Governing for Healthcare Transformation

2013 Rural Health Care Leadership Conference
February 10, 2013
Overview

- About the “Governance in an Era of Health Care Transformation” Study
- Organizational Challenges
- Transforming Governance
- Steps for Achieving Transformational Governance
- Panel Recommendations and Next Steps
Study Rationale

Honorific, Philanthropic Boards

Boards that Add Value

Boards that Lead Transformation
The Challenge for Boards

“If we expect the organization to transform, then we must do so as well.” — Trustee, “Governance in an Era of Health Care Transformation”

Are health care boards ready?
Blue Ribbon Panel Study

- Third in a series; funded by Hospira, Inc.

- Identifies current strengths and opportunities to achieve transformational governance

- 37 interviews: board members, executives and clinical leaders in four organizations

- Results reviewed by an expert panel

- Report and recommendations December 2012
Study Participants

- Beatrice Community Hospital and Health Center, Beatrice, Nebraska
- Fairview Health Services, Minneapolis, Minnesota
- Presbyterian Healthcare Services, based in Albuquerque, New Mexico
- Rutland Regional Medical Center, Rutland, Vermont
Blue Ribbon Panel

- Barry S. Bader, Consultant
- Kurt Barwis, CEO
- Sandra Bruce, CEO
- Martha Calihan, MD, Board Chair
- John R. Combes, MD, Trustee
- Rick de Filippi, Trustee
- Bina Eggensperger, Trustee
- Nancy Formella, Board Advisor
- Sam Friede, Trustee
- Ashish Jha, Researcher
- John Kandravy, Board Chair
- Katherine Keene, Trustee
- Kathy McDonagh, Executive
- Joanna Michelich, Board Vice Chair
- James E. Orlikoff, Consultant
- Alfred Purcell, Board Chair
- Carolyn Scanlan, Association Executive
Study Findings

Two Areas of Focus

- Transforming Healthcare Organizations
  - Discusses challenges facing hospitals and health systems to change from volume to value

- Transforming Governance
  - Board strengths and contributions
  - Opportunities to transform boards and their work
  - Outlines of “important leadership conversations”
Universal Themes

- Boards must transform the way they govern to successfully lead their organizations through transformation.

- Transformation requires frequent self-reflection and concerted action.

- Act boldly; Act now
Organizational Challenges
Organizational Challenges

Volume-based Current State

- Fee-for-service reimbursement
- High quality not rewarded
- No shared financial risk
- Acute inpatient hospital focus
- IT investment incentives not seen by hospital
- Stand-alone care systems can thrive
- Regulatory actions impede hospital-physician collaboration

Value-based Transformed State

- Payment rewards population value: quality and efficiency
- Quality impacts reimbursement
- Partnerships with shared risk
- Increased patient severity
- IT utilization essential for population health management
- Scale increases in importance
- Realigned incentives, encouraged coordination
Organizational Challenges

Financial Viability

- Declining reimbursement and rising costs
- Implementing value-based payment models
- Providing better care for less money

Questions:
- What is the right economic model to sustain our business?
- Can we straddle today’s and tomorrow’s payment systems without collapsing along the way?
Organizational Challenges

Creating Value

- All engaged in work ranging from improving basic quality and cost performance to “Total Cost of Care” and getting reimbursed for improved performance.

- Challenges: reducing variation and cycle time, removing waste, decreasing risk, engaging communities in change, how to care for populations of patients
“We’ve made good progress in committing commercial payers and the Pioneer ACO model to start paying us for value. But... eliminating inappropriate utilization, incentivizing physicians to improve the health of a panel of patients, measuring performance differently using shared savings and captive payment models. We’re not there yet.”

—System Executive
Organizational Challenges

Physician Engagement and Integration

- Common challenges: sharing risk and reward; developing and engaging physician leaders; building a shared culture
  - Hospitals: recruiting quality physicians within constraints; governance for employed medical staff; delivering care as a “team sport”
  - Systems: blending faculty, employed and independent physicians; applying research to clinical care in communities
Organizational Challenges

“We have doctors that don’t always talk positively about the hospital. We’ve had vivid conversations at the board table that identified the need to tell physicians that they are shaping the hospital’s image in the community. They can’t just say, ‘The hospital is responsible’ because they are the hospital.”

—Hospital Board Member
Organizational Challenges

Affiliation

- “Can we survive or must we affiliate?”

- Mission-driven board dialogue essential

- Transformational questions for boards:
  - What do we want to become?
  - What do we need to do to get there?
  - What does it mean to transform?
  - What is the role of community leaders?
Organizational Challenges

“Could we have more impact on the health of people in our state if we took a fundamentally different role? What if we sold our organization... and deployed the money differently—would we have a greater impact? When we were first organized our mission was to build beds to care for patients but now it is much more. Could we radically redeploy our capital and assets to better meet the mission, to create value instead of managing assets?”

—System CEO
Organizational Challenges

Complexity and Pace of Change

- Challenges:
  - Can we move fast enough?
  - What are we missing?
  - Too many initiatives: staff burnout
  - Will we actually make the leaps required?
  - Active inertia—old ways don’t work any more
  - Boards making decisions on issues they don’t understand
Organizational Challenges

“The board hasn’t yet made the leap needed to effectively govern a transformed health care organization.” — Board Member

Boards must lead by example.
Transforming Governance
Transforming Governance

Foundational Strengths: Trustee Selection

- Reviewing resumes of multiple candidates
- Candidates with backgrounds, skills related to transformation
- Greater diversity to reflect the community
- “Who do you know?” to “Who is the best fit?”
- Beginning to look outside of the community
“We have brought in several board members from around the country to provide outside perspective. One is the Medicaid director from another state. He is amazingly helpful to us in considering ways Medicaid could play out. …Another is a physician entrepreneur who has helped us think through how for-profit companies are changing the U.S. health system.”

—System Executive
Transforming Governance

Foundational Strengths: Education

- Ongoing learning is required for accountability

- Education builds common cause among all leaders; encourages stretching and taking risks

- Need to strengthen board orientation, education and meeting preparation

- Strategies: learn from others, visit nontraditional care settings, e-learning, off-site conferences
Transforming Governance

Foundational Strengths: Board Meetings

- Asking tough, challenging questions
- Using consent agendas
- Tying agendas to strategic priorities
- More discussion, less reporting
- Reviewing meeting structure, frequency
- Strengthening committee work
- Using technology: board portals, iPads
“Going from six to four meetings each year means we have to be sharper, more focused, better prepared. Issues also need to be well-framed in advance, with time provided for us to review and think about them before the meeting...This approach may seem counterintuitive, but...sometimes knowing more about more things doesn’t add value.”

—System Board Member
Transforming Governance

Seizing the Opportunity

Study boards have helped their organizations to:

- Articulate mission/vision commitment
- Think differently and clarify strategies
- Make metrics more future-focused
- Apply learning from board education
- Stay accountable to the community
Transforming Governance

“When I was a young CEO I didn’t know much about governance and undervalued it. I saw boards as a necessary evil. Now I have completely changed my view. My best experiences are when it’s just me and the board talking, exchanging views. They ask me what I’m worried about, whether I’ve considered various issues. I really grow through these interactions.”

—System Executive
Steps for Achieving Transformational Governance
Achieving Transformational Governance

Understanding Stakeholders

Action Steps

- Assess current, future stakeholders
- Understand and prioritize stakeholder needs
- Dig deep to uncover meaningful information
- Pay attention to the voice of the customer
- Putting a patient on the board is not enough
Achieving Transformational Governance

Selecting for Competency

Action Steps

- Broaden clinician participation: nurses, others
- Tap care system partners: social service, nonprofits
- Set goals for recruiting younger trustees
- Consider competencies needed at different board levels: system, hospital
- Broaden definition of competency to include personal capabilities
Knowledge, Skills for Transformation

- Expertise in building high-performing teams
- Experience leading transformation
- Expertise in risk identification, management
- Experience in quality, safety improvement
- Deep knowledge of new payment models
- Experience managing population health
Personal Capabilities for Transformation

**Personal Capabilities**

- Understanding the community
- Seeking information
- Managing complexity
- Being an active learner
- Thinking critically, strategically
- Being innovative
- Acting collaboratively
- Being self-reflective

**Personal Capabilities**

- Being courageous
- Willing to engage in fundamental change
- Tolerating risk
- Being flexible, adaptable
- Participating in difficult conversations
- Being a systems thinker
- Navigating uncertainty
Achieving Transformational Governance

Asking the Right Questions

Action Steps

- Put experts on committees to deepen inquiry
- Be aware of trigger issues: practice variation, over- or under-use of resources
- Evaluate performance broadly: episode of care- versus treatment- or procedure-level
- Use frameworks to guide inquiry
- Develop future-focused performance indicators
- Determine who owns issues; stay mission-focused
Achieving Transformational Governance

Understanding and Reducing Risk

Action Steps

- Task Audit and Compliance Committee to assess transformation risks
- Require regular reports from the Corporate Compliance Officer
- Ensure a strong Corporate Compliance Program
- Add risk assessment into board committee work
- Develop a risk grid showing impact of board decisions on the organization
- Develop tolerance and support for risk
Achieving Transformational Governance

Compensation

Action Steps

- Tie executive compensation to meeting short- and longer-term transformation goals: concluding an alliance, improving community health, rebranding

- Determine whether board compensation is necessary and permissible to support increased governance requirements
Achieving Transformational Governance

Board Performance Evaluation

Action Steps

- Develop “governance metrics”
- Evaluate at all levels: board, board member, board leader, board and committee meetings
- Develop action plans for improvement
- Use results in board member reappointment
- Evaluate board decisions and decision process
Achieving Transformational Governance

Leadership Development and Succession Planning

Action Steps

- Develop for board and executives
- Assess current competencies; recruit and develop internally to fill gaps
- Absence jeopardizes organization success
Achieving Transformational Governance

Important Conversations Critical to Success

Boards and leaders must have ongoing dialog about:

- Impact of transformation
- Understanding and reducing risk
- Needed leadership competencies
- Population health
- Value
- Assessing board performance
Where Boards Can Impede Progress

- Failing to objectively consider affiliations
- Fearing that affiliation may disband the board
- Not exercising authority to bring about change
- Engaging in incrementalism
- Failing to speak out, ask key questions
- Shutting down important conversations
- Failing to support management
- Failing to tolerate uncertainty
- Failing to evaluate whether the CEO and board are up to the challenges of transformation
Panel Recommendations: Transforming Board Work Leadership to Transform Health Care
Assessing Current Board Performance

- Are we the best board we can be?
- Do we have the right board leadership?
- Do we have the right board members?
- How do we compare to the very best boards and how can we quickly elevate all aspects of our governance to best practices?
- What would the right board for the future of our organization look and act like?
- How is that board different from our current board?
- What do we need to do today to become the best board for our organization?
Panel Recommendations

Transforming Board Work

- Identify needed competencies, fill gaps
- Evaluate emerging governance models: expert, community, clinical enterprise
- Decide if board compensation is needed
- For multiple-board organizations: consider broader roles for community leaders
Panel Recommendations

Transforming Board Work (continued)

- Ensure board membership reflects the community
- Adopt a high-performance culture
- Adopt governance best practices
- Evaluate performance at all levels of governance
Transforming Governance for Value-Based Health Care

**Traditional Practices**
- Routine education at meetings
- Individual development
- Recruitment for organizational needs
- Self-evaluation of board and members
- Focus on strategic and fiduciary responsibilities
- Internally focused on structure
- Improving current practices
- Focus on today’s performance

**Transformational Practices**
- Continuous learning
- Competency-based development
- Competency-based recruitment
- Competency-focused, peer-based evaluation
- Generative governance
- Accountability for outcomes
- Transforming governance to transform health care
- Focus on tomorrow
Panel Recommendations

Leadership to Transform Health Care

- Oversee continuous performance improvement
- Discuss what transformation means
- Broaden compliance and enterprise risk management
- Strengthen change management capabilities
- Ensure development of patient and family engagement strategies
Panel Recommendations

Leadership to Transform Health Care (cont.)

- Develop metrics to assess current, future performance
- Encourage provider collaboration to build care systems
- Actively oversee physician integration, engagement, leadership development
- Use Community Health Needs Assessment results to set strategy
- Assess executive capabilities to lead transformation
- Create a compelling vision for the future
Next Steps

Boards should:

- Compare their current practices with report recommendations to identify opportunities for transforming governance
- Determine where to begin and get started

2013 work for AHA Center:

- Develop tools and resources to help boards implement panel recommendations
Questions?

For a copy of the complete report:

“Governance Practices in an Era of Health Care Transformation”

Contact the AHA Center for Healthcare Governance at:

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