance strengths and weaknesses provides a springboard for continuous improvement. Board performance evaluation has long been considered a best practice for effective governance, and has expanded beyond full-board assessments to include board member, board leader and board and committee meeting evaluation as well. Leading boards also realize that the payoff for conducting any assessment is translating the results into action for improved performance.

The 2014 survey shows that today’s health care organization boards have great opportunity to further benefit from performance assessment. Just over half (about 57 percent of respondents) reported conducting a full board assessment in the past three years; about a third evaluate board member performance.

Neither board chair or committee assessments are widely employed (each of these forms of board evaluation are being used by 15 percent or fewer respondents). Only about 25 percent of respondents that reported conducting assessments said they use the results to improve performance. More than 50 percent said they did not use assessment results in determining whether to reappointment board members to additional terms.

Additional Findings

Other notable survey results include:

- According to board chair respondents, the most important criteria in CEO evaluations are financial performance, patient satisfaction, vision or other leadership qualities and clinical quality of care/outcomes. With the exception of accountability for financial performance, CEOs’ perceptions of their accountability for all other areas of performance were lower than board chairs’ perceptions. The largest gaps between CEO and board chair perceptions of CEO accountability were in the areas of risk management, community health improvement, system/network performance, and legal and regulatory compliance (see Figure 2).

  - Compared with 2011, more boards have developed precise and quantifiable hospital quality and safety objectives. The most commonly used benchmarks are patient/family satisfaction, financial performance, and clinical outcomes.

  - Some 14 percent of CEO survey respondents reported that their boards did not review the hospital's strategic performance at least annually.

  - Board chair and CEO respondents said that their boards consider the results of their organization’s community health needs assessment when developing their strategic plans (90 percent and 83 percent respectively).

  - Half of boards responding to the 2014 survey reported including an executive session on every board meeting agenda, up from 41 percent in 2011.

### Figure 1 - Types of Education Included in the Board’s Continuing Education Process

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<thead>
<tr>
<th></th>
<th>2011</th>
<th>2014</th>
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<tbody>
<tr>
<td>Publications</td>
<td>83%</td>
<td>76%</td>
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<tr>
<td>On-site speakers</td>
<td>76%</td>
<td>75%</td>
</tr>
<tr>
<td>Destination events</td>
<td>72%</td>
<td>72%</td>
</tr>
<tr>
<td>Webinars and podcasts</td>
<td>N/A</td>
<td>33%</td>
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<tr>
<td>Membership in an outside governance support organization</td>
<td>36%</td>
<td>33%</td>
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<tr>
<td>Online education</td>
<td>35%</td>
<td>31%</td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
<td>10%</td>
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• More than half of hospitals reported using an electronic board portal in 2014.

• Board chairs and CEOs reported that their boards were fairly knowledgeable about the emerging changes in health care delivery and financing (both rated the level of board knowledge in these areas close to 4 on a 5-point scale where 5 indicates board members were extremely knowledgeable).

• Board chairs and CEOs differed in their views about the level of board engagement in practices to prepare for governing in a transformed health care delivery environment: board chairs reported board engagement to be significantly higher than CEOs. Examples of activities surveyed include considering how emerging governance models might apply to their organizations; having candid, strategic discussion about what health care transformation means for their organizations; and strengthening board and organizational competencies to manage change and risk.

Using Survey Results

Results of national surveys like this can be more than interesting reading for boards. Comparing survey findings with your board’s own practices can help you celebrate governance strengths and act on opportunities for improvement. Here are some steps to consider:

• Download the full text of the 2014 National Health Care Governance Survey Report available on the AHA’s Center for Healthcare Governance website at http://www.americangovernance.com/resources/reports/governance-reports/2014/index.shtml. Schedule a discussion of key findings at your next board meeting, board retreat or meeting of your board’s Governance Committee. Ask participants to be prepared to discuss the following questions:
  • What three to five findings from the survey have most relevance for our board?
  • How does our board’s performance compare with board practices nationwide in these areas?
  • How should our board be performing in these areas?
  • What steps can we take to achieve our desired level of performance? (for example, building action steps into your board’s annual work plan, engaging relevant board committees in taking ownership to reach performance goals, regularly reporting on progress at board and committee meetings.)

• Learn about what other boards are doing to reach their performance improvement goals. Resources to help you get started are available through the Center at www.americangovernance.com or by email at info@americangovernance.com, or through the AHA and their new resource, Leadership Toolkit for Redefining the H: Engaging Trustees and Communities. Encouraging your board members to attend governance conferences and network with other board members can also help surface new ideas and approaches.

• Consider evaluating progress toward achieving your desired level of governance performance in the areas you have identified as part of your next board performance evaluation.

A final thought. Data can be used to support any point of view. For example, the finding that just over 50 percent of boards conducted a full board assessment in the past three years can be viewed as a baseline for improvement or used as a rationale for continuing to be a board that does not regularly review and learn from past performance. All boards need to ask themselves: How does our board define effective governance? What are we willing to do to get there?

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