

Foundations for Governing Excellence: Board Roles and Responsibilities

Knowledge Resources for Health Care Governance Effectiveness

The world of health care is complex and ever-changing. A knowledgeable governing board is essential in order to ensure effective leadership and the capacity to adapt in a turbulent environment. In order to successfully meet the increasingly difficult challenges and issues that will test board members' skills, creativity and leadership capacity, trustees must understand their basic roles and responsibilities as the primary shapers of their health care organizations.

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Hospital governing boards are facing a growing number of critical challenges, all of which are simultaneously converging to make hospital governance more difficult and more important to organizational success than ever before. Inadequate reimbursement, rapidly rising pharmaceutical and medical technology costs, workforce shortages, a lack of meaningful government solutions to dealing with the rising tide of uninsured patients, cracks in public trust, continuing pressure to improve quality and patient safety, and burdensome federal and state regulatory mandates are fueling responsive change and transformation in the boardroom. Hospital boards that are innovative and willing to challenge the leadership status quo will be in a better position to successfully weather these storms of change and strengthen their hospitals' strategic success.

Several trends are likely to shape the future of hospital governance in the next several years. Every board should consider the impact of these trends on their leadership practices and potential, and design specific approaches to proactively meeting these trends.

Trend #1: Director Deficits. Boards will be increasingly challenged to find and retain high-performance trustees skilled in leading complex organizations with multiple constituencies.

As the health care environment and the organizations in it become more complex,

serving as a successful board member will become increasingly difficult and time-consuming. The need for dynamic leaders will be critical, and board positions will require more expertise and strategic thinking skills.

As a result, successful board recruitment strategies should examine needs for trustee skills and expertise that look at least five years into the future. Depth of knowledge, ability to think strategically, the capability and willingness to make the time commitment required to serve the hospital and the community, and the ability to bring to the table unique new skills that match with future strategic needs are critical.

As hospitals recruit new board members they must be clear and focused about the requirements for trustee and board team success. The ultimate goal should be to eliminate any "leadership gaps" that presently exist, and protect the board from future leadership gaps.

Trend #2: Hot Seats. Board activities and leadership will be under a microscope of increasing scrutiny by the media, regulators and community advocates.

The mandate for governance accountability is increasing in importance as boards across the country are much more closely scrutinized by the media, the public, local and state government, the business community, consumers and the federal government. Board members must clearly

understand and embrace their vital governance responsibilities and avoid the type of high profile governance failures that recently have occurred at some health care organizations.

The Sarbanes-Oxley Act of 2002 was established in response to the occurrence of recent high profile cases of governance and management malpractice. The passage of this act has placed increased scrutiny on all boards, and has particular ramifications for health care boards as their hospitals attempt to adapt the act's parameters to their organizations.

This increased scrutiny will cause strategic accountability to become a key governance core competency. The board should conduct annual self-assessments to hold itself accountable and assure that it:

- Understands what the community wants and needs;
- Responds effectively to the needs of stakeholders;
- Measures and evaluates performance in multiple areas, including quality, access,

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Creating a Visionary Board: Ten Governance Leadership Transformations

Today's rapid-changing health care environment requires trustees to continually lead their organizations "to the horizon." The following ten health care governance leadership transformations should be embraced by board members as they prepare their organization's for future success.

- **Be catalysts for change.** Boards of trustees must continually challenge the status quo, set the bar high, and encourage innovation, risk taking and new ways of embracing the opportunities of the future. They must push for change, value creativity and innovation, and leverage change for strategic advantage. They must design organizations that can capitalize on the new opportunities emerging from the rapid change occurring in health care today, and create new governance methods and structures to lead this change.
- **Develop new levels of expertise in the issues driving health care.** Boards of trustees must continually seek out new knowledge and perspectives about the health care field, the evolving environment, and its impact and implications on the hospital, its physicians, employees and the community. They must develop a high level of understanding in the areas most critical to organizational success and performance. They must engage in continual governance education and speed their understanding toward the development of informed decisions and direction. Passing knowledge is no longer okay. Developing expertise requires motivation, commitment, and time.
- **Focus more on the emergent and less on the urgent.** Boards of trustees must focus on new directions and new opportunities, not on the problems of yesterday and today. They must understand the trends and strategic priorities, not the projects and operational details. They must create time for discussion of the most significant issues affecting the future success of the health care system at each and every board meeting.
- **Engage in "outside in" thinking.** Boards of trustees must think like the consumers their organizations serve, and provide new leadership thinking with an external mindset. This requires a complete rethinking and retooling of traditional board leadership styles, and requires new measurements of value and success.
- **Envision multiple futures.** Boards of trustees must understand that there is no single future that can be planned for and successfully executed. There is no straight line to the future, but instead multiple potential futures driven by uncontrollable outside forces. Considering a variety of scenarios and potential organizational responses enables hospital boards to determine the actions in advance that they must take in order to capitalize on the forces for change.
- **Ensure continuous leadership renewal.** Boards of trustees must continually refine their organizations to meet the emerging needs of the future, not perpetuate the structures of the past. The keys to renewal are flexibility, education, and governance structures that enable the organization to act swiftly, to anticipate and capitalize on emerging opportunities. The board of tomorrow, like the board of today, requires visionary strategic thinkers with entrepreneurial skills and experience in transforming organizational thinking and action to meet the demands of a new era.
- **Build a constant focus on value.** Boards of trustees must be able to define health care value in ways that are highly meaningful to payers and patients. The focus on defining and improving value must be incorporated into the organizational culture, and used as a major factor in defining organizational strategic initiatives. The value focus must be communicated throughout the organization.
- **Focus on strategy.** Boards of trustees must focus their time and energies on the most pressing strategic, future-focused issues and plan proactively and flexibly for rapid change and uncertainty. They must develop the expertise to recognize and solve longer-term issues, and assure a synergy and consistency of activities and strategic direction. The structure and make-up of the board must mirror the organization's strategic priorities.
- **Educate the community.** Boards of trustees must be active, aware and involved advocates in the community for their hospitals, helping to ensure that consumers, employers, lawmakers and other influencers understand the hospital's challenges, and see the potential roles they can play in securing a successful future for what is arguably the community's most critical asset.
- **Build community health.** Boards of trustees must broaden their perspectives from simply ensuring institutional survival to embrace the community as a whole and focus on improving the health status of the population.

efficiency and finance;

- Constantly seeks to improve hospital and governance performance;
- Communicates performance widely; and
- Holds itself and its organization to the highest, most stringent values, principles and ethical standards.

Trend #3: Advocacy Advancers. Trustees will increasingly be called upon to advocate forcefully and often for the interests of the hospital in meeting growing challenges.

Trustees are the voice of the community. They can and must use their clout and credibility to be strong and powerful influencers of the views held by lawmakers, regulators, community groups and others who influence or make decisions that affect the future of their organizations. Since trustees are not typically paid to advocate and have no financial or operating interest in the outcome of their positions, their views often have more influence over decision makers than those of paid hospital employees.

Trustees must be continually aware of political issues and legislative processes, and establish relationships with their state and national legislators and their health policy staffs. This need for knowledge building and strong relationship development has always been a factor for board members, but it has become even more critical today. Board members should build strong relationships before a crisis develops, and must always speak with a single voice.

Trend #4: Expansive Expertise. Boards will be expected to be well-educated about the challenges, issues and implications of a broad range of factors impacting hospital success.

Trustees must know and understand more than the hospital's simple financial and operating information. Decisions must be guided by the hospital's mission, vision, values and strategic initiatives and be based on facts that focus on priorities vital to the hospital's success. Key indicators of hospital performance should be monitored closely, and should guide strategic decisions in order to:

- Build a common understanding of strengths, weaknesses and desired direction;
- Establish a feedback system;
- Link objectives to long-term targets and budgets;

- Identify performance gaps; and
- Invite discussion and create educational opportunities.

Trend #5: Flexible Futures. Boards will need to develop the capacity to envision and efficiently direct the implementation of multiple strategies that will change depending upon environmental shifts.

Scenario planning will be increasingly used as a strategic tool to help boards and management teams prepare flexible, multi-faceted solutions to respond in an uncertain environment. Effective scenario planning identifies "early warning signals" that will help the board prepare strategic responses for various contingencies. In addition, scenario planning enables the hospital to evaluate the potential for various strategies in various situations, generates important dialogue on important issues, and produces flexible, dynamic governance decision makers who are not surprised as the future unfolds.

Trend #6: Community Catalysts. Boards will need to be adept at forging new partnerships and affiliations with traditional and non-traditional community stakeholders.

Health care organizations will increasingly need to partner with both other health care providers as well as organizations that have an interest and stake in the community's health (such as police or fire departments, local business groups, religious organizations, public health agencies and others). As these partnerships develop, individual organizations will face new challenges to their traditional independence. Community partnerships often lack formal, traditional forms of governance, and different partnering organizations will make different levels of commitment. Partnerships will also involve overlapping interests between members. Hospitals must learn to adapt to these changes in order to establish strong business relationships within the community.

Trend #7: Techno Trustees. Boards will need to embrace emerging technologies that enable faster, more accurate strategic understanding and decision-making.

Health care boards must increasingly utilize technology just as leaders in other organizations do when making strategic decisions. Hospitals can save money and time and improve their decision-making process by:

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Today's rapid-changing health care environment requires trustees to continually lead their organizations "to the horizon."

Actions Boards of Trustees Can Take: Board Structure and Processes

- Ensure that each trustee is provided with the background information and intelligence resources to actively participate in board dialogue
- Develop a clear and comprehensive understanding of the changing health care environment (local, regional and national) and its effects on the hospital
- Ensure that trustees receive orientation and education that broadens their perspectives and ensures well-informed decision-making
- Provide an ongoing governance development process that identifies emerging governance issues, determines educational needs, and oversees the board self-assessment process
- Create a “team environment” where trustees feel free to engage in a vibrant dialogue that challenges conventional thinking
- Develop a comprehensive and usable set of governance policies and procedures; review practices, bylaws and other structural factors on an annual basis
- Establish decision protocols and procedures, and follow them consistently to create stability and predictability
- Conduct a regular environmental assessment; ensure board understanding of the changes taking place in the healthcare environment, and their implications on the hospital, its physicians, and local healthcare consumers
- Examine board composition, and match present skills against current and emerging trends, challenges and issues; ensure that skills are/will be in place to successfully deal with the future
- Ensure that trustees receive agendas at least one week in advance of board, committee and task force meetings; provide background materials (articles, white papers, talking points, etc.) necessary to ensure trustee understanding of critical governance-related issues and promote meaningful dialogue and critical decision-making
- Ensure that agendas match board strategic issues and priorities; focus around specific outcomes the board wants to achieve at the meeting
- Indicate the appropriate level of discussion of each agenda item; allow adequate time in agendas for discussing significant issues impacting the hospital’s progress and requiring board action
- Adhere to the established agenda, with the board Chair keeping a tight rein on digressions, members’ side discussions, and issues that have already been addressed
- Save critical time for important discussions by using a consent agenda covering the routine actions that require approval
- Ensure that the board spend no more than 25 percent of its time monitoring past events, and at least 75 percent of its time on long-range planning, setting policy and making future-focused decisions
- Examine the board committee structure to ensure flexibility and responsiveness to evolving challenges and opportunities
- Ensure that committees and task forces have specific charters, well-qualified members, and efficient operating rules that advance understating, improve decision-making, and contribute to strategic success
- Utilize high focused and accountable committees and task forces to carry out the detailed work of the board, freeing the full board for high-level strategic discussion; consider establishing “strategic issues teams” to replace some traditional standing committees
- Evaluate the quality and quantity of information used by the board to make policy and strategic decisions; ensure that information is relevant, timely, understandable and actionable, and that it facilitates high-quality board decision making
- Ensure that the board has an education development plan that assures trustee understanding of all aspects of issues essential to effective governance; conduct education and orientation at every board meeting, and annually at the board retreat
- Provide peer-to-peer mentoring and assistance when required
- Develop a process for governance renewal to ensure that committees, policies, procedures and overall board structure and functions meet the needs of and create a high-performance organization
- Examine the frequency and content of board meetings to ensure that the most significant and meaningful issues are being effectively addressed, that trustees’ time is respected and used efficiently, and that trustee involvement and participation are enhanced as a result
- Ensure that the Board Chair is well-skilled in the dynamics of effective meeting management and leadership, keeping meetings well-organized and tightly constructed; provide the education and orientation necessary to ensure a smooth flow of involved leadership dialogue, discussion and decision-making
- Develop the board’s problem solving skills through education, scenario planning, case studies and other methods that build teamwork, collegiality and compromise
- Examine the last six board agendas; assess the ratio of time spent discussing issues and opportunities vs. time spent on approval of minutes, committee reports, and other more procedural issues; make discussion of strategic issues the centerpiece of every board meeting
- Ensure that the board, medical staff leadership and management have clearly-defined, synergistic strategic planning roles and responsibilities
- Create a formal compliance plan, and regularly review the quality of adherence to the plan, and the timely organizational responsiveness to issues of compliance
- Involve physicians in meaningful ways as key participants in governance decision making, including trusteeship, committee appointments, strategic task force involvement, etc.

The governing board must see the “big picture”, and work with all of the information available to it in order to lead the hospital forward in carrying out its mission and vision.

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- Using distance learning tools that access professionals;
- Having computers or laptops with internet access in meeting rooms that allow trustees to look up information that can aid in the decision-making process; and
- Assembling a “knowledge bank” online that trustees can access and review at their convenience.

Major Board Functions

Board members must first understand clearly the difference between “governance” and “management”. The governing body is responsible for ensuring the mission and vision of

the hospital, in addition to being legally responsible for the operation of the hospital. The governing board must see the “big picture”, and work with all of the information available to it in order to lead the hospital forward in carrying out its mission and vision.

Management is responsible for the day-to-day tasks of running the hospital. The board delegates the day-to-day management to the chief executive officer (CEO). The CEO and the senior management team is guided, but not directed, by the governing board. They lead the hospital’s staff to carry out the mission and vision that has been developed and approved by the governing board.

The roles and responsibilities of the governing board involves everything from ensuring the cost-effective utilization of resources to determining

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Actions Boards of Trustees Can Take: Improving Leadership Focus

- Ensure that trustees understand critical community health needs and challenges, and that governance decisions are based in large part on meeting community health needs
- Clarify and reinforce the board’s role in developing the hospital’s strategic and operating plans
- Improve the strategic issues and initiatives reporting process to ensure that trustees are actively engaged in understanding current strategic issues and determining new strategic directions; ensure that board members understand the areas most critical to organizational success and performance
- Continually seek out new knowledge and perspectives about the evolving health care environment and its impact and implications on the hospital, its physicians, employees, and the community
- Engage board members in “outside in” thinking: view the hospital from a consumer perspective, providing new leadership thinking with an external mindset
- Envision multiple futures, and consider a variety of scenarios and potential organizational responses that can enable the board to determine its actions in advance
- Develop a board decision-making culture centered around active involvement, questioning, probing, challenging, and stimulating discussion and dialogue on meaningful issues; actively ask for and listen to one another’s ideas and input
- Clarify board member roles and responsibilities, and how individual contributions can best be leveraged for group success
- Share power among trustee team members, and ensure that everyone has a voice in governance decisions
- Create a governance culture that is open to alternative views, and that can constructively challenge “conventional wisdom”
- Foster leaders who understand how to encourage innovation and welcome organizational change; encourage change and creativity in leveraging change for strategic advantage
- Become a catalyst for change by continually challenging the status quo, encouraging innovation, risk-taking, and new ways of embracing the opportunities of the future
- Enhance the board’s ability to engage in spirited discussion and dialogue that transforms disagreement into consensus and positive new directions
- Develop protocols to streamline the decision-making process; create decision pathways that ensure all critical decisions include the proper mix of background, discussion of alternatives, potential outcomes and preferred choice
- Ensure processes that create opportunities for individual participation that strengthens decision-making, enriches discussion, builds understanding, and prepares individual trustees for future leadership challenges
- Develop a trustee recruitment strategy that looks forward at least five years
- Create a profile of the current board by age, gender, professional experiences and years on the board
- Conduct a “gap analysis” of the current board, and create a profile of an ideal board for the hospital based on projected future hospital strategic issues
- Establish clearly defined criteria for identification, screening, interviewing, evaluating and recruiting new trustees that ensures needed leadership assets are acquired when needed
- Create a trustee expertise “portfolio” that outlines the experience, expertise and personal characteristics required of new trustees
- Be honest with new trustees about the time commitment expected
- Ensure that directors’ and officers’ liability insurance provides the protection needed to reassure trustees that a “safe” governance environment exists
- Create a conflict of interest policy, and ensure that trustees annually declare any conflicts that may inhibit their ability to provide unbiased, independent thinking and decision-making

the hospital's mission, and establishing a long-range strategic plan to help attain that mission. Although boards have many and varied responsibilities, all governing boards have primary responsibility in six key areas:

1. Ensuring quality and patient safety;
2. Providing informed and effective financial leadership and oversight;
3. Advocating for the hospital's interests, and building strong community relations;
4. Ensuring the achievement of the hospital's mission, vision and strategic direction;
5. Building strong board/CEO relationships; and
6. Strengthening board/medical staff alignment.

Ensuring Quality and Patient Safety

Trustees need to be proactive in ensuring high levels of quality improvement and patient safety. It is ultimately the board's responsibility to ensure that the hospital is taking clear, appropriate measures to provide the safest health care in the most efficient and effective manner.

The cost of medical errors to the health care system as a whole and individual hospitals is startling. Approximately half of the cost of medical errors come from direct health care expenses, such as increased hospitalization; the other half includes such indirect expenses as lost productivity and disability.

More specifically, medication errors, which have been studied in detail over the past few years, account for a significant portion of preventable medical errors. According to the Committee on Quality of Health Care in America, more people die annually from medication errors than motor vehicle accidents, breast cancer or AIDS – three causes that receive far more public attention. Adverse drug effects cause approximately 777,000 deaths per year and can cost hospitals between \$1.56 - \$5.6 million annually depending on the size of the institution. And according to information in the American Hospital Association's "Toolkit for JCAHO's New Patient Safety Standards," adverse drug effects may cause an increase in a patient's length of stay by 8-12 days and a cost increase of up to \$24,000. These statistics demonstrate that systematic changes in how medications are ordered and dispensed can have a positive effect on an hospital's bottom line, and ensure improvements in quality and patient safety.

High quality providers are magnets for patient self-referral, physician referrals and managed care contracts. And although quality has traditionally been a matter of perception on the part of patients, there are now several organizations that routinely publish reports on the top-rated hospitals for quality. Hospitals that do not put protocols in place to reduce medical errors risk losing consumer confidence and market share. AHA's patient safety toolkit reveals that seventy-one percent of respondents in a national survey in 2001 were somewhat or very concerned about harm during health care, with a large percentage worried about being given wrong medication (sixty-one percent) and complications from a medical procedure (fifty-six percent).

The board is ultimately responsible for ensuring that high quality care is consistently and effectively delivered to patients. The governing board is responsible for ensuring that the staff has the support and resources necessary to enable them to fulfill their roles. The board is also responsible for reviewing the quality of medical care delivered in the hospital through the quality assurance program.

To ensure high-quality care, trustees must have a thorough understanding of the quality assurance and quality improvement process, and the capability to identify and assess patient care outcomes that affect quality of care. Quality and patient safety should be an integral part of the hospital's mission statement, and quality and patient safety should be a prominent part of the agenda at every board meeting. Board members must continually review input and ideas from the medical staff on quality of care issues. Finally, trustees must become comfortable with the responsibility of quality, seek education regarding it and consider quality as a component of every decision they make.

Crossing the Quality Chasm. In a follow-up report to the IOM's groundbreaking 1999 report on medical errors (*To Err Is Human*), the Institute released a second report titled *Crossing the Quality Chasm: A New Health System for the 21st Century*, in March 2001. The report recommends 13 ways to move the health system closer to the IOM's aim of safe, effective, patient-centered, timely, efficient and equitable care. The report outlines these six aims for improvement that can "raise the quality of care to unprecedented levels." Specifically, health care should be:

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- **Safe** – avoiding injuries to patients from the care that is intended to help them;
- **Effective**—providing services based on scientific knowledge to all who could benefit and refrain from providing services to those not likely to benefit;
- **Patient-centered**—providing care that is respectful of and responsive to individual patient preferences, needs values and ensuring that patient values guide all clinical decisions;
- **Timely**—reducing waits and sometimes harmful delays for both those who receive and those who give care;
- **Efficient**—avoiding waste, including waste of equipment, supplies, ideas and energy;
- **Equitable**—providing care that does not vary in quality because of personal characteristics such as gender, ethnicity, geographic location, and socio-economic status.

The credentialing process requires more oversight from the board than some areas of hospital operations, and board participation in the process is integral in assuring a viable, effective credentialing process and a high quality medical staff.

Medical Staff Credentialing. A major function of the hospital governing board is the establishment and use of effective policies and procedures for appointment (and reappointment) of physicians to the medical staff. The board itself does not actually collect and validate the information used to evaluate potential medical staff. However, the board must be familiar with the criteria for medical staff appointments and reappointment ensure that the hospital is following

the appropriate procedures in the evaluation of medical staff applicants.

The Credentialing Process. Medical staff credentialing is a two-pronged process that involves establishing requirements and evaluating individual qualifications for entry into a particular medical staff status. Credentialing first involves considering and establishing the professional training, experience, and other requirements for medical staff membership. The second aspect of credentialing involves obtaining and evaluating evidence of the qualifications of individual applicants. Basically, credentialing is verifying that each applicant:

- Is who he/she claims to be;
- Has been properly licensed;
- Has appropriate liability insurance; and
- Meets minimum requirements established by the hospital to be on the medical staff.

Credentialing requires primary source verification – direct contact of the sources of credentialing, such as schools, residency programs, and licensing agencies – to guarantee that statements of education, training, experience and other qualifications are legitimate. Primary source verification is not only important in meeting requirements of main accreditors, such as JCAHO, but also critical in avoiding legal problems and ensuring quality patient care.

Actions Boards of Trustees Can Take: Quality and Patient Safety

- Ensure that the hospital has an effective, coordinated and organization-wide quality improvement plan
- Ensure that the hospital has a fully-functioning quality improvement process that continuously defines, measures and improves quality at all levels, including clinical, service and organizational development
- Ensure that the board has approved quality indicators which are reported to the board regularly
- Put patient safety on every board meeting agenda
- Ask about and understand how safety is addressed
- Ensure that your hospital has developed a definition of quality that encompasses community health, wellness and prevention
- Ask what safety programs the hospital system has in place, how effectiveness is being addressed and what impact is made
- Approve the written performance improvement or quality assessment plan
- Receive reports about specific patient safety projects and results
- Make quality improvement a core organizational strategy
- Prepare information about the quality and performance of your organization for key stakeholder groups
- Develop specific CEO performance objectives based on measurable and achievable quality goals
- Ensure that physicians, nurses and other professional staff are actively involved in safety activities
- Regularly monitor the incidents of serious adverse events, their root cause analysis and actions taken to prevent recurrence
- Ensure reporting of internal adverse events to external patient databases used for educational and improvement purchases, such as JCAHO's Sentinel Event database
- Ensure that the organization's leadership (board, CEO and medical staff) is meeting the Joint Commission's quality standards and achieving Joint Commission national patient safety goals
- Support investment in system improvements that will improve safety
- Understand the JCAHO accreditation standards and the reasons for pursuing accreditation
- Understand the Medicare Conditions of Participation and the significance of certification
- Lead by example—initiate quality improvement in the governance and medical staff leadership process

The credentialing process requires more oversight from the board than some areas of hospital operations, and board participation in the process is integral in assuring a viable, effective credentialing process and a high quality medical staff.

Trustees must ensure that the hospital has a credentialing process that includes the following:

- A valid license in all states that apply;
- Evidence of completed training, including an undergraduate degree, completion of a medical school education, and residency, fellowship, or other training, if so claimed;
- No disciplinary actions by previous hospitals, professional societies, or specialty boards that have not been satisfactorily explained;
- Good standing at current hospitals;
- Current and adequate liability insurance;
- Valid board certifications, if claimed or required by the hospital;
- Satisfactory recommendations regarding professional performance;
- Clinical skills, ethical character, ability to work well with others;
- Statement of health, including any histories of substance abuse or chronic illness;
- Malpractice claims history; and
- Privileges granted at other hospitals and evidence of special training and experience, especially in conducting high-risk or unusual procedures.

The Privileging Process. Another aspect of the credentialing process is privileging the medical staff applicant. Privileging is a three-pronged process that determines:

- The diagnostic and treatment procedures a hospital is equipped and staffed to support;
- The minimum training and experience necessary for a clinician to competently carry out each procedure; and
- Whether the credentials of applicants meet

minimum requirements and allow authorization to carry out requested procedures.

Often called “delineation of clinical privileges,” this process determines what procedures may be performed or which conditions each medical staff member may treat. As new technologies are developed and new subspecialties are discovered, privileging medical staff members will become more challenging for hospitals and their leaders. Delineation of privileges is an ongoing process that must not only be flexible enough to add new procedures or conditions to treat, but also be firm, fair and consistent.⁵

Boards have become increasingly more involved in the credentialing process. In many instances, boards are designating responsibility for appointment and privileges decisions to a board subcommittee that better understands the credentialing issues and that the board has authorized to act on its behalf in such matters. The credentialing process requires more oversight from the board than some areas of hospital operations, and board participation in the process is integral in assuring a viable, effective credentialing process and a high quality medical staff.

Unfortunately, many hospital boards still employ the traditional and outmoded “rubber-stamp” approach to granting medical staff appointments and delineating privileges. Boards fall into this trap because they may be uncertain how to review the recommendations of the medical staff or how to make objective decisions, or they are unclear as to their responsibility for medical staff credentialing.

Ideally, a collaborative process involving both medical staff members and the board should be undertaken. The medical staff should be responsible for evaluating each physician applicant while the board monitors to ensure that the medical staff has performed each evaluation properly and completely. It is the board’s

Quality Indicators the Board Should Regularly Review

The board should require regular reporting on a number of quality indicators. Here are some examples:

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| ■ Mortality rates | ■ Length of stay |
| ■ Number and type of malpractice cases | ■ Number of patient falls |
| ■ Number and rate of errors made | ■ Number and type of sentinel events |
| ■ Number and type of near misses | ■ Patient assessments of their perceived level of safety |
| ■ Policy changes as a result of error analysis reports by performance improvement teams involving patient safety | ■ Number of hours spent in training staff in patient safety |
| | ■ The annual cost of medical errors to your hospital |

Actions Boards of Trustees Can Take: Financial Focus and Leadership

- Ensure that annual operating and capital budgets are developed and approved, and that rolling 3-5 year financial forecasts are produced
- Identify, review and approve targets for debt, liquidity, ROI, profitability, and other important measures of financial and operational performance needed by the board to monitor organizational performance and make timely, informed decisions
- Ensure that key financial ratios are monitored at least quarterly, and that financial and operational implications and corrective measures are developed by management, when appropriate
- Develop a reporting style that is easy to understand, highlights major trends, and stimulates creative discussion
- Exercise broad authority to protect the limited resources both of the institution and the community
- Ensure the cost-effectiveness utilization of resources
- Lead the development of long-range and short-range financial plans, performance evaluation against the plans, and regular financial reports to the board
- Review the types and scope of services being offered
- Ensure that adequate capital is available for the organization’s investment strategies
- Actively encourage philanthropic support
- Approve the budget and provide for day-to-day cash needs
- Determine fiscal policy relating to insurance coverage, discount policies and third-party reimbursement
- Determine policy on the provision of needed community services

responsibility to ensure that the medical staff has established a meaningful, objective procedure for evaluating applicants, to verify that each step of the procedure has been conducted, and to ensure that appropriate information has been received and considered. The board also has responsibility for making the final decision for each applicant.

Financial Oversight

The board is responsible for the financial success of the hospital, and fulfills a fiduciary responsibility that is defined as: a duty of organizational loyalty; a duty of care through application of business judgment; and a duty of obedience in abiding by laws, regulations and standards of hospital operations. Given recent fiascos such as the Enron, WorldCom and HealthSouth governance failures which have led to charges against board members entrusted to protect the corporation’s assets, the responsibilities of hospital board members are greater than ever.

Applying firm and consistent ethical practices to decision making responsibilities is a necessary hallmark of the hospital board. An abiding interest in utilizing a “moral compass”, well-established ethical principles to be used when deciding about board actions that concern ethical/moral dilemmas of services provided to the community served, provides the necessary balance to board decisions.

Duty of Loyalty: This duty bars trustees from using their board position in a self-serving manner, one that would provide insider information or contacts to better themselves

personally. Policies addressing conflicts of interest and prescribing situations in which board members need to excuse themselves from deliberations that may compromise this duty are methods in which the board can circumvent this exposure.

Duty of Care: Trustees are required to use the level of judgment in discharging the business of the hospital that they would in their own personal business activities. This is accomplished by: 1) obtaining necessary and adequate information before making decisions; 2) acting in good faith; and 3) making decision that are in the best interests of the hospital.

Duty of Obedience: This requires board members to follow all laws, regulations, corporate bylaws and rules and regulations when representing the interests of the hospital. The bottom line is that board members must always act in a manner that protects corporate operations and strengthens community trust.

The hospital board’s responsibilities in financial oversight are critical, as payment sources and systems are constantly changing and becoming increasingly complex.

Boards have a broad responsibility to protect the limited resources of the hospital to ensure optimum services and benefit to the community. The board must ensure the cost-effective utilization of resources and the establishment of both long-range and short-range financial plans. The board should regularly review meaningful and understandable financial reports, ensure that adequate capital is available for the hospital’s

Boards have a broad responsibility to protect the limited resources of the hospital to ensure optimum services and benefit to the community. The board must ensure the cost-effective utilization of resources and the establishment of both long-range and short-range financial plans.

investment strategies, and actively participate in and encourage regular philanthropic efforts.

One of the most critical functions of the governing board is protecting the hospital's financial status. The board should establish financial goals in a variety of key areas including growth, debt capacity, return on equity and other areas that define financial success. The board approves the annual operating and capital budgets, receives and approves a variety of budget reports throughout the year, primarily through a finance committee, and oversees the hospital's investment policies and goals.

In addition, boards of trustees are typically involved in assessing the impact of the hospital's pricing strategies and discount policies, and become involved in discussing and approving contractual arrangements and other determinants of financial performance. Boards also determine policy on uncompensated care, provision of needed community services that may not be financially viable, and development of diversified revenue streams.

Furthermore, boards are responsible for ensuring that the hospital consistently complies with all applicable laws and regulations. In recent years, particularly as managed care developed, Medicare and Medicaid payments have not kept pace with inflation, and hospitals have increasingly experienced financial difficulties. With the federal government's emphasis on detecting and punishing health care fraud, trustees must ensure that an ethical business climate always exists in the hospital, and in particular that financial procedures and processes are conducted in an ethical manner.

Compliance. A strong and effective compliance plan is a comprehensive strategy that ensures that the hospital consistently complies with all state and federal laws governing its activities and the delivery of health care. It also ensures that the hospital consistently complies with the applicable laws relating to its business practices.

A key board responsibility is determining the hospital's financial goals and monitoring its operations to ensure the attainment of those goals. The annual budget is the primary vehicle for the board and administration to establish financial objectives. Board members must clearly understand the assumptions upon which the budget is based. Budget assumptions should be reasonable and clearly understood, and should tie directly to service development and to the hospital's mission, vision and strategies.

The governing board also has a responsibility to engage external auditors to perform an annual audit of the hospital's financial records. This audit, made even more important due to recent corporate governance and accounting abuses, helps the board determine if the financial position and operations are accurately and fairly presented, and are in accordance with generally accepted accounting principles. The board should use the audited financial statements to determine whether the hospital is reaching its established financial and operational targets; it should be a tool in helping to determine progress and assess whether goals and strategies require modification.

The board's financial planning direction and decisions should flow out of the hospital's long-range strategic planning initiatives. Studies of the financial feasibility of new programs or capital acquisitions should be regularly performed and reported to the board. The board should then use financial performance against budget and compared to peer groups as a tool for gauging organizational progress and effectiveness.

Advocacy and Community Relations

One of the most important roles of the board, and one it can play very well, is to maintain strong and vibrant community relationships that build community understanding and loyalty to the hospital. Trustees play a vital role in securing strong public perceptions of the hospital and raising its profile as a premier community financial, health care and social services asset.

Every community has a wide range of key constituencies or stakeholders who can and should be communicated with and influenced by the hospital. The board of trustees is the ideal conduit between the hospital and these community groups, which include, but are not limited to:

- Community spokespersons or health advocates;
- Purchasers of health care;
- Insurers and other payers;
- Patients and families;
- Legislative and regulatory bodies;
- The news media;
- Civic groups, agencies and organizations;
- Religious leaders;
- Business owners; and
- Educational institutions.

The board should establish financial goals in a variety of key areas including growth, debt capacity, return on equity and other areas that define financial success.

Trustees must ensure that the hospital's community service role is well-articulated in the hospital's mission statement, and ensure strong and meaningful understanding by various community segments of the challenges facing the hospital today and the challenges it will face in the future.

These stakeholder groups have varied interests in the activities of the hospital, but all are dependent in one way or another on the long-term success of the hospital.

Ultimately, the board of trustees is accountable to the community for the quality of care provided by the hospital and the efficacy of the various services provided by the hospital. In order to carry out its community accountability role, the board must have effective mechanisms for ensuring two-way communication, community involvement, and maintaining a high level of awareness and prominence in the community. Trustees must ensure that the hospital's community service role is well-articulated in the hospital's mission statement, and ensure strong and meaningful understanding by various community segments of the challenges facing the hospital today and the challenges it will face in the future. By building this level of awareness and understanding, the hospital will be in a better position to solidify needed community support, build strong bridges, and ensure broad based and wide-spread loyalty to the hospital as an economic engine and as a vital health care resource.

The following community health leadership success factors will be critical to the hospital's future success:

- Maintaining systematic investment in community health by the hospital and its partners;
- Ensuring a board committee whose mission is to promote community health improvement;
- Investing in education of the board of trustees, employees and partners/stakeholders;
- Committing to assessing community attitudes and defining and measuring community health;
- Incorporating a commitment to community health in the mission and strategies of the hospital;
- Overcoming "turfism", or underlying issues of competition among agencies;
- Keeping the vision alive, reminding everyone why this effort all came about in the first place;
- Keeping everyone informed; knowledge is power, and people feel excluded if unaware of

Trustee Responsibilities: Community Relations and Relationships

- Identify important community constituencies, and design a plan for trustee involvement that advances the hospital's image, reputation and market awareness levels; include resource requirements, objectives and projected outcomes
- Ensure that the board has a clear and consensus-driven understanding of the most important community health needs and issues
- Establish a "business case" for initiatives that will improve the health of the community
- Conduct an annual or semi-annual community needs assessment; define and measure improvement in the community's health
- Regularly measure the public's perceptions of the hospital's programs and services, community contribution, perceived trust, economic impact and overall value as a community health asset
- Ensure that patient satisfaction assessments are performed continuously, and that improvement objectives are defined, measured and reported
- Develop opportunities for trustees to interact with the public on local health care issues, and demonstrate strong, competent leadership, serving as well-informed "ambassadors" or spokespersons on behalf of the hospital
- Establish a process for eliciting community input and viewpoints about the value and appropriateness of current services, and future service needs and opportunities; solicit community ideas for ways the hospital can best achieve its mission and vision
- Develop a strategy to ensure that the hospital's objectives, priorities, and challenges are successfully shared with the community, engaging leaders and residents and building community advocates
- Work with others in the community to develop collaborative partnerships in building a healthier community
- Educate trustees regularly on public policy, the board's role in providing healthy community leadership, and other health care advocacy issues that are critical to hospital success; engage trustees in a focused advocacy plan of action, when required
- Keep well-informed about public policy issues and decisions and assess their possible effect on the informed about public policy issues and decisions and assesses their possible effect on the organization.
- Relay the needs of the community back to the hospital
- Act as a liaison with other health planning and health promotion organizations
- Act as a liaison with the institution's local, state, and federal government representatives and agencies
- Relate with other community service organizations, schools and social agencies

Defining the hospital's reason for being and outlining a vision of the future and a recommended course of action to fulfill that vision are among the most important contributions a board can make to the effectiveness of the hospital.

- program activities;
- Building trust with those in community who may be “suspect” of your motives;
- Volleing successfully for continued support when so many other demands are present;
- Expecting community health partnerships to work in new, innovative ways;
- Organizing diverse committees with representation from various positions/backgrounds;
- Using a community health assessment as a teaching tool to illustrate changes that impact community health;
- Recruiting and retaining an energetic, enthusiastic, creative, motivating, engaging and unassuming staff;
- Evaluating every step of the process and continually seek improvement; and
- Continually revising and fine tuning programs to keep participation levels high.

Trustees are in a unique position to communicate the hospital's key messages and advocate to external audiences and carry back to the boardroom community perceptions and opinions. If properly prepared and strategically used, trustees can play many community relations roles, including:

- **Advocate:** Bringing the hospital's message to legislators through lobbying or delivering testimony at hearings; representing the

community's interests in board decision making

- **Educator:** Speaking on issues facing the hospital at schools or civic groups; appearing on local television or radio shows to discuss health care
- **Spokesperson:** Being a designated board contact for the news media
- **Conduit:** Participating in public forums to discuss issues facing the hospital and to learn about community opinions or health care needs
- **Ambassador:** Representing the hospital at important community social gatherings
- **Host:** Presiding over visits of legislators, senior citizens, or key business leaders to the hospital to help them learn about available services and to hear about their interests or needs

A well-informed trustee will not only enhance the hospital's image but also help the hospital to better understand the key issues and challenges it faces, and how it is regarded by the community.

Mission, Vision and Strategic Direction

A hospital's mission is the fundamental purpose or reason for its existence; it serves as the foundation for strategic thinking and strategic planning. The hospital's values are the principles that guide the organization's decision making.

Actions Boards of Trustees Can Take: Mission, Vision and Strategies

- Examine mission and vision in relation to today's challenges and opportunities; ensure that each is appropriate and forceful in driving strategies, objectives, action plans, and opportunities and obligations over the next five to ten years
- Ensure that mission, values and vision are prominent elements of decision making at all board meetings; review annually at the board retreat, challenging the assumptions in place at the time the mission and vision were conceived, and modify based on the realities of today's environment
- Test all policy and strategy decisions by asking how/if they will strengthen the ability to achieve the mission and vision
- Regularly review the status of strategies and objectives, and ensure fit with mission and vision
- Ensure that a well-defined board-approved system is in place to measure progress toward achieving mission, vision and strategies, and take timely corrective action, when necessary
- Ensure that medical staff leadership is actively involved in all phases of strategic planning leadership
- Demand well thought-out strategic options and alternatives from management prior to defining a strategic course of action
- Ensure that a continual flow of new information and assumptions are presented at board meetings, and trustees use the information to quickly modify strategic direction as necessary
- Produce strategically-oriented committee and task force reports that enable a continual focus on strategic issues
- Conduct an annual board self-assessment to identify specific “leadership gaps” and governance improvement opportunities
- Continually scan the environment for meaningful change critical to hospital success; present findings to keep the board focused on issues and priorities vital to organizational success
- Develop and implement a process for creating an annual governance improvement plan
- Annually assess environmental and organizational changes on the horizon, and determine new governance skills required to forcefully and effectively lead throughout the change process; develop skills through education and board renewal

Actions Boards of Trustees Can Take: Strategic Planning

- Ensure that a flexible, fluid, responsive strategic planning process is in place
- Focus on strategic thinking vs. strategic plans
- Ensure that the board receives regular reports of progress toward the achievement of key strategic objectives, using board-approved key performance indicators that together define organizational success
- Ensure maximum time during board meetings for dialogue on important strategic issues
- Ensure that the medical staff is meaningfully and actively engaged in all facets of hospital strategic planning, from mission to action plans
- Ensure that the mission, values and vision are clearly understood and embraced by the board; use these key statements as tools for policy and strategic decision making, especially when decisions are controversial and/or risky
- Make new service planning part of the board-directed strategic planning process; develop criteria for evaluating service feasibility and value in fulfilling the mission and vision
- Design a process for ongoing board evaluation of the potential value, viability and outcomes of new service progress and performance, particularly in the first two years
- Appropriately monitor the performance of new hospital services to evaluate how they are meeting previously established goals
- Design an evaluation tool, and annually review the strengths and weaknesses of major service lines and programs, and their role and value in mission and vision fulfillment; determine service changes required to reflect changes in the market

The vision is a projection of the future that describes how the hospital will look in the future—it imagines future possibilities, guides strategic choices and provides a long range focus for near-term and mid-term strategic decision making. It should be insightful and imaginative, but realistic; it should be compelling and motivational; and it should provide a vivid description of the hospital as the areas critical to the hospital's future success. A strong and effective vision promotes change, inspires key constituencies, puts important decision making into context, and provides a way of coalescing the board, medical staff, employees and others around a meaningful, motivating and powerful set of long-term objectives.

The vision. Attempts at creating a solid and actionable vision fail when the organization does not ensure an effective, broad-based development process that invites the perspectives and ideas of trustees, executive management leaders and physicians. In addition, it is important to have a consensus among those developing the vision regarding what the vision will include, how it will be used as a strategic development tool, and how it will be communicated to a broad range of key stakeholders in an effort to build a common view of the future.

The mission. The responsibility and authority for determining the hospital's mission, the statement that defines what the organization is and why it exists, lies with the governing board. The board is also responsible for working with senior management to develop the goals, objectives and policies that grow out of, and are measured against, the mission statement. The long-range strategic plan should be created using the mission statement as its guide, and should identify major goals and strategies to achieve these goals. The

plan should be reviewed regularly to assess its ability to meet and further the mission of the hospital.

Developing and maintaining a meaningful mission statement and long-range strategic plan are fundamental governing board responsibilities. Defining the hospital's reason for being and outlining a vision of the future and a recommended course of action to fulfill that vision are among the most important contributions a board can make to the effectiveness of the hospital.

The mission statement defines what the hospital is and why it exists. It is the cornerstone of the strategic plan and drives the course of action the hospital will adopt to achieve its goals and objectives. The mission statement needs to be specific, establish the hospital's purpose, size, service area and patient population, type of care provided and special strengths and limitations.

When creating the mission and vision statements, some very basic questions should be addressed:

- What is our core purpose?
- What is our position relative to our competitors?
- What future growth opportunities do we have?
- Where do we want to be in the next three to five years, and how will we judge our progress in getting there?
- What should we be doing to ensure our future success?

Strategic planning. Strategic planning involves introspection, future-focused thinking, an understanding of the current and emerging

A strong and effective vision promotes change, inspires key constituencies, puts important decision making into context, and provides a way of coalescing the board, medical staff, employees and others around a meaningful, motivating and powerful set of long-term objectives.

environment, diagnosing problems, determining solutions, being creative, having the courage to commit to a course of action, selling the vision and the plan, monitoring its implementation, and making the plan a dynamic business building tool that is responsive to the hospital's ever changing needs.

Before engaging in strategic planning, the governing board needs to:

- Understand what strategic planning is, and its role in planning success; and
- Be committed to the planning process and include the participation of the hospital administration, the community, physicians and staff.

Specific performance measures should be closely monitored for the organization, allowing the board to track progress in the achievement of the mission, vision, values and strategic objectives. Balanced scorecards/dashboard indicators help organizations to elevate the level of discussion and align daily operations, quality, service, finance and strategy.

Board/CEO Relationships

Each board is unique, and it is imperative that the CEO and the governing board work cooperatively to define their respective roles and relationships. Continuing review and evaluation of the CEO by the board is then necessary to ensure that the responsibilities are being appropriately carried out.

Several issues and options that boards may wish to consider to help build strong relations between the board and the CEO of the hospital include:

- Understand that the selection of CEO is a

major responsibility, and that the CEO will significantly shape the future of the hospital;

- Create an employment contract for the CEO which identifies terms of employment, job duties, compensation and benefits, and renewal and termination agreements;
- Use incentive compensation targeted to the achievement of strategic objectives as a way to motivate, challenge and reward the CEO;
- Have realistic expectations of the CEO;
- Clarify performance expectations for the CEO in writing, identify measurable goals and evaluation guidelines, and conduct annual reviews of the CEO's performance;
- If problems are identified, be sure that they are communicated to the CEO in a timely manner, and then allow the CEO sufficient time to correct the problems which are under his/her control;
- Recognize that the board shares ownership and bears overall responsibility for the success of the hospital. By approving a plan or recommendation made by the management, the board is approving the work to be done, and bears responsibility for its successful completion and outcomes;
- Support the CEO through the many difficult challenges that he/she will face; and
- Ensure that the CEO is challenged and satisfied with his/her work.

One of the most important board responsibilities is hiring and retaining the hospital's CEO. This process involves ensuring an appropriate compensation and benefits package for the CEO, conducting an annual CEO performance appraisal, and setting realistic expectations and maintaining

Maintaining a positive, productive board-CEO relationship requires a context of mutual commitment where interaction and performance can occur.

Actions Boards of Trustees Can Take: Board/CEO Relationships

- Develop an organized process to ensure necessary governance-related communication between board meetings
- Clearly define board and management roles; define strategic/policy functions vs. operational functions; ensure that the board remains focused on policy and strategy
- Review timely reports from the CEO on how well the organization is meeting its planned objectives
- Foster a climate of mutual trust, respect and support between the board and the CEO
- Support the CEO fully in implementing board policy
- Establish mutually agreed-upon CEO performance expectations and targets, and evaluate CEO performance annually based on these predetermined measurements
- Establish a results-based performance measurement system that links compensation to strategic performance
- Regularly review CEO compensation to ensure that it is reflective of compensation trends among other hospitals of similar size, and that it reflects the magnitude of challenges and issues facing the administration and the hospital
- Develop a CEO succession plan, to include development of internal personnel resources, and creation of a recruitment plan, if necessary, to be employed

Actions Boards of Trustees Can Take: Board/Medical Staff Alignment

- Establish a formal process for review of the Medical Staff organization and bylaws, and staff appointments/reappointments; regularly review the process for effectiveness
- Create an effective method for communicating, in a timely manner, board decisions that impact physicians and their practices and patients
- Ensure physician understand and commitment to the hospital's mission, values, and vision
- Ensure that physician leaders participate in decision-making processes at the board and committee level, and actively involve physician leaders in important hospital decisions
- Develop avenues for increased physician input into the overall long-range planning process
- Build and enhance trust by involving the medical staff in all phases of hospital strategic development, creating open and honest relationships
- Conduct a regular assessment of physician attitudes and needs

Although it is not the role of the hospital board to manage or operate the hospital, it is the board's role to monitor how the hospital is managed.

a productive, continuous dialogue on progress and performance.

The evaluation of the CEO's performance is a key role of the hospital board. While there is a great degree of variation in how a board evaluates its CEO, it is important that the process is deliberate, objective and fair. The American College of Healthcare Executives (AHCE) suggest the following process:

- Develop a policy statement that presents goals for evaluation of the CEO;
- Develop a system for evaluating the CEO, including review of the position description, a specification of the components and methods of the evaluation, and a preparation of a written statement of guidelines for an evaluation process that delineates the responsibilities of the board and CEO;
- Implement the performance evaluation process; and
- Periodically review, along with the CEO, the evaluation process.

In addition to hiring and retaining the hospital CEO, the board must work with the CEO to define its role in relation to management's role. Although it is not the role of the hospital board to manage or operate the hospital, it is the board's role to monitor how the hospital is managed. This means working closely with the CEO, and monitoring and evaluating the CEO's performance.

Maintaining a positive, productive board-CEO relationship requires a context of mutual commitment where interaction and performance can occur.

Board/Medical Staff Alignment

In order for the hospital to achieve its strategic objectives, medical staff leaders must be committed to the hospital's direction, and closely

aligned with the strategies and objectives for achieving it. Achieving medical staff alignment with the hospital's vision and strategic direction should be one of the board's most important strategic imperatives. And while building strong and lasting relationships with physicians can be a challenge due to sometimes conflicting priorities and viewpoints, there are several common sense approaches that boards can take to assure success in this vitally important area.

Alignment between the hospital board and medical staff ensures strong participation and collaboration. It also encourages empowered and interdependent interaction between the two groups and leads to agreement on and commitment to a strategic direction.

Leadership Essentials. Hospital leadership should be a collaborative effort between the administration, medical staff and the board of trustees. The medical staff must participate meaningfully in hospital governance, serve on committees and actively contribute to strategic directions and decisions. Board members must act as catalysts for physician participation, and ensure that decisions benefit both the at-large community's interests as well as the interests of the physician community. Board members must assure that discussions and analysis are mission-driven and meet conflict-of-interest standards. Finally, trustees must consistently monitor strategic direction and hold both managers and physicians accountable for achieving the targeted outcomes.

The Physician/Board Disconnect. Too often there is a disconnect between the board's view of physicians, and physicians' view of the board and its members. In many cases the medical staff views the board as lacking in essential health care knowledge and as being too slow to make critical decisions. In addition, physicians often view the board as being too

Achieving medical staff alignment with the hospital's vision and strategic direction should be one of the board's most important strategic imperatives.

process focused, and believe that the board wastes too much time on issues that are either not appropriate or critical to the hospital’s success. Trustees, on the other hand, too often view physicians as slow to adapt to new ways to thinking and working, as non-cooperative, and as being more interested in self-preservation than in ensuring that the hospital is able to achieve its mission and vision.

This disconnect typically exists due to one simple fact: Physicians and trustees many times have dramatically different personality types.

Physicians are typically:

- Autonomous;
- Individual patient-oriented;
- Crisis-oriented doers;
- Linear thinkers who rely on data; and
- Individuals who rely primarily on one-to-one interaction, and who have to make quick and precise decisions without a lot of deliberation or time to process alternatives over a long period of time.

Building Trust Among Board, Physician, and Administrative Leaders

The board should identify specific actions to positively address medical staff alignment. Here are some examples of possible corrective action for a board that needs improvement in the area of building trust among board, physician, and administrative leaders.

The medical staff must participate meaningfully in hospital governance, serve on committees and actively contribute to strategic directions and decisions.

| | |
|----------|---|
| 1 | <p>Tactics That Work</p> <ul style="list-style-type: none"> ■ Provide praise for people in front of peers and mean it ■ Encourage open sharing of information—before, during, and after strategic and financial planning ■ Keep your commitments—if you can’t do something, say so ■ Create a mutually shared statement of mission, vision, and values and then live by it—assess every decision against the statement to see if the decision fits ■ Plan periodic social mixers among all leaders to help them get to know each other as individuals ■ Appoint special project teams for program planning to build rapport among all participants ■ Communicate, communicate, communicate ■ Develop task forces that have equal representation from board physician, and managers to make all major strategic decisions ■ Emphasize working together in “community health enhancement” teams to face common opportunities for health education, health screening, etc. ■ Create venues for more interactions that are non threatening—board staff retreats, joint education programs, etc. ■ Define roles and responsibilities clearly ■ Study and refine the art of compromise and respectful idea exchange ■ Design legal and ethical compensation plans to promote physician collaboration ■ Ensure that an appropriate number of the board’s members are physicians ■ Support physician-leader development that helps clinical chiefs make better decisions and manage two-way communication with their physician colleagues ■ Ensure that the infrastructure and bureaucracy of the organization is streamlined and does not prevent providers from doing their jobs efficiently and effectively ■ Rally all parties into a cohesive group when faced with common enemies or challenges |
| 2 | <p>Behavior to Avoid</p> <ul style="list-style-type: none"> ■ Rigid behavior models where the board mandates, management dictates, and physicians vacate ■ Negativism or poor communication ■ Mind-sets or behavior characterized by control, manipulation, or threats ■ Having the board tell physicians how to treat patients based on cost ■ Mind-set that working with doctors is like “herding cats” ■ Letting the few rule the majority ■ Special doctor “deals” ■ Being secretive about hospital plans and budgets ■ Not honoring commitments to one another ■ Surprising physicians with big plans that affect them ■ Memories that are over five years old about past transgressions ■ Assumptions that formal leaders are more important than informal medical staff leaders in the organization’s planning and actions ■ Speed that leaves key players behind |

Source: “Developing a Partnership Culture”, Healthcare Executive, May/June 2002.

Board/Medical Staff Alignment Warning Signs

- Communication breakdowns inhibit the flow and accuracy of information between the medical staff and the board
- There is insufficient physician membership on the board
- The roles and responsibilities of the board, medical executive committee or other leadership groups are not well defined or clearly understood
- No joint leadership retreats are held
- No meaningful training program exists for new physician leaders
- There are significant differences in the level of organizational maturity between the hospital board and the medical staff
- Difficult personalities are elected to medical staff leadership positions
- Common goals shared by the hospital board and the medical staff

Trustees and boards, by contrast, are typically:

- Group-oriented planners and designers;
- Patient population centered;
- Long-range oriented;
- Proactive, process-oriented delegators;
- Focused on costs and financial outcomes; and
- Willing to spend long periods of time in study and analysis.

The physician/board disconnect, when it does exist, can result in a lack of critical physician input and involvement, second-guessing of direction by both sides, and potential morale problems among the medical staff and the employees who work with them.

Trustee Recruitment and Orientation

In order for the board to ensure access to the critical skills and capabilities required to provide effective and informed leadership, trustees must meet specific criteria, and the board as a whole must be a highly functional, team-oriented unit, with varying backgrounds, strengths and areas of expertise.

The criteria for potential board members should be developed and documented in the form of a trustee job description. Duties and responsibilities should be identified, and qualification requirements and

preferred qualities should be included. Trustee job descriptions do not have to be lengthy and detailed, but rather should provide an overview of skills and expertise that the nominating committee can use as a guide when recruiting new trustees.

The board should actively recruit new board members who meet its requirements and who can provide critical skills and experience that other board members may be lacking. In addition to participating in continuing board education, new trustees must undergo an orientation process that ensures a clear understanding of their role, the hospital and the key trends and issues that will drive governance decision making.

Board Education, Development and Performance Assessment

Continuing education is a governance essential. Governing boards must understand the hospital’s programs, services and needs, and the impacts of environmental trends on the hospital’s long-term direction.

In addition to continuing education programs, the board should annually assess its performance, and trustees should address one another’s performance through a “peer-to-peer” assessment. Specific performance measures for the board should be established, allowing the board to conduct an annual self-evaluation and take action when it does not meet the established standards.

A well-informed trustee will not only enhance the hospital’s image but also help the hospital to better understand the key issues and challenges it faces, and how it is regarded by the community.

Sample Trustee Job Description

“Anytown Community Hospital” (ACH) is a 181-bed hospital. The hospital provides a broad and comprehensive range of health services, with an annual budget of approximately \$59 million, over 700 employees and a payroll exceeding \$23 million. The organization is in the midst of a \$100 million expansion project that will relocate hospital operations to a new site. ACH’s mission is *“to provide quality health care and service to the people throughout our geographic area. We are committed to a comprehensive approach that meets the needs of individual families and the community.”* The organization is committed to providing facilities and programs that meet a broad range of health care needs in a cost effective manner; *providing to physicians* state of the art technology and innovate programs to meet the needs of patients for preventing illness and restoring health, within the financial resources of the hospital; *providing to employees* a working environment that provides dignity and progress, assists in improving service and individual excellence, offers professional development and education programs, and provides competitive salaries and benefits within Anytown Community Hospital’s ability to pay; *providing to the community* quality and cost effective services, and a strong role in community activities; and *providing to the board and citizens of Washington County* prudent asset management and creative growth strategies for meeting goals and keeping commitments.

Essential Functions of the Board of Trustees

- Ensuring quality and patient safety, including medical staff credentialing and privileging
- Financial oversight of the organization
- Advocacy and community relations
- Development of and ensuring adherence to the mission, vision and strategic direction
- Maintaining strong board/medical staff relationships
- Maintaining strong board/CEO relationships, including CEO selection, evaluation and compensation

Required Skills, Assets and Abilities

- Able to develop a solid knowledge and understanding of the health care field
- Able to understand and interpret financial information and relate to direct decision-making
- Able to analyze complex issues and develop effective solutions
- Able to communicate effectively, both orally and in writing
- Able to exhibit strong relationship building and leadership skills, including effective communication and the ability to work effectively with other trustees
- Able to understand and proactively act on trends
- Able to think in relation to multiple futures vs. one future
- Able to use change as a creator of new opportunities vs. viewing change as a threat
- Able to synthesize important information into knowledge for strategic advantage
- Able to successfully adapt to a complex, fast-paced environment
- Able to focus on vision and outcomes vs. programs and actions

Personal Attributes

- Willing to explore creative methods for addressing difficult challenges
- Handles ambiguous situations well, always bringing focus to the hospital’s pursuit of its mission and strategic objectives
- Maintains strong values of fairness, honesty and compassion in dealing with all constituencies
- Maintains a high level of commitment to the hospital and its mission and vision
- Is able to discuss controversial topics effectively
- Works easily with other board members and administration
- Keeps an open mind on issues
- Willing and enthusiastic promoter for the hospital
- Meets time commitments
- Thinks quickly and assimilates ideas well
- Asks for and listens to one another’s ideas and input
- Maintains confidentiality when required
- Effectively presents ideas
- Communicates with and relates to people effectively
- Continually seeks to improve personal leadership performance
- Uncompromising in honesty and integrity

Conclusion

Hospital governing boards are facing a growing number of critical challenges, all of which are simultaneously converging to make hospital governance more difficult and more important to organizational success than ever before. Boards of trustees that are innovative and willing to challenge the leadership status quo will be in a better position to successfully weather these storms of change and strengthen their hospitals' strategic success. In order to successfully meet the increasingly difficult challenges and issues that will test board members' skills, creativity and leadership capacity, trustees must not only understand their basic roles and responsibilities, but work diligently and forcefully to continually improve their leadership effectiveness and success.

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Larry Walker is the President of The Walker Company, a Lake Oswego, Oregon-based healthcare management consulting firm.

Larry has been a long-time governance leader, both as a consultant and a trustee. He served for six years as Chairman of the Board of Trustees of 107-bed Mt. Hood Medical Center. He has also been a trustee of Portland, Oregon's Legacy Health System and two of its predecessor organizations, Healthlink and Metropolitan Hospitals, with a combined 12 years of governing service to these three systems.

Larry serves as a special consultant to the American Hospital Association and the Minnesota Hospital Association, working primarily on market research, strategic development and various other projects.

One source. Many solutions.

The business of health care is changing—rapidly, dramatically, daily. Hospitals and health systems need fast, flexible, forward-looking solutions to the challenges that determine their future. The Walker Company offers a range of services that can improve governance effectiveness, sharpen organizational intelligence, and enhance strategic competitiveness to help you keep pace with today's turbulent change.

Our strength is our ability to clearly understand your unique needs, and create programs and solutions targeted at meeting those needs in a timely, cost-effective and outcomes-focused manner. We develop unique, customized approaches to meet your needs. We work in partnership with you to deliver the results you seek, always striving to ensure that the return on your consulting investment exceeds your expectations. Our services work together to provide you with the resources you need to improve organizational performance.

GovernanceWORKS™

GovernanceWORKS™ is a complete and comprehensive governance development solution for hospital and health system boards of trustees. Through GovernanceWORKS™, The Walker Company serves as your dedicated governance development resource. We provide continuity, independent and informed outside viewpoints, and practical, organized and coordinated approaches to improving governance and leadership.

- Governance Diagnostix™, a top-to-bottom examination and analysis of governance structure, functions and effectiveness
- AssessmentWORKS™, a comprehensive board self-assessment
- Trustee Foundations™, a complete and wide-ranging governance education and knowledge-building resource
- BoardBuilder™, a total trustee recruitment solution
- CEO evaluation

Market Research

We plan, design and carry out a wide range of research solutions that improve organizational intelligence, build knowledge, and result in new success-building initiatives. We employ online surveys, printed surveys, focus groups and key informant interviews designed to meet your unique needs.

- Employee opinion surveys
- Employee benefits surveys
- Medical staff surveys and needs assessments
- Business community surveys
- Community attitudes and needs assessments
- Key issues surveys
- Marketing effectiveness assessments

Leadership Workshops and Retreats

Leadership workshops and retreats are a valuable tool to build understanding and teamwork, develop collaboration and consensus, and forge solutions and new directions. We custom-tailor our retreat planning and facilitation approach to achieve your critical objectives: Participation, interaction, creative thinking and results. Our services include:

- Pre-planning and preparation, including objectives and logistics
- Meeting materials, including agendas, name tents, case studies, background materials, retreat evaluations and other meeting support documents
- Meeting facilitation and management
- Development of a comprehensive, action-oriented summary retreat report
- Follow-up consultation on next steps

Strategic Planning

Effective strategic planning creates a collaborative, shared vision of your future. It clarifies and prioritizes the factors most critical to your success. Identifies the strategies to get you there, determines needed resources, and defines the key performance indicators that measure your success. The Walker Company's experience and expertise help ensure an organized, focused, and accountable process.

- Development of mission, values and vision
- Environmental assessment and competitive analysis
- Determination of strategic assets and liabilities
- Development of strategies and objectives
- Development of "Vital Signs" key performance indicators

Leadership. Trust. Performance. Results.

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