Trustee Insights

TRANSFORMING GOVERNANCE

Future-ready Boards

Transforming practices for mission-critical success

BY KARMA BASS

Question: Is it time for hospital and health system governance to modernize through new tools and approaches to the work?

Answer: Definitely!

In recent years, the scope and complexity of hospital and health system governing boards' responsibilities have expanded exponentially. Consider just these evolving areas of oversight and their challenges:

- Complex joint ventures, affiliations and subsidiary business units.
- Increasing compliance, regulatory and accreditation requirements, with heightened scrutiny on board duties.
- Services across a continuum of care, including medical groups, ambulatory surgery centers, home health, insurance companies, medical schools, and community clinics, among others.
- Expectations for board involvement in reducing health disparities.
- New quality oversight guidelines from the Centers for Medicare and Medicaid Services.
- Community benefit and potential risks to the organization's not-for-profit status.

Furthermore, the governance landscape is complicated by challenges such as the COVID-19 pandemic, financial losses, workforce shortages, provider burnout, cybersecurity threats and increasing industry consolidation. With so much at stake, it's clear: the time has come to rethink how we govern.

Effective boards must go beyond traditional oversight to navigate the increasing complexity of health care. This requires generative conversations that question the fundamental "what" and "why" of the organization's mission and strategy. It's no longer enough to simply follow established protocols; boards must embrace a new approach that values asking the right questions over seeking a single, definitive answer.

By adopting new tools and strategies, boards and leadership teams can better prepare for the future — not just by responding to change, but by actively shaping it. In a rapidly evolving health care environment, visionary leadership is more crucial than ever for boards that are ready to redefine governance.

Governing in a Complex Environment

Today, boards of directors at hospitals and health systems often continue to rely on governance practices that were developed at a time when the health care industry was more predictable, narrower in scope and slower paced. Although running hospitals has always been challenging, the organizations these boards once governed were simpler and typically focused on providing acute inpatient care. In that environment, success often followed a clear set of proven strategies, rules and practices.

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However, in recent decades, the industry has evolved from stand-alone hospitals to sprawling health systems, incorporating a wide array of care settings and adapting to new, increasingly complex payment structures — from managed care to value-based care and beyond. Additionally, societal, policy, demographic and technological changes have transformed the landscape. Today's health systems are vastly different from the independent, acute-care hospitals of the past. Yet, governance practices and board structures have largely remained the same. The result? The health care sector has shifted from being complicated to being extraordinarily complex.

Stagnant governance practices and outdated board structures will no longer suffice. The shift from a complicated to a complex system demands fundamentally new approaches to leadership.

For those unfamiliar with the distinction, complicated systems consist of interconnected parts with operations that follow predictable patterns that can be understood through linear thinking. A car engine is a good example: it's complicated, but when something goes wrong, there's typically a "right" way to fix it.

Challenges within complex systems, however, don't offer clear solutions. These systems are unpredictable, and the same inputs can yield vastly different results. Consider the example of traffic in a large city, where a minor change, such as adjusting stoplight timing, can cause major disruptions like traffic jams. In complex systems, problems can be managed, but they often cannot be fully solved.

Hierarchical, military-style models were effective in managing the complicated systems of the past, but the governance of today's complex health systems requires a more adaptive approach. Leaders must be comfortable with uncertainty, encourage collaboration and foster continuous learning. Governance and management structures must be flexible, allowing for adjustments based on real-time feedback. In these systems, interactions between elements can lead to unpredictable outcomes. As one chief financial officer recently told the board she works with, "It's time to get comfortable with being uncomfortable."

Rethinking Structure and Practices to Modernize Governance

BOARD COMPOSITION

Reflecting the Community

Boards should evaluate whether their composition mirrors the makeup of the communities they serve. Homogeneous boards risk misalignment with patient populations and may lack the insight needed to understand the lived experience of the organization's patient population. We know that quality care is not possible unless it's equitably delivered. Ensuring that patients receive treatment designed and delivered based on their specific needs is predicated upon understanding the needs of the community. Compared with homogenous boards, boards reflecting their community challenge assumptions more, prioritize issues differently and foster more robust decision-making.

Modernizing Board Expertise and Skills

When evaluating board composition, it's important to consider whether your board members bring the needed expertise. Technology and artificial intelligence are two domains increasingly relevant to the work of health care boards. One board I recently worked with projected 10 years into the future and imagined the challenges its health system might face. The members then identified what skillsets and expertise would be needed to address those issues, which became the set of needed competencies for their board in total. Current members were then surveyed to determine what competencies the board already possessed, and recruitment was directed toward closing those gaps.

Avoiding the False Dichotomy

Any notion that board recruitment should focus on either representing the community or recruiting needed expertise represents flawed thinking. Yes, it may take longer to find new board members who bring both needed expertise and ensure the board reflects the community's composition. This is because current board members' personal and professional networks usually include people from the same background as themselves.

Accordingly, board recruitment committees will have to work harder than in the past. But "harder" does not mean impossible. If you're looking for examples of how this work can be done, see the June 2021 issue of Trustee Insights.

COMMITTEE STRUCTURE

Prioritize Essential, Mission Critical Committees and Delegate with Care

Committees play a vital role in helping the board dig deeper into specific areas of its oversight responsibilities and reducing full-board workload. However, an excessive number of committees — or committees with purely advisory roles — can consume valuable time without adding sufficient value. Boards should periodically review their committee structures considering a "zero-based" approach: which committees would they establish if starting from scratch?

Committees that can take decision-making approvals off the already-packed board meeting agenda can add significant value. For instance, many boards will delegate the authority for medical staff appointments and credentials to a committee. Other common areas of delegated authority for board committees can be executive compensation, physician contract oversight, investment oversight, and audit/compliance. Any delegation of board authority to a committee should be undertaken with care, education for the full board about what's being delegated, and careful tracking that includes reporting back to the board, even if in written form, about what actions the committee has taken on behalf of the board.

Weigh the Opportunity Costs

Boards must consider the opportunity cost of committees. Preparing for, staffing and following up on meetings consumes significant executive time, potentially detracting from strategic priorities. Boards should prioritize only essential committees that directly support the organization's mission and goals and are focused on the individual board's specific authorities. For instance, subsidiary boards without budget approval authority should not need a finance committee. Financial reports, in this example, should be at a higher level and discussed at the full board meeting.

DYNAMIC MEETING AGENDAS AND MATERIALS

Tools for Efficiency

Pre-read materials and meeting agendas can either hinder effective board work or serve as the secret weapon for smoother, more productive meetings. Included here are some approaches to streamlining the preparation and reducing the "filler" portions of board meetings and their materials.

Pre-recorded Presentations

A growing trend among health systems is incorporating videos into pre-read materials as substitutes for in-meeting presentations. For example, a chief financial officer might record a financial update in Microsoft Teams and distribute it. Board members can review the video beforehand, enabling them to come prepared with questions and leaving more time for discussion during the meeting — the essence of board work.

Agenda Topic Cover Sheets

Consider simplifying meeting materials by implementing a standardized "cover sheet" for each meeting agenda item. This template could be completed by each presenter and summarize:

- The topic and background information.
- Management's recommendations.
- Options considered.
- The specific "ask" of the board.

This approach clarifies the purpose of each agenda item, reduces the need for lengthy presentations and focuses discussions. It also helps ensure each topic is fully vetted prior to being brought before the board and forces leadership to clarify the governance-related purpose of a presentation.

Board Portals

If you're still relying on email distribution of meeting packets or (gasp) hard copy mail delivery, consider investing in some of the readily available technology. Commercially available board portals streamline access to meeting materials, providing:

- Immediate availability of documents with the ability to make notes, ask questions and survey board members.
- A historical record of past agendas and materials that's searchable, organized and always accessible.

Curated Materials and Timely Distribution

Board packets should be distributed seven days before meetings. Prior to their distribution, materials should be carefully reviewed by a single executive to ensure they:

- Are free of undefined acronyms and overly technical jargon.
- Are curated for clarity and relevance to the board audience.
- Present a consistent message,

tone and organization.

• Can be absorbed and understood in approximately four hours of study time, on average.

Without adequate time or accessible materials, board members cannot engage in the thoughtful, critical deliberations required for effective governance.

Impactful Meetings through Clear Agendas

Meeting agendas should prioritize substantive, engaging board work to dedicate at least 50% of the time to discussions rather than presentations. CEOs and board chairs should collaborate closely, starting with an annual planning session to align on their goals, asking themselves what will be most important to accomplish in board meetings that year and how meetings can be designed to best leverage the power and influence of the board.

If board meeting agendas have become formulaic, adopt a zero-based approach. Ask, "If we were starting from scratch, what should we include?" Many agenda items persist out of habit rather than necessity. Legal counsel can clarify regulatory requirements, often revealing that more flexibility exists than assumed.

By adopting these practices, boards can maximize their productivity, ensure meaningful discussions, and effectively advance their organization's mission and vision.

Using Dashboards Effectively

If used effectively, dashboards can be another secret weapon that enables boards to quickly understand performance in key clinical, financial and operational areas of the organization. From time to time, it should be asked if these indicators are still the "right" ones and what needs to be added or removed.

Different philosophies abound regarding what should be included on a board's dashboard — the "balanced scorecard" being one — but what's most important is that the board members have participated in the development of what's included, understand why these indicators matter more than the thousands of others that could have been included, and that the dashboard be considered a living document that can be adapted as organizational and board needs change over time.

Other tips for impactful dashboards include:

• Using graphs, not charts, wherever possible

• Labeling the graphs with whether higher or lower is "better"

• Including trended data over time

• Providing benchmarks, comparisons to others, and goals/targets for perspective

• Spelling out all acronyms and considering including a brief glossary of terms

BOARD PROCESSES AND PRACTICES

Establishing Term Limits

Term limits can bring fresh perspectives and promote diversity, counterbalancing the institutional knowledge of long-serving members. If your organization is one of the 48% of AHA's 2022 Governance Survey respondents that don't currently employ term limits, consider adopting them as part of your modernization efforts.

Updating Orientation and Continuing Education

Comprehensive onboarding ensures new members understand the organization's mission, vision and strategic goals. Providing materials in multiple formats (e.g., written, video) supports different learning styles. Orientation should occur over a series of interactions: tours, meetings, social gatherings, and presentations. Inviting experienced members to participate in the sessions fosters camaraderie and provides valuable refreshers. Consider asking the newest board members what they thought of their orientation and use the input to design a better onramp for your future leaders.

After a robust orientation, ongoing education should be a built-in part of every board and committee meeting, as well. Create an annual education calendar of topics requested by board members and related to strategic initiatives facing the organization. Inform your meeting presenters that their job is to inform and educate: Remind them board members are sophisticated and smart but need refreshers on topics that may not have been covered for months.

Consider offering single-topic board "workshop" sessions, where no action will be taken, for deeper dive education and discussion. When they have questions, ensure your board members have ready access to state hospital or American Hospital Association resources. Consider using industry conferences as opportunities for both board education and retreats for building rapport. The investment is significant, but the payoff can be invaluable.

Prioritizing Generative Discussions

Boards must look beyond fiduciary duties to address complex, paradigm-shifting challenges. Far too often leadership teams want to jump to solutions for their organization's challenges without ensuring they fully understand and agree on what the problem itself is.

By defining problems collaboratively, boards can better identify innovative solutions and strategic directions. Asking where our organization should be headed ensures the focus remains on advancing the mission and adapting to change.

Effective boards embrace diversity, adapt structures, and leverage modern tools to navigate complexity. By fostering adaptive leadership and prioritizing meaningful discussion, boards can guide their organizations through challenges and ensure long-term success.

What Matters Most: The Importance of a Collaborative Culture

All these aspects of board work — composition, committee structure, meeting agendas, materials and content focus, orientation, and ongoing education — are necessary for an effective board. However, the highly effective boards of tomorrow will recognize that these elements alone are not sufficient.

It's not just about what or who is doing the work, but also how they're doing it and why. Successful boards leading thriving organizations often possess a "secret sauce" that becomes evident in their meetings and interactions. Beyond taking an adaptive approach — embracing uncertainty, fostering collaboration, and engaging in continuous learning — they work cohesively as a team and embody principles identified in Google's 2012 Project Aristotle.

In 2012, Google explored why some employee teams excelled more than others. Initially focusing on team composition, their research revealed that team structure and clarity were key factors but not the only ones. Effective teams connected their work to a larger meaning, believed their work mattered and had an impact, practiced dependability and created psychologically safe spaces for collaboration.

Psychological safety, a concept known for decades but popularized in part by Project Aristotle, is crucial. It enables team members to share ideas and concerns without fear, driving better decision-making and innovation. Boards aiming to elevate their performance should study psychological safety and integrate its principles into their meetings and interactions.

Leading our Organizations from Surviving to Thriving

The health care industry urgently needs well-informed, forward-thinking overseers to navigate its growing complexity. A high-performing board is more vital than ever.

The enhancements to board structure, tools, and practices outlined here provide a modern governance framework designed to enable deep discussions that address a fundamental question: What will make this organization stronger and more capable of serving the needs of our community?

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