

# Trustee Insights

## STRATEGIC PLANNING



## Increasing a Board's Strategic Competency

A nonprofit health system board focuses on strategic decision-making

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In these complex times, boards and executives need to work together to determine the potential impact of external and internal trends on their hospital or health system. These strategic discussions are critical, and yet the average board devotes only 31% of its meeting time to active discussion, deliberation and debate about the strategic priorities

of the organization, according to the Governance Institute's 2019 Biennial Survey. If the average board spends less than one-third of its valuable time on strategy, it is difficult to imagine how it can help provide the strategic direction leadership teams need to ensure the viability of their organizations.

### Barriers to the Board's Engagement in Strategy

There are several potential barriers to a health care board's involvement in strategy.

- **Health care expertise.** Most

hospital and system board members come from outside of health care, so they are not experts in the field. Even longer-tenured trustees may not fully appreciate complicated payer and market dynamics. However, if trustees are willing to invest the time, they can learn enough about the field to be helpful advisers to management.

- **Strategic experience.** Not all board members have participated in the type of sophisticated strategic thinking and planning processes used in health care. Although some trustees are owners or senior executives within business settings, few organizations are as large and complex as a hospital or health system. This is especially the case in most rural settings, where the hospital is often the largest employer. Therefore, all board members may not have experience with long-range strategic thinking or planning. (See "Defining 'Strategic' Conversations.")

- **Regulatory expectations.** Health care is a highly regulated field, and boards need to ensure that management is compliant with all regulations (e.g., patient safety). For many boards, their meeting time focuses on compliance-related approvals such as quality improvement plans and credentialing providers. There may not be much time left for other discussions.

- **Board practices and culture.** The main barrier to the board's engagement in strategic conversa-

tions may be the board's culture. Too many board agendas are built around reviewing reports from management and board committees. As a result, the time allotted to the meeting is quickly used up listening to retrospective reports, leaving little time for forward-looking conversations about strategic issues.

## Board Education Creates a Needed Foundation

In the authors' experience, the key to engaging trustees in strategic conversations is robust board education. If board members are well oriented at the beginning of their term, and there is an intentional, ongoing board education plan, trustees are better prepared to engage with senior executives regarding strategic issues, even if they are not health care experts.

According to the [AHA 2019 National Health Care Governance Survey](#), hospital and health system boards are participating in continuing education in several ways:

- Board and committee meetings: 75%
- Outside conferences: 59%
- Self-directed education (articles, online resources, etc.): 58%
- Board retreats: 54%

Ideally, each board will use all of these methods for educating their board members so they are ready to participate in strategic conversations.

## Transforming Strategic Discussions at Winona Health

Winona Health provides a specific example of using board education to help make strategic decisions. Winona Health is a nonprofit, inte-

## Defining 'Strategic' Conversations

Boards and their leadership teams need to engage in strategic conversations throughout the year, not just during the formal strategic planning process.

"Strategic" issues are:

1. Longer term
2. Significant (relative to capabilities)
3. Organizationwide
4. Overarching
5. About whether the organization is doing the right thing
6. With implications for a broad group (e.g., physicians, patients)
7. Related to organizational viability
8. Directly connected to the organization's mission

Source: Strategic Conversations, Krentz and Knecht, The Governance Institute, October 2010.

grated, independent health system that delivers personalized, high-quality care to residents of south-eastern Minnesota and Trempealeau and Buffalo counties in Wisconsin. Founded in 1894, Winona Health is a testament to the community's deep and abiding commitment to keeping health care local and making changes as advancements allow for new care delivery approaches. The health system continues to be one of the city's largest employers with a staff of nearly 900 people, including approximately 90 physicians and associate providers, and provides care through its 49-bed hospital, primary and specialty care clinics, emergency and urgent care, and assisted living and long-term care residences.

The board members and executives needed to discuss and decide whether to pursue a key strategy: shifting toward population health and value-based purchasing. Making this decision became easier because they had developed knowl-

edge through their commitment to board education.

As rural health care leaders know, rural hospitals face many daunting challenges, even before the pandemic, including decreasing volumes, reimbursement pressures, changing and expensive technology, scarce workforce resources, and a patient population that is aging and in need of local access to health care. As Winona Health board members considered a strategic pivot to population health and value-based partnerships, they wrestled with many questions without answers. However, they also engaged in a robust process of discovery and discussion as trustees of the organization, including becoming better educated about the health care field and the role of a trustee.

The new CEO prioritized engaging the board in education on governance and the health care field. Twenty years ago, the Winona Health board relied primarily on

the business acumen of its board members, gained from their respective business experiences. But none of them were well versed in the health care arena. Fortunately, board members wanted to learn more. The board had strong advocates and supporters of the organization who realized they needed more insights and information to ensure the organization's success. As each board member attended their first governance conference, they became more aware of the importance of board education as a foundation for guiding and overseeing this essential community asset.

### Increasing Board Competence Through Education

Board members at Winona Health attend national and state conferences, read governance materials sent to them, engage with content experts during their strategic retreats, include board education time on meeting agendas, use an online educational platform and have the expectation that every board member makes ongoing education a priority. This expectation and investment in developing board competency have had a proven return on investment over the years. These efforts have positioned the board to make informed and bold strategic decisions for the future of Winona Health — specifically, the decision to strategically shift toward population health and value-based partnerships for all patients and populations.

The mounting challenges to sustained viability and sustainability noted earlier required deep strategic discussions by board members and executives about where to go

## TRUSTEE TAKEAWAYS



Preparing a board to engage in strategic conversations starts with excellent board education. Other important actions include:

- Securing candidates willing to spend the time on board education to develop their knowledge in health care and their strategic thinking capabilities.
- Developing a strong relationship between the board and health system executives that is respectful of the governance-management distinction.
- Building a board culture that fosters open discussion and debate.

and how to get there as an organization. These board discussions benefited from the knowledge acquired through ongoing board education. Understanding health care lingo, federal programs and rules, new opportunities to engage in innovation grants (e.g., Center for Medicare and Medicaid Innovation), state initiatives and budget constraints, and payer strategies all converged in a decision to set a new course over several strategic cycles. The board decided to pursue transforming the organization and aligning care delivery with its payers, thereby achieving its mission and delivering on the triple aim of affordable, high-quality and patient-centered care that meets the needs of the community.

As a result of this decision and the ensuing work, Winona Health has value-based purchasing agreements in place with both government

and commercial payers. The health system is held accountable for its performance in reducing total cost of care, delivering on high quality and remaining patient centric. The board's governance dashboard reflects these metrics and is shared with the respective board committees as well as the whole board. For example, the interplay between the total cost of care and quality performance is discussed in detail during quality committee and finance committee meetings.

As the execution of this strategy has played out, the board has had discussions to reconcile the known past (e.g., inpatient census) and the new future (e.g., decreased admissions and emergency department visits). However, the board also recognizes that total cost of care reductions and high-quality scores result in shared savings and performance payments as a new revenue stream. The implementation of value-based purchasing required time to see results, and today the organization is thriving even though this transformation is still in its early years.

Great leaders — boards and executives — do not start with answers. They start with the mission and calibrate their work using resources, ingenuity, thoughtful consideration of the environment and robust discussions to vet all options.

Investment in board education has created a strong, confident board at Winona Health. The board is providing leadership during a disruptive time while balancing its deep passion for the organization — with well-informed decision-making that supports the future of the community health care system.

Trustees at hospitals and health systems will be better able to help their executives vet difficult strategic decisions through investment in a robust approach to board education and development. As a result, the board will meet its key oversight responsibilities to provide strategic

direction and allocate the community's resources effectively.

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