

Best Governance Practices: Not Just for Goliaths

by Mary K. Totten

Today's hospital leaders know their trustees must be more adaptable, connected and knowledgeable about the changing health care landscape than any of their predecessors. But do they believe their volunteer community board is truly capable of stepping up to current field challenges? The trustees at Margaret Mary Health, a 25-bed critical access hospital and health system in Batesville, Ind., conclusively answer that question, shattering the myth that only large system boards can embody state-of-the-art governance.

"Health care reform gave us the impetus for governance change," says Tim Putnam, Margaret Mary's president and CEO for the past six years. "We knew we needed to go beyond doing better—we needed to ask 'What does it mean to be a community hospital today?'"

Believing that more board education was the key, Putnam added more onsite learning sessions, bringing in American Hospital Association, National Rural Health Association and state hospital association materials and presenters. One speaker talked to trustees about diabetes in the context of the emerging value-based approach to care. "He said hospitals have never been paid to keep diabetes under control but one day they would be—and that should be their responsibility today," Putnam says. That was an "a-ha" moment for the board in understanding population health management. "Now we ask why patients come in and how we can prevent it—we never had that conversation before."

But the bigger "a-ha" that led to the board's deeper transformation came in 2012 when Margaret Mary's trustees attended an AHA Center for Healthcare Governance meeting. "We joined the Center to understand the value of what the board does as a whole—and decided to go as a full board to the meeting," Putnam says. That gave the trustees a shared learning experience—and the opportunity to find out how other trustees were meeting their challenges. "Our trustees came back home energized and ready to embrace best practices ... and they gave me my marching orders," he says. To lead that quest for best practices, the board decided to more deeply

empower its governance committee and chose trustee John Dickey as its "marching orders" chair.

"The community hospital board has two functions," Dickey says. "To fulfill the organization's mission and to make sure it goes on forever." Those duties have become "a burning platform" since passage of the Affordable Care Act, he adds. With his background in organizational development, human resources and global operations, Dickey brought considerable public board experience to the Margaret Mary board and has approached his role as governance committee chair in much the same way.

The committee began with a deep-dive internal assessment of the board's current approach to strategy, finance and recruitment. That assessment helped them adopt several governance best practices discussed below and evaluate their progress toward achieving them. The governance committee surveys the full board annually to gauge trustees' opinions about their own effectiveness and compares those results with other high-performing health care boards across the country.

Talent Comes First

As one of its initial tasks, the governance committee defined what effective governance meant for the organization, and determined the trustee competencies it needed. "We really believe that the foundation of an excellent board begins with talent with a capital 'T,'" Dickey says. "We have a diverse group of professionals who are respected in the community and who understand its needs." Margaret Mary's board composition is carefully crafted.

"We know we need to apply forethought when choosing individual trustees, getting the right board members with the right skills that are complementary to the rest of the board. You need the capacity for dynamic interaction among trustees, as well as competencies that work with the changing environment," Dickey says.

“You can’t bring your B game to the board table,” Putnam affirms. “We have an operational efficiency expert, the superintendent of schools, a bank CEO, a professor at the local nursing college, and we’ve just added a judge who adds a high level of legal expertise to our discussions. I look at the board as an outstanding group of consultants the hospital gets for free.”

Sustaining a Strategic Focus

The governance committee’s work helps set the full 14-member board’s meeting agenda to maximize its efficiency. “The governance committee’s diligence helps to make certain the work of the committees and the education plan 3. for the board is designed to spend the majority of time in productive discussion around our strategic goals,” Putnam says. “The committee keeps the board and committees on track and re-centers us when we drift.”

He adds, “You can’t spend the entire board meeting giving reports or sharing opinions. It’s finding that balance between the two that results in engaged, strategic discussion and review of key performance indicators. We’re always striving to perfect the balance by constantly asking how we can have the most robust discussion possible.”

With that goal in mind, the governance committee proposed and gained board approval to focus 75 percent of the board’s agenda on assessing progress toward accomplishing five long-term enterprise initiatives: creating a Lean enterprise culture; expanding primary care access; building a population

health program and accountable care involvement in alignment with the Affordable Care Act; developing and implementing a hospitalist program; and implementing organizational development aligned with succession planning. The strategies are listed on each agenda and a specific strategy initiative is the focus of each board meeting.

every other year to a national conference and convenes locally or regionally on alternate years for an educational retreat. During these alternate-year meetings, the Margaret Mary board meets with health care experts and colleagues from Cincinnati and Indianapolis, the nearest major metropolitan areas, to talk collaboratively about how care delivery changes are affecting them all. Staying in tune with its

neighboring cities informs Margaret Mary’s strategy as well. “When I bring these regional partners to the table to meet with our board, it helps me set up strong collaborations,” Putnam says. “We can only do so much as a critical access hospital, so we have to create partnerships.”

An annual strategy session is held after each year’s education session, but the nature of strategy itself is changing, Dickey says. “There really isn’t an annual or

even a five-year strategic plan anymore,” he says. “Today, the environment is changing so fast, strategy development is a constant. It continually evolves and we are constantly measuring ourselves against it ... strategy is a living process.”

He describes that process as a cycle that encompasses internal and external assessments that validate enterprise direction; the right performance metrics; a competent and talented board; and a focused and realistic strategy—all revolving around mission and vision. “That wheel is always turning,” Dickey says. “That’s the key to being nimble and staying on top of change.”

Lessons Learned: Six Best Governance Practices from Margaret Mary Health

1. Choose trustees with an eye to future as well as current needed competencies. Make sure new trustees’ skills complement and enhance those already represented on the board.
2. Use a board portal/intranet to send real-time reports, meeting information and background educational materials as they become available.
3. Choose concrete benchmarks and metrics to document milestones, successes and areas for improvement.
4. Determine the percentage of board meeting time to be spent on strategic issues and discussion and create an agenda that supports that structure.
5. Make ongoing board education an organizational priority.
6. Regularly assess and take action to improve governance effectiveness.

Between bimonthly meetings, Putnam and the governance committee send out a packet of dashboard metrics and relevant articles on issues affecting the organization and health care in general, ranging from Indiana’s Medicaid expansion plans to details of area mergers to descriptions of the hospital of the future. The packets are designed not only to keep trustees up to speed, but also to ensure they understand their work within a larger context and “are not looking at the rear-view, but two to five years down the road,” Putnam says.

Education Empowers Engagement

Ongoing board education remains a priority as well. The board travels

Having such an empowered governance committee means the CEO “doesn’t have to shoulder everything” in taking on new initiatives, Dickey says. However, Putnam notes, “It’s leadership’s job to make the board’s dreams come true.”

He cites the system’s Lean initiative as a prime example of striving to fulfill that obligation. “Many of our board members have manufacturing and logistics backgrounds—they have been using efficiency programs like Lean and Six Sigma for years,” he says. “The board challenged us to have an aggressive goal of cost reduction during early implementation of our Lean journey. Management set a goal of 1.5 percent of our operating budget—approximately \$1,000,000. We had no idea how we would obtain this savings and shared our hesitancy with the board, but their feedback to us was, ‘We don’t need you to know exactly what you are going to do. It’s much more about the

path than the destination.’ They really wanted us to strive for a goal and learn along the way.”

Putnam said the goal forced management to communicate with staff about the importance of cutting waste out of the system’s operations. “It energized a lot of efforts toward efficiency and cost reduction strategies throughout the hospital,” he says.

In addition, Margaret Mary launched a Medicare Shared Savings accountable care organization last year. Its chief aim was to learn how health care will make the transition from fee-for-service to fee-for-value. “We have found we can improve delivery and better coordinate care from studying the Medicare data,” Putnam says. “Our involvement is like tuition we pay to go to college.”

Putnam and the governance committee plan to engage trustees in larger system-wide initiatives. Their inaugural effort is a Physician Integration Initia-

tive that directly involves trustees in discussions with the system’s providers, asking “What kinds of talent do we need today and tomorrow and where should resources best be placed for current and future relevance,” Dickey explains. The effort is only a few months old, but it’s thriving, Putnam says.

“The board is clear about why we’re doing this—we all want to provide better quality and access to health care for the community,” Putnam says. “Because we’re all doing it for the right reasons, everyone can buy in.” The trustees involved act as spokespeople for the board’s concerns and are aware of their boundaries, not stepping directly into the initiative’s operations. “Physicians see board members as part of the solution,” Putnam says. “I think it’s working so well because we’re a community hospital, and because the board knows its role and brings a governance perspective to its participation.” He adds that such an approach will only be appropriate for major strategic initiatives, those for which “we don’t want to get too far down the road without the board’s support.”

Conclusion

In empowering its governance committee to lead best governance practices, Margaret Mary’s board has created more space for its ongoing education, as well as collaboration with regional colleagues. Most importantly, by devoting the majority of meeting time to long-term strategic issues, it can ensure that those best practices continue to support the organization, giving it the flexibility to evolve with change.

“As the board develops, I can engage our trustees in ways I couldn’t three to four years ago,” Putnam says. “It’s the board working together with one clear voice that moves the organization forward.”



Margaret Mary Health Strategy Wheel