A strong, consistent governance and leadership focus on doing what’s best for patients and communities is positioning physician organizations as significant drivers of improved quality and financial performance and as architects of the new care delivery system.

This is one of the key findings of a recently released report, “Governance of Physician Organizations: An Essential Step to Care Integration,” based on a study conducted by the American Hospital Association’s Center for Healthcare Governance and Physician Leadership Forum.

The study defines physician organizations as entities designed to engage physicians in the leadership, governance and decision-making of the clinical enterprise. It is among the first to explore governance and leadership in these organizations from the perspective of the physicians and executives who govern them.

Six diverse organizations participated in the study [see Study Organizations]. Their boards and leaders provided information and perspectives, which were synthesized by an expert panel, to help other physician organizations understand governance and leadership practices in these evolving entities.

The study notes the wide range in organizational size, structure, ownership and control, geographic location, and governance structure and practices among participating organizations. It concludes that best governance practices now accepted in hospitals and health systems may not apply in the same way to physician organizations, and that there is value in matching governance practices to organizational needs at various stages of their development.

10 Governance Principles
The study identifies 10 principles of good governance that physician organizations can apply throughout their development.

1 Governance becomes more robust and mature as organizations themselves grow and develop. For example, the processes used by physician organizations to select board members, make decisions or evaluate their performances likely will expand and strengthen as these organizations become more firmly established and broaden their focus outward toward the communities they serve.

2 No single evolutionary path or model of governance will work in all organizations and care systems. The study notes that clinical enterprise boards, expert boards and enhanced community boards all can play roles and already are functioning in many markets.

3 A relentless focus on mission — providing safe, quality care for patients — brings clarity and impact to governance structure and function. Study participants share examples of defining moments in governance, such as requiring adoption of electronic health records or adding primary care physicians to the board and leadership, that led to higher levels of board and organizational performance and broader impact.

4 Boards should adopt a competency-based approach to member selection, member and leader development, performance evaluation and board decision-making. For example, in addition to drawing from leaders of local medical groups or physician-hospital organizations to serve on boards of physician organizations that are part of health systems, several study participants are beginning to seek specific competencies, such as business, financial or legal skills, as they add new board members.

5 Boards should seek and balance diverse member competencies to ensure that necessary perspectives are present at all levels of governance to meet the needs of their patients. The skills and competencies needed...
to govern a clinical enterprise, for example, may differ in some ways from those needed to govern a health system, and member competencies should be matched to each board’s roles and responsibilities.

6 A robust board culture incorporates discussion, debate and dissenting opinions; advance preparation, intellectual rigor and continuous learning are expected for participation in governance.

7 Boards can lead their organizations to higher levels of performance by making and enforcing tough, data-driven decisions and responding productively to defining moments.

8 When clinicians, outside experts and stakeholders govern collaboratively, the outcomes are more robust and sustainable. One physician organization executive and panelist noted the benefits of adding an outsider to the board, because it changed the tone of the board’s conversations from representing constituencies to what was in the best interest of the organization as a whole.

9 Formal, rigorous development, performance evaluation and succession planning for physicians in leadership and governance roles are essential. All study participants cited the importance of ongoing education, and some have established a governance and leadership curriculum to support continuous learning.

10 Effective boards have credibility with the stakeholders they serve. Leading the charge on quality and safety improvement for the broader health care organizations of which they are part, or deciding to participate in Medicaid managed care because it is the right thing to do, are examples of how physician organization boards and leaders are focusing on improving care and outcomes for the patients and communities they serve.

Study participants said they need ongoing research and education to understand and support effective participation in physician organization governance and leadership. AHA’s Center for Healthcare Governance, as part of the follow-up work on the results of this study, also will develop tools and resources to help physician organizations achieve these goals.

This study was conducted with support from Hospira Inc., a global specialty pharmaceutical and medication-delivery company and an affiliate member of AHA’s Center for Healthcare Governance. For more information about the study and its findings, visit www.americangovernance.com.

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