

# Trustee Insights

TRANSFORMING GOVERNANCE



## High Impact Governance Challenges Conventions

New thinking can take leadership of boards much further

BY BARBARA LORSBACH

In the last few decades, hospital and health system boards of trustees have transitioned from fulfilling basic fiduciary responsibilities to focusing on strategic thinking and leadership. But as more evidence points to the impact of social determinants of health and the lack of progress on notable health care quality aims, boards need to again

reframe their thinking about what governance leadership and excellence should look like.

### Traditional Governance vs. Governance as Leadership

In 2004 when the now well-known book *Governance as Leadership: Reframing the Work of Nonprofit Boards* was published, it challenged conventional thinking and provided new perspectives on the governance process and the role of boards of directors. Authors Richard P. Chait, William P. Ryan, and Barbara

E. Taylor reframed the board's role using the concept of governance as leadership. To do this, the book's authors described the need for a balance between three modes of governance: fiduciary, strategic and generative.

Traditional governance is typically defined as fulfilling the board's fiduciary responsibilities of care, loyalty and obedience. The board's role in this mode of leadership focuses on stewardship of the organization's assets and ensuring oversight and compliance. When a board functions in a strategic mode, the board partners with management to understand strengths, opportunities, threats, aspirations and results for fulfilling the organization's mission. When in a generative mode, the board understands the complexities of leading, values learning and creates a culture of trust that embraces change.

After twenty years, the three modes of governance as leadership continue to be central to defining governance effectiveness. However, for hospital and health system boards, it is time to again challenge current thinking and take their leadership much further.

### Governance as Impact

*Governance as Leadership* was written with all nonprofit boards in mind. For hospital and health system boards, leadership goes beyond the three important modes

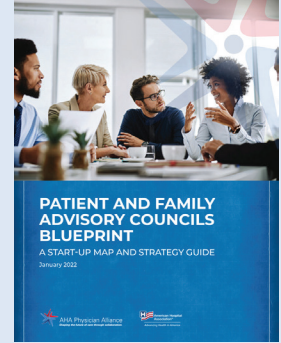
cited — fiduciary, strategic and generative. Fundamental to a health care board's leadership responsibilities are a focus on quality in all its dimensions, keeping people healthy in addition to treating illness and actively partnering to address individual as well as community well-being. Boards that embrace the principle that governance leadership includes ensuring high-quality, patient-centered care and collaborating to address non-medical health influences can have a greater impact on both individual patient care and the health of the communities served by their organization. There is a synergistic relationship between financial stewardship, strategy, organizational culture and exerting a strong influence on personal and community health and well-being.

**Leading With Impact.** When a board envisions its role and the role of the CEO beyond the four walls of the hospital, opportunities to impact the health and well-being of the people and communities it serves grow substantially. According to a 2017 discussion paper by the National Academy of Medicine, medical care only accounts for 10-20% of population health outcomes. The remaining factors are influenced by social determinants of health, such as housing, access to nutritious foods, transportation, income and family and social support. For hospitals and health systems to have a significant impact on individual and community health, they must have a strong effect on factors outside of direct clinical care provided within the physical facility.

**Establishing Strategic Intent.** Hospitals and health systems with a strong community presence are

## Patient and Family-Centered Care

As described in the “[AHA Patient and Family Advisory Councils Blueprint: A Start-up Map and Strategy Guide](#),” Patient and Family Advisory Councils (PFACs) are an excellent way to help health care institutions and providers better understand the perspective of patients and families while also helping caregivers better identify the needs of their patient population and bring patient and clinicians views closer together. As COVID-19 divided and devastated communities, many organizations worked with their PFACs to inform outreach, reduce barriers caused by COVID-19 and drive lasting improvements.



intentional about understanding social determinants of health, health equity, patient and family-centric care, and prioritize the board's role in oversight and leadership in these areas. One benefit that emerged from the COVID-19 pandemic that is reshaping health care delivery is the importance of systemic collaboration and high-level partnerships to maximize results. Practical ways this may look for hospital and health system boards include:

- Bringing the same rigor, expectation and vision to addressing all dimensions of health care quality and community health improvement as is applied to meeting financial goals and strategic priorities.
- Developing the board's understanding of the Institute for Medicine's “six aims for quality improvement.” The aims address key dimensions in which our overall health care system functions at far lower levels than it should, including safe, effective, patient-centered, timely, efficient and equitable care.
- Pursuing board composition that reflects the people and communities served.
- Leading through collaboration, demonstrating the importance of

partnerships for both the board and senior leadership.

- Establishing a Patient and Family Advisory Council and receiving reports regularly to help create a better understanding of the perspectives of the people the hospital serves.
- Seeking out best practices in addressing health inequities and partnering with community organizations to address housing, education, food insecurity and other social determinants.

A hallmark of an excellent board is ensuring meaningful goals and measures for high-impact responsibilities just as the board would track financial or strategic goals. Precise and objective performance measures for patient and family engagement, health equity and population health should be similar to the monitoring of days of cash on hand and patient length of stay.

**A Critical Role for Advisory Boards.** The concept of high-impact governance is equally important for system boards, free-standing boards and system subsidiary boards. When traditional governance models are emphasized, subsidiary, community, or advisory boards may feel

diminished or deflated because it appears their “high-valued” fiduciary roles have been taken away. But when patient and family engagement, health equity and community collaboration are also highly valued across an organization, the role of advisory boards becomes essential in fulfilling the hospital and system’s mission. Advisory boards are in an excellent position to be high-impact boards and fulfill an essential role that is not typically possible at the corporate level.

## Financial Resilience and High Impact Governance

Hospitals are facing a post-COVID financial tsunami that is not likely to recede quickly. Reports continue to highlight the challenges hospitals and health systems are facing, amplified by the pandemic. A September 2022 report by Kaufman Hall found that U.S. hospitals and health systems continue to operate below pre-pandemic levels, with most reporting a negative operating margin. In October 2022, Kaufman Hall’s “2022 State of Healthcare Performance Improvement Report” highlighted the key challenges facing hospitals and health systems, including staffing shortages, labor costs, supply chain disruptions, inflation, rising interest rates and volatile markets pressuring revenue and expenses.

## What Model of Excellence Describes Your Board?

Which of the three governance models best describes your board? What steps can your board take to shift your impact to the next level?

**High Functioning/Governance as Oversight:** We consistently fulfill our board’s fiduciary responsibilities.

**High Performing/Governance as Leadership:** Our governance role has broadened from fiduciary and strategic to include generative responsibilities, such as understanding the complexities of leading, valuing learning and creating a culture of trust that embraces change.

**High Impact/Governance as Impact:** We embrace the board’s fiduciary, strategic and generative responsibilities, and have also broadened our leadership role to include all dimensions of health care quality, patient and family-centered care, population health and community collaboration with the purpose of keeping people healthy in addition to treating illness.

Boards that embrace the expanded leadership role of a high-impact board have the potential to affect both mission and finance. Community-focused thinking can have a direct and positive influence. Financial benefits are real as well, as payment models increasingly incentivize population-based health and keep people healthy.

## High-Impact Boards Have the Potential to Transform Health Care

The concept of prioritizing individual and community needs is not new. The challenge is that it remains the exception, often drawn out as an example of what organizations can strive for. Instead, high-impact governance must become the norm

across our health system.

Systemic use of high-impact governance could fundamentally change health care, resulting in population health improvement, increased patient and family engagement, better health care quality and reduced costs of care. Improved well-being not only strengthens quality of life; it also extends the sustainability of the health care system.

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