



Trustee Minutes

For Iowa Hospital Governing Board Members

Fall 2020

BOARDROOM BASICS

The Imperative for Clear Vision in Disruptive and Turbulent Times

One of the board's most important leadership responsibilities is setting a clear vision for the future and planning strategy for getting there. But strategic planning is no longer as straightforward as it might once have been. Today's Coronavirus-dominated environment presents multiple unanswered questions. How long will COVID-19 persist? What vaccine and other COVID treatment breakthroughs will be developed, and when will they be available? What long-term implications will "virtual care" advances bring?

Hospital trustees often question how they can be expected to determine a strategic future when so much in health care is changing, and the future is seemingly unknown and unpredictable. Who would have known in January 2020 that a worldwide pandemic would upend plans and budgets, challenge caregivers as never before, cause economic calamity for so many, and present hospital boards with perhaps their greatest governance challenge?

This is precisely the time when the board must be at its visionary best. Forward thinking visionary boards anticipate potential futures. They prepare for and embrace the changes ahead.

Moving to Visionary Leadership

In the book *Governance as Leadership: Reforming the Work of Nonprofit Boards*, the authors define three types of governance: fiduciary governance, strategic governance and generative governance.

Fiduciary governance should be a boardroom basic, the cornerstone of the board's responsibilities. The practice of fiduciary governance includes stewardship of the organization's assets, responsibility for the organization's finances, ensuring the highest and best use of resources, monitoring and ensuring legal and regulatory compliance, and providing operational oversight.

Strategic governance responsibilities encompass setting a vision and identifying initiatives and strategies for achieving that vision, as well as fulfilling the organization's mission. Strategic governance responsibilities include allocating the resources required to pursue strategic initiatives and monitoring progress to ensure goals are achieved.

While strategic governance might seem to be closely aligned with being a visionary board, it is actually **generative governance** skills that must be a priority for trustees in today's environment, which is characterized by fast-paced change with a hazy view of tomorrow. Boards that practice generative governance make time to

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FOR YOUR AGENDA

Heading

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Do you have ideas for future issues of *Trustee Minutes*?

Our goal is to provide you with the information and knowledge you need to lead your hospitals forward in today's rapidly changing environment. Tell us what you think, and what you'd like to see in future issues. **Write or call: Craig Borchard**, 100 E. Grand Ave, Suite 100, Des Moines, IA 50309, 515-288-1955, BorchardC@ihaonline.org.

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question assumptions, they explore areas which lie outside the proverbial “box,” and they envision new and innovative ways of accomplishing goals, achieving visions and fulfilling missions.

According to the authors of *Governance as Leadership*, generative governance is where real leadership power lies. It’s where the board has a clear sense of problems and opportunities facing the organization.

Generative governance requires:

- A new type of agenda that features ambiguous or problematic situations rather than reports and routine motions, with a goal to frame decisions and choices, not simply make them.
- Trustees to promote robust dialogue around generative ideas and concepts, which stimulates a “culture of inquiry.”
- Creating more substantive and intellectually attractive agendas that create more interesting and productive work, and a more influential role for board members.

“What If” and “So What”?

Visionary trustees consistently ask themselves a series of questions, including “What do we know today that we didn’t know yesterday?”

By staying well-informed with a continuing flow of new information and evidence, visionary boards can

anticipate emerging trends. They begin to envision potential futures by asking themselves “What if” questions. A real-world example confronts boards and hospital leaders today, and likely will for many months to come. What if boards had had the vision to anticipate and think through the myriad ramifications of a pandemic on their

organizations, caregivers, patients, and communities?

Visionary trustees consistently ask themselves a series of questions, including “What do we know today that we didn’t know yesterday?”

Boards move another step closer to becoming visionaries when they also ask: “What could that mean to us? What implications does it have for our hospital and those we serve with and for?” and “What could

or should we do to be prepared?”

These are questions that begin to generate deeper understanding of new paradigms and their implications for the hospitals and health systems that boards are responsible for leading.

They are the questions that prompt challenges to the assumptions and status quo that may hold organizations back.

Challenges to Maximizing the Board’s Visionary Potential

While there are many potential challenges that prevent trustees from maximizing their visionary potential, below are a few of the most common causes that derail boards.

Failing to Stay Well-Informed.

Without credible and current information and data, trustees cannot hope to recognize or anticipate the forces, trends, and changes happening

Three Types of Governance

In the book *Governance as Leadership*¹, the authors define three types of governance:

- ✓ **Fiduciary Governance:** A boardroom basic, the cornerstone of the board’s responsibilities.
- ✓ **Strategic Governance:** Setting a vision and identifying initiatives and strategies to achieve that vision.
- ✓ **Generative Governance:** Boards that take time to question assumptions, explore areas “outside the box,” and envision new and innovative ways of accomplishing goals and achieving the vision.

in the environment around them. They must develop a high level of understanding in the areas most critical to organizational success and performance. Passing knowledge is not enough.

Poor Agenda Planning and Meeting Management.

Confronted with multiple challenges and competing priorities, effective boards must focus their time and attention on the issues most critical to achieving the mission and vision. The board chair must manage meetings to engage trustees at a higher level of thinking and planning, enabling and facilitating the inquiry, dialogue, and debate needed to be visionary.

Focus on the Wrong Issues. Boards must continually adjust their attention to deal with the issues and possibilities of the future, not the issues of the past.

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GOVERNANCE INSIGHTS

COVID-19 Makes Board Member Recruitment and Education More Important Than Ever

The necessity for boards to be visionary and future-focused has risen to a new level as a result of COVID-19. Boards can't predict the future, but with the right composition they can put their "generative governance" skills to work by engaging multiple futures, looking for innovative ways of accomplishing the organization's mission and vision, and asking that critical question: "What do we know today that we didn't know yesterday?"

Strong board composition is essential to this kind of visionary thinking, and communities battling COVID-19 deserve a board that understands the issues, creatively solves problems, and partners with the community. This kind of board does not happen by chance. It happens when organizations have a sound succession plan for bringing in new trustees, a comprehensive onboarding strategy for new trustees, and a commitment to ongoing education for the full board.

Planning for Future Trustees

Board composition for hospital and health systems should not be simply

representational. Instead, boards should seek to develop a composition that reflects the overarching experience and expertise needed to successfully govern for today's challenges.

Hospital and health system boards should be composed of individuals who display a diversity of opinions and independent thought and actions. Trustees should have demonstrated achievement in their career field and possess the intelligence, education, and experience to make significant contributions to governance. They should also possess the personal attributes that will contribute to sound working relationships with other board members and the executive staff.

Leveraging Governance Succession Planning for a Competency-Based Board.

Governance succession planning is not simply filling an empty seat on the board—it is an opportunity to strengthen the board and organization's performance and ability to fulfill

its mission. By regularly assessing the board's leadership strengths and weaknesses and using the hospital's strategic plan to define critical future leadership requirements, a board can identify governance "gaps" that can be closed through targeted trustee recruitment.

A trustee succession plan should be developed to recruit trustees that meet the specific governance needs. These "gaps" will be different for each board and organization; while one board may be seeking greater expertise in community partnerships, another may be seeking clinical expertise, increased diversity, or experience with "big picture" thinking.

Personal Characteristics to Look For.

In addition to seeking out new board members that possess specific skills and competencies, boards should look for new trustees that exhibit the characteristics necessary for today's health care environment, including candidates that are:

- Motivated, committed, and passionate in serving the hospital and community.
- Ethical, respected, and held in high esteem by the community.
- Strategic, innovative, and visionary thinkers.
- Willing to advocate and be the voice of the community.
- Exhibit a high intellect and a willingness to learn.

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- Are collaborative, good listeners, and willing to engage and ask hard questions.
- Have an ability to grasp implications of financial statements.
- Understand and value varying perspectives, including the medical staff, patients, and the community.

New Board Member Onboarding

Once a new trustee is selected, his or her orientation should be a year-long process that speeds up the trustee's depth of understanding, effectiveness, and readiness to make valued contributions to the board. At a minimum, a typical board orientation process includes:

- A broad overview of the organization and the health care environment.
- A tour of the hospital or health system.
- A "fast facts" summary of key facts presented in bullet point format for easy reference.
- A governance manual, including information about the organization, governing documents, organizational documents such as the strategic plan and recent community needs assessment, financial and quality information, and a list of board and executive staff contacts.
- A mentor that works closely with the new trustee for the first year.

Identifying Leadership Gaps on Your Board

Properly identifying, assessing, and recruiting a new trustee begins by determining where the board may have potential leadership "gaps," either now or in the future. The goal is to identify the skills and personal characteristics already present on the board, and identify the skills the board should recruit for that will complement existing expertise, resulting in a more well-rounded, competency-based board.

Boards should consider creating a "matrix" identifying which skills are already present, and which skills offer an opportunity to fill a gap. The matrix should also consider when board members' terms expire. Critical areas of expertise may include:

- **Governance experience**, including service on corporate and/or not-for-profit boards.
- **Professional skills and experience**, which may be itemized to include finance, investment planning, capital planning and acquisition, fundraising, management of complex organizations, marketing and public relations, public speaking, CEO evaluation, CEO compensation, legal expertise, process improvement, customer satisfaction, and research analysis.
- **Clinical expertise** from a variety of perspectives (may include physician, nurse, physician's assistant, mental health provider, etc.).
- **Health care knowledge and experience**, including industry trends, medical and information technology, workforce planning, and laws and regulations.
- **Visionary thinking** and strategic planning.
- **Community collaboration and partnership-building**, which may include community relationships, community leadership, and understanding community trends and issues.
- **Commitment to the hospital or health system's mission**, and willingness to commit the time to properly lead the organization.

Ongoing Board Education

Regardless of how long an individual has served on the board, ongoing education is essential. Boards that envision multiple futures and think "outside the box" must have a strong grasp of the current issues facing the organization and the community.

Many boards engage in governance education at each board meeting,

which may include reading or watching a video before the meeting followed by a discussion with the board. While COVID-19 has created a sense of "fire fighting" for many organizations, a commitment to education about current issues and trends is absolutely essential for boards as they make plans to not only respond to the current pandemic, but to recover and thrive after the pandemic is over.

LEADERSHIP PERSPECTIVES

Protecting Your Organization from Cyber Threats

Ransomware attacks have increased 50 percent in the third quarter of 2020 compared to the first half of 2020, according to Check Point Research.¹ **Health care is the number one most targeted industry in the U.S.** As telehealth has become a lifeline to patients seeking care during COVID-19, cybersecurity risks are a threat to access to care and timeliness of care, not to mention a significant financial burden for hospitals. In addition, a cyber security attack can prevent access to electronic medical records at critical points during patient care, which may have a direct impact on quality of care.

Even before the increase in ransomware attacks during the current pandemic, cyber attacks cost health care organizations billions of dollars each year. In February 2020, one report estimated that ransomware attacks on health care organizations between 2016 and 2020 cost more than \$160 million, and that amount might “only scratch the surface of the problem.”⁴

In addition to the cost, cyber threats put patients at risk, resulting in potential patient harm, hospital fines and penalties, and ultimately inflict serious consequences on an organization’s community trust and reputation. As stewards of the hospital’s financial health and representatives of the community’s interests, trustees must take the lead in ensuring that data

security, device security, and patient privacy are a top priority at their organization.

The Changing Threat

When describing how ransomware threats to hospitals have changed, John

It’s critical to view cybersecurity as a patient safety, enterprise risk, and strategic priority and instill it into the hospital’s existing enterprise, risk-management, governance and business-continuity framework.

—John Riggi, AHA,
Cybersecurity and Risk

Riggi, Senior Advisor for Cybersecurity and Risk at the American Hospital Association, explains that attacks on overloaded hospitals caring for COVID-19 patients is the threat that he worries most about.

He reiterates that “a

ransomware attack on a hospital crosses the line from an

economic crime to a threat-to-life crime.”²

Hospital leaders must be more prepared now than ever as the use of technology

increases and cyber criminals are becoming more sophisticated.²

- Previous cyber criminals were often amateurs or hobbyist hackers, resulting in financial consequences.
- Current cyber crimes involve full-time professional cyber gangs that are well trained, equipped, and funded. **Goals are often to instill fear and disrupt day-to-day-life,** and perhaps raise money to fund violent crimes or terrorist activities.
- Criminals now target medical devices, not only networks, servers, PCs, databases, and medical records.

The Board’s Responsibility for Cybersecurity

Trustees are responsible for protecting the hospital and its patient community. Cybersecurity is a threat to both. Boards should not ignore cybersecurity or downplay the seriousness of the risks to patient safety, access to care, privacy, and the organization’s financial health.

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AHA: Six Actions to Manage Cybersecurity Risks

The American Hospital Association recommends the following six actions to manage hospital cybersecurity risks:⁵

1. **Establish procedures and a core cybersecurity team** to identify and mitigate risks, including board involvement as appropriate.
2. **Develop a cybersecurity investigation and incident response plan** that is mindful of the Cybersecurity Framework being drafted by the National Institute of Standards and Technology.
3. **Investigate the medical devices used by the hospital** in accordance with the June 2013 FDA guidance to ensure that the devices include intrusion detection and prevention assistance and are not currently infected with malware.
4. **Review, test, evaluate, and modify, as appropriate, the hospital's incident response plans and data breach plans** to ensure that the plans remain as current as possible in the changing cyber threat environment.
5. **Consider engaging in regional or national information-sharing** organizations to learn more about the cybersecurity risks faced by hospitals.
6. **Review the hospital's insurance coverage** to determine whether the current coverage is adequate and appropriate given cybersecurity risks.

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Riggi recommends that hospitals and health systems don't view cybersecurity as a technical issue assigned to their IT departments. Instead, he says "it's critical to view cybersecurity as a patient safety, enterprise risk, and strategic priority and instill it into the hospital's existing enterprise, risk-management, governance and business-continuity framework."³

Ensure the Board's Role in Oversight.

The AHA recommends that hospital boards assign cybersecurity to a relevant board committee to provide more detailed oversight and governance. The hospital's ongoing cybersecurity investigations and plans should be reviewed with the committee, and, if an intrusion does

occur, either the full board or the committee should be briefed on the event, lessons learned, and modifications to the hospital's security plans as a result. The AHA also recommends that the board's audit committee provide oversight into cybersecurity vulnerabilities and potential exposures, including insurance coverage.

Set Security Goals. The board or the appropriately assigned board committee should set privacy and security goals for the hospital. Goal setting should begin with an assessment of current security measure and risks. An expert, objective third-party assessment can measure the hospital's exposure to data breach and whether existing security measures are sufficient. An initial assessment

provides a benchmark for setting goals and measuring the success of subsequent security measures.

Staff for Security. Day-to-day security within the hospital environment depends on effective oversight and effective security processes. Security programs are likely to be more effective if someone in the organization "owns" data security and privacy – usually a chief security officer, chief privacy officer, or compliance officer. If no such position exists, trustees can help assess and determine what kind of staffing will best fit with the organizational structure. Once an owner is in place, the board should support that person with adequate staffing and funding for personnel-related initiatives such as security screening and on-going training in security procedures, in addition to needed system and process improvements.

Sources and More Information

1. Global Surges in Ransomware Attacks. Check Point Research. October 6, 2020. <https://blog.checkpoint.com/2020/10/06/study-global-rise-in-ransomware-attacks>.
2. Riggi, John. Ransomware Attacks on Hospitals Have Changed. AHA Center for Health Innovation. Accessed October 2020. www.aha.org/center.
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7. Filkins, Barbara. Health Care Cyberthreat Report. A SANS Analyst Whitepaper. February 2014.



change must be encouraged and rewarded in all areas and levels of the organization.

Lack of a Common

Purpose. As organizations grow through mergers, joint ventures, partnerships, and collaborations across the continuum of care, all stakeholders must share a

common purpose or mission. Nothing is more motivating than a clear picture of a bright and successful future.

Attributes of Visionary Trustees

Visionary trustees possess the personal attributes and qualities required for generative governance, including:

- ***Visionary trustees are big-picture thinkers*** open to new ideas. They think and speak strategically in discussions about complex scenarios and situations.
- ***Visionary trustees analyze trends*** to determine possible implications to the hospital or health system. They display creative and resourceful thinking, considering situations from various angles and perspectives.
- ***Visionary trustees use “reasonable inquiry”*** to pursue new solutions and opportunities, asking thoughtful and insightful questions.
- ***Visionary trustees are willing to challenge the status quo and take calculated risks*** in the interest of moving their organizations

10 Transformations for Visionary Governance

1. Develop new levels of expertise in the issues driving health care
2. Envision multiple futures
3. Focus more on the emergent and less on the urgent
4. Be catalysts for change, challenge assumptions, generate new thinking
5. Focus on strategic issues
6. Listen to outside views and perspectives
7. Engage in deep, decisive dialogue
8. Ensure high-quality trustee engagement, commitment, and contribution
9. Understand the community's health concerns
10. Maintain a constant focus on mission and value

forward and fulfilling their missions. These individuals look into the future and imagine what might be achieved.

Visionary boards do not happen by chance. While the attributes of visionary trustees play a critical role, success starts by building on the sound foundation of their organizations' missions, a good understanding of their communities' health care concerns, and the bigger perspective of how health care is evolving.

Sources and More Information

1. Chait, Richard, William P. Ryan, and Barbara E. Taylor. *Governance As Leadership: Reframing the Work of Nonprofit Boards*. Hoboken, N.J.: John Wiley & Sons, 2005. Print.
2. For resources to stimulate generative thinking, see the American Hospital Association's Center for Health Innovation at www.aha.org/center and The Value Initiative at www.aha.org/value-initiative.

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Time should be concentrated on understanding trends and priorities, and their implications, rather than dealing with operational details.

Disengaged Trustees. Board service has never been more challenging. Board members must have the time, availability and discipline to act on their commitment to the board and the responsibilities of trusteeship. They should possess the personal attributes and qualities that ensure the caliber of engagement and contribution required for effective, visionary governance.

Failing to Engage in Deep, Decisive Dialogue. Without constructive challenges to conventional wisdom and thought, the best solutions may never surface. Visionary boards regularly confront issues by challenging assumptions and exploring alternatives to traditional thinking.

Holding onto the Status Quo. COVID-19 is transforming the way organizations and individuals interact, particularly for health care organizations. Trustees must lead organizations that can capitalize on new opportunities. Innovation and



Trustee Minutes

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Winter 2020

BOARDROOM BASICS

2020 and Beyond: Health Care Challenges and How to Govern Strategically

2020 brings many challenges that lead boards of trustees to face difficult choices, including political change, inadequate reimbursement, increased competition, changing care models, and growing consumerism. The turning decade is an opportunity for boards of hospitals and health systems to understand the challenges and to ensure they build and maintain focused, accountable, and visionary trustee leadership.

To get a clear picture of the challenges likely to impact hospital and health systems in the coming year, governWell™ (governwell.net), a governance advisory firm based in Chicago, talked with Ann Scott Blouin, RN, Ph.D., FACHE, President and Founder, PSQ Advisory. The following includes Ann's insights as well as governWell™ strategy fundamentals to assist boards as they consider strategic priorities for 2020 and beyond.

Looking Ahead: Eight Challenges in 2020

As boards explore the challenges hospitals and health systems are facing, they must consider the need for risk assessment, thoughtful advanced preparation, potential shifts in resources, and contingency planning. This article provides a brief overview of eight major issues for board consideration, including:

- Payment reform and potential changes with the 2020 presidential election;
- Cybersecurity;
- Climate change and the impact on health care facilities;
- Critical drug shortages;
- Regional labor shortages;
- Patient transitions to a different level of care;
- Social determinants of health; and
- The opioid crisis.

Payment Reform and the 2020 Presidential Election

Each of the presidential candidates has a slightly, or significantly, different view of how to further change health care access and coverage in the United States. This could have

major impacts upon how health care services are reimbursed and what types of vehicles provide insurance (for example, government vs. private). There is significant complexity involved in dismantling the current payer structures and, potentially, revising the Affordable Care Act.

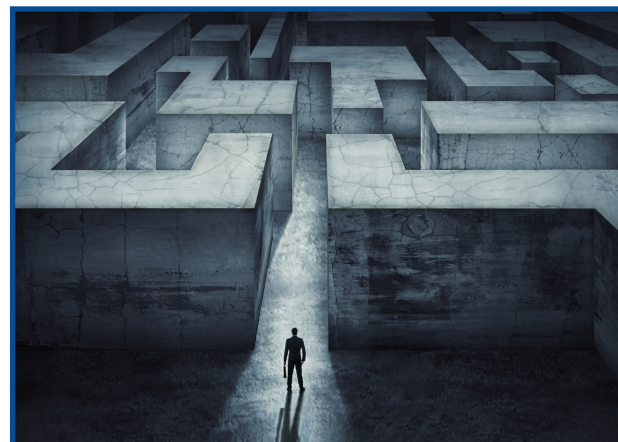
Cybersecurity

Cybersecurity assaults continue with more sophisticated “phishing”, hacking, malware and ransom demands. The sources of these attacks are diverse and believed to be international. No health care system is immune from thousands of efforts to breach its information technology.

Climate Change and Facilities

While there is disagreement about the nature and extent of climate change, there is a statistically significant increase in weather-related disasters. For example, wildfires in California and hurricanes in the southeastern U.S. appear to be occurring with increasing frequency and velocity. These urgent incidents require

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FOR YOUR AGENDA

Hospital trustee participation in Hospital Day on the Hill is crucial

To make positive changes to health care policies in Iowa, IHA relies on the support of hospital advocates, especially trustees, to be the voice of Iowa hospitals at the state Capitol. With the ever-evolving issues and challenges that hospitals face, communicating a shared vision of health care in Iowa is crucial and hearing from advocates directly is the best way to influence legislation that can ultimately affect hospitals, staff and communities.

During the 2020 legislative session, hospital advocates will have the opportunity to share their hospitals' perspectives with legislators at **IHA Hospital Day on the Hill Tuesday, Feb. 25**. The day features a program at Curate in Des Moines followed by face-to-face visits with legislators at the Capitol. Back by popular demand, a legislative reception is scheduled in the evening at the IHA Conference Center. Additionally, IHA is hosting Advocacy 101 training **Friday, Feb. 14**, to help prepare advocates to communicate with legislators. This event will be streamed live and a recording will be available for those who can't attend.

These three events are **free**, and hospital trustees are encouraged to attend. Registration and more information is available at www.ihaonline.org. Questions can be directed to [Emily Liske](#) or [Tori Hanson](#) at IHA.

AHA CEO Rick Pollack to speak at IHA Governance Forum

One of IHA's annual signature events, the IHA Governance Forum is designed specifically for hospital trustees and leaders. The forum not only offers current information and expert speakers, but it also allows Iowa hospital and health system trustees to meet and connect, providing a perfect blend of education and networking. Through this program, IHA provides a framework to support Iowa hospitals in developing highly effective board members.

This year, American Hospital Association (AHA) CEO Rick Pollack will discuss AHA's policy priorities and how Iowa hospital boards can help tell the story of hospital funding needs to their communities and Congress. Other presenters will arm trustees and hospital executives with information and insights on a variety of topics, including overcoming governance barriers, the federal Regulatory Sprint to Coordinated Care initiative, transitioning CEO leadership and an IHA advocacy update.

The IHA Governance Forum is scheduled **April 24-25** at the IHA Conference Center in Des Moines. Trustees attending the forum will gain continuing education credit toward completing the IHA hospital board certification program. For more information and to register, visit www.ihaonline.org.

Forum tackles pressing issues faced by rural hospitals

The IHA Critical Access and Rural Hospital Forum **Tuesday, March 10**, at the IHA Conference Center in Des Moines, will highlight pressing issues affecting rural health care. As the largest conference of its kind in Iowa, the forum is a "must attend" for hospital CEOs, their leadership teams and trustees. The forum offers trustee credit for hospital executives and nurses. For more information and to register, visit the IHA website at www.ihaonline.org.

Applications now open for IHERF Health Care Careers Scholarships

Over the last 14 years, the Iowa Hospital Education Research Foundation (IHERF) has supported college students through the Health Care Careers Scholarship Program, directly benefiting more than 500 students and more than 80 hospitals with more than \$1.5 million in scholarships. To continue addressing Iowa's shortage of health care professionals, IHERF will offer **60 scholarships** in 2020.

IHA is now taking applications for the 2020 scholarships, which support both undergraduate and graduate education. Applications must be submitted online at the IHERF scholarship website, www.iowahospitalscholarships.org, by **Monday, March 30**. Hospitals are encouraged to promote the scholarship to their employees and communities. Questions can be directed to [Clara Stults](#) at IHA.

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Our goal is to provide you with the information and knowledge you need to lead your hospitals forward in today's rapidly changing environment. Tell us what you think, and what you'd like to see in future issues. **Write or call: Emily Liske**, 100 East Grand, Suite 100, Des Moines, IA 50309, 515-283-9364, liskee@ihaonline.org.

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extensive emergency preparation, including evacuation and facility safety.

Critical Drug Shortages

Frightening shortages of drugs critical to treating common illnesses and surgeries have emerged, causing health care systems to seek alternatives, if feasible. Manufacturers in geographic locations vulnerable to climate crises (such as Puerto Rico) have especially been impacted. These shortages can delay essential patient care, as health systems scramble to find alternative sources for needed pharmaceuticals and anesthesia agents.

Regional Labor Shortages

Recruiting and retaining competent and experienced health care professionals has always been critical for all health care providers. However, there are special circumstances faced by rural health care facilities and post-acute care providers that create temporary or permanent labor shortages. As the U.S. population ages and longevity improves, there will be a need to meet the increased demand for nurses,

physicians, pharmacists, physical therapists, and others across the care continuum.

Patient Transitions to a Different Level of Care

The care continuum will experience both innovation and transformation as the digital age explodes in technologic advances. Care will be increasingly available via telehealth and distributed via “networks” of providers, focused on increasing access and reducing cost. Many people want to have health information and care delivery available in convenient, efficient methods—24/7.

Home health, hospice, skilled nursing, and assisted living are all projected to grow as “Baby Boomers” often prefer to “age in place” whenever possible.

Social Determinants of Health

Not all people across the country will be equally able to participate in digital care coordination and health management to stay healthy and prevent illness. Social determinants of health (SDoH) such as lack of education, homelessness,

Social determinants of health (SDoH) such as lack of education, homelessness, unemployment, lack of transportation, and food insecurity play a huge role in disease prevention and chronic disease management.

unemployment, lack of transportation, and food insecurity play a huge role in disease prevention and chronic disease management. Research demonstrates that these public health issues impact a population’s health more dramatically than genetic background or acute care interventions. Health systems are increasingly focused on SDoH as a key strategy for success as an Accountable Care Organization (ACO).

The Opioid Crisis

The opioid crisis has emerged as a national crisis of epidemic proportions. The White House Council of Economic Advisers estimated the opioid crisis cost at \$696 billion (>3% of the Gross Domestic Product) in 2018 and more than \$2.5 trillion between 2015-2018. The loss of life is staggering, as is the impact upon the communities struggling to address the emergency services, substance abuse treatment, and criminal justice costs.

While these eight areas are not an exhaustive summary of issues boards should understand, they do represent a large component of what hospital and health system boards of trustees will have to navigate in the coming years.

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Three Truths About Setting Direction

Thinking and leading strategically are fundamental strengths that every board must demonstrate. While it can seem to be an overwhelming and highly detailed process, there are three important truths that boards should understand about setting strategic priorities and direction.

1. **Board members don’t need to know everything there is to know in order to make intelligent decisions and wise choices about the future.** There is an overwhelming amount of information available at any given time that may be relevant to the planning process. Trustees need to have assurance that senior leadership is asking the right questions and utilizing the appropriate tools to ensure an evidence-based, outcomes-focused process.
2. **Because of the rapid pace of change in health care, what organizations know today is very different from what they’re likely to know tomorrow.** That means that strategic planning processes, structures, and systems need to be flexible, and that the plan must be adaptable to new information and new realities of the future that have not yet been envisioned.
3. **Trustees will never know everything they’d like to know to be totally confident in every decision they make.** What they need is the assurance that the board’s “knowledge bank” has sufficient “capital” to ensure that the decisions they make, and the directions they outline for the future of the hospital, can withstand scrutiny.

All of the board’s primary strategic responsibilities are contained in these critical areas. Once this work has been accomplished and the board is satisfied with the broad strategic direction, the management team can go to work to develop action steps, communicate the plan throughout the organization, and ensure that everything is in place to ensure a successful strategic implementation.

LEADERSHIP PERSPECTIVES

Mergers and Acquisitions: Assessing Your Options

Following passage of the Affordable Care Act, the number of hospital mergers and acquisitions began to rise, increasing by 70 percent from 2010 to 2015 as hospitals and health systems integrated services and pursued economies of scale in efforts to deliver cost-effective, value-driven care.^{1,2} But 2017 proved to be the record setting year with 115 transactions, comparable in number to 2015 (112 transactions), and involving nearly twice the revenue as 2015. According to Anu Singh, Managing Director of Kaufman Hall, “The size, magnitude, and complexity of these deals has reached a new level. It’s telling us that providers are reacting and responding to industry transformation by creating wider and deeper enterprises that can thrive in the face of disruption because they include physician alignment, broader base and type of care sites, and a full care continuum – all with access, relevance, and convenience for the consumer.”³

To determine the type of affiliation that best suits a hospital, it is imperative for the hospital’s leadership to take a long-term view, and carefully determine the approach that will best ensure the development, continuity and security of the community’s health care. The organization must be operated and structured to provide flexibility and

responsiveness to the community’s current health needs, and be able to effectively and successfully respond to emerging health needs.

The hospital’s board of trustees should consider the following key questions as it evaluates any change to its present organizational structure:

- What is the organization’s most viable and valuable health care role, both now and in the future?
- What is the organization’s position in the regional health care continuum, and how can that position be solidified?
- What strengths and assets are most critical for the organization to possess?

- What types of management and operating resources does the organization need to have access to meet future community and organizational needs?
- How should the organization be structured to be able to best meet the health needs of the community? Is the status quo the best alternative or something else?

Overview of Operating Structures

Hospitals have several options for changing ownership, affiliations, and structure. The best option will be determined following a careful examination of the hospital’s current operating performance, resources and needs, projections of future needs, challenges and opportunities, assessment of national and local health care trends, and community needs. Below are brief descriptions of four basic organizational alternatives, followed by a summary of the advantages and disadvantages of each one.

Independence. Some maintain that an independent hospital cannot be fully effective and successful in meeting the community’s health care needs in today’s complex and rapidly-changing health care environment. However, a case can also be made that an experienced, professional, and capable CEO, working closely and effectively with an educated, motivated, responsible, and committed board of trustees and medical staff, can still be successful in today’s challenging environment.

The keys to success as an independent hospital are leadership, vision, capital, and community loyalty and commitment. The

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administration and the board must be able to anticipate, and aggressively and effectively deal with the multitude of complex issues facing the hospital, operate successfully in a climate of rapid change, offer uniqueness and distinctiveness in services and customer service, deliver high quality that meets or exceeds patient needs and earns patient and community loyalty, and be able to preserve or expand market share in the service areas provided.

Advantages of independence may include:

- Continued status as community-owned and community-governed;
- CEO reports directly to the board of trustees, ensuring clear and direct lines of local responsibility and authority;
- Flexibility in making operating decisions and changes without outside interference; and
- Preservation of current structure and identities.

Disadvantages of independence may include:

- Current financial and utilization trends may inhibit ability to improve services and long-term viability;
- Potential for narrow, isolated decision-making may cause the hospital to miss opportunities;
- Fewer options to access capital;
- Greater vulnerability to competitive threats; and
- Lack of immediate, ready access to needed personnel.

Management Contract. Operating successfully under a full-service management contract requires strong communication between the organization,

its board and the management entity, and a clear understanding of, and agreement to, mutual objectives and expectations.

The keys to success as an independent hospital are leadership, vision, capital, and community loyalty and commitment.

When management contract arrangements fail it is often because the hospital client does not adequately analyze and understand its true needs, select the appropriate management firm, structure an appropriate, mutually-beneficial contract, and then manage the contract to ensure

that the hospital's goals, services, and actions are directly related to those needs.

There are two types of management contracts a hospital could consider: 1) full-service management contract with a hospital management company; and 2) management contract with a regional hospital or hospital system that can offer access to the range of management services the organization needs.

Advantages of a management contract may include:

- Continued status of the hospital as a community-owned, community-governed, and locally-managed organization;
- Governing autonomy and flexibility preservation;
- Management company experience provides access to proven and tested systems and programs that may be successfully adapted to the hospital's needs;
- Easy and immediate access to a broad range of key personnel and management company resources makes it convenient for the organization to access needed assistance quickly;

Operating successfully under a full-service management contract requires strong communication between the organization, its board and the management entity, and a clear understanding of, and agreement to, mutual objectives and expectations.

- Opportunity for information exchange with other managed hospitals with similar needs; and
- Flexibility to terminate the management contract if the board of trustees becomes dissatisfied with the management company's performance.

Disadvantages of a management contract may include:

- Added cost of the contract to already strained financial resources;
- Loss of decision-making autonomy and flexibility (based on contractual provisions);
- Potential to develop a "dependency" on the management company's products and services making any necessary return to proprietary management difficult;
- Potential to lessen somewhat the board's sense of community and fiduciary responsibility and accountability;
- Key personnel are employees of the management company, not the hospital. Management "loyalty" is to both the board of trustees and the management company; however, primary loyalty will likely be to the actual employer (the management company), on which key personnel rely for future opportunities;
- The organization pays for broad access to a range of services it may not need or utilize; and
- May reduce or eliminate "comparison shopping" for vendors in key areas where the management company provides products and services.

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Lease to or Merger with Another Health Care Organization.

A hospital lease is essentially a contract that gives possession of hospital land, buildings, equipment, and services to a lessee for a specified period. Under a lease arrangement the organization gives full use and responsibility for the facility to another party to manage and operate as it sees fit, within the parameters specified in the lease agreement. A merger is essentially a transaction through which one corporation acquires the assets and assumes the liabilities of another corporation.

Advantages of a lease to or merger with another health care organization may include:

- Access to new sources of capital for equipment, salaries, physician recruitment, etc.;
- Streamlined, fully integrated decision making may create greater operational flexibility;
- Ability to improve competitiveness in the areas of cost, quality, and outcomes;
- Proceeds from the transaction, if any, to a newly-formed foundation (or other not-for-profit entity), which may be used in a variety of ways consistent with the hospital's mission;

- Predictable source of income over the life of the lease;
- Potential role for some form of local advisory board governance;
- Elimination of business risk;
- Single point of decision-making streamlines and speeds the decision process;

- Improved ability to align services and operations; and
- Opportunity to streamline governance and operational decision-making and direction.

Disadvantages of a lease to or merger with another health care organization may include:

- Loss of control: policy control is in the hands of the lessee or new entity;
- At some point the hospital may seek to regain control of operations, and could be required to assume significant costs to do so successfully;
- Under a lease, the philosophy and standard of care of the lessee prevails; there is no absolute assurance that services provided will match community needs;
- Under a lease, the cost of payments to the lessor becomes a new cost to the lessee, making it more difficult for the lessee to build a positive bottom line;
- Potential reduction in autonomy and identity; and
- Community preference for an independent hospital.

Strategic Affiliation. A strategic affiliation is typically a looser arrangement under which two organizations agree to work together contractually to achieve a broad set of objectives. Strategic affiliations may take many different forms, with a variety of mutual commitments.

A strategic affiliation, under the right circumstances, may enable economic, governance, and programmatic integration that could benefit a hospital and its employees, physicians, and patients. It could also enable more streamlined payer contracting, and better coordinated management, governance, and strategic planning. Services could be integrated and broadened, and managed care contracting strength could be enhanced.

Advantages of a strategic affiliation with another health care organization may include:

- Ability to benefit from the name and reputation of a larger, well-respected organization;
- Improved professional advancement potential for employees;
- Ability to improve competitiveness in the areas of cost, quality, and outcomes;
- Improved access to capital;
- Ability to reduce unnecessary duplication of services through appropriate service consolidation;
- Ability to be a part of a broader network of providers;
- Ability to be part of a unified managed care contracting effort; and
- Ability to develop seamless joint initiatives.

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Questions to be Addressed

- How satisfied are you with the progress the hospital has made in the last five years?
- Is the hospital mission still an accurate description of the hospital's purpose? If not, what should be changed?
- Is the vision an accurate picture of what the hospital should be striving to become? If not, what should be changed?
- What are the most significant characteristics of your current situation (e.g., market position, financial position, competition, opportunity for expansion, etc.)?
- What are the most dominant issues facing the hospital today? Short-term (next 12 months)? Mid-term (1 to 3 years)? Long-term (over three years)?
- What are the unmet or under-met health care needs of residents of the hospital's service area?
- What local market trends are most critical to understand in shaping the hospital's strategic future?
- What major assumptions should we make about the environment that will impact our ability to achieve our strategies (e.g., the economy, competition, reimbursement, inflation, etc.)?
- What is the hospital's unique, market-based vision in key success areas (e.g., managed care, community health status, premier provider, delivering value, affiliations, community leadership, public trust, accessibility, appropriate services, innovation, financial health, etc.)?
- What factors are most critical to the hospital's success over the next 1 – 3 years (e.g., cost efficiency, quality, technology, community support, information systems, patient and payer satisfaction, employee development, service innovation, consolidation, external relationships, market coverage, etc.)?
- What limiting factors will the hospital have to overcome to be successful?
- Where does the hospital have the most potential for growth? What services should the hospital consider to further solidify its market position?
- What are the hospital's major strengths and competitive advantages? What are its significant weaknesses and competitive liabilities?
- What market niches or opportunities are most critical for the hospital to capitalize upon (short-term, mid-term, and long-term)?

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Disadvantages of a strategic affiliation with another health care organization may include:

- Potential reduction in hospital autonomy and identity;
- The philosophy and standard of care of the controlling entity prevails; there is no absolute assurance that services provided will match community needs, or how and where services will be delivered; and
- Community preference for an independent hospital.

The Board's Accountability

Regardless of the organizational structure choice made in today's difficult economic environment, it's the board's responsibility to ensure that the choice strengthens the hospital's ability to achieve its mission and vision, and secures the long-term health care future of the community.

Operating Structures

- ✓ Independent
- ✓ Management contract
- ✓ Lease to or merger with another health care organization
- ✓ Strategic affiliation

Sources and More Information

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Governance Pitfalls to Avoid

As board members work to examine the organization's strategic direction and find new ways to engage the board, they must be on the lookout for potential pitfalls. Some of these include:

1. Assuming that the past is a reliable predictor of the future.
2. The inability to craft a compelling, dynamic and meaningful vision embraced by all.
3. Attempting to manage plan details instead of engaging in critical strategic dialogue.
4. Taking narrow, board-centric approaches that do not involve a broad range of participants.
5. Viewing strategic planning as an endpoint, rather than as a continual process of real-time responsiveness to change.
6. Failing to define precise targets, measure progress, and continually work to close strategic gaps.
7. The inability to drive the strategic planning process, outcomes, and responsibilities deeply into the organization.
8. The inability to continuously turn new information into strategic knowledge, and transform it into strategic action.

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Governing Strategically

Governance leaders play a unique and very important role in the organization's strategic planning process, and in its ongoing strategic success. The role of the board is to be a leader, a motivator, and a catalyst for strategic success. The board does not need to be involved in the details of strategic plan development and implementation.

It's the strategic thinking role that is absolutely unique to the board in the strategic planning process. Simply stated, the board should govern and lead the strategic plan, not create or manage it.

The board is the driver and keeper of the organization's mission, values, vision, goals, and strategies, but it should not dictate the plans for delivering on those expectations. When it does, it ceases to play a governing role and instead plays a management role, blurring the lines between these two critical elements.

Effective board-level planning emphasizes an ongoing strategic dialogue into which are continually fed new information, new ideas, and new perspectives, and out of which emerges a constant stream of strategic development opportunities.

Actions the Board Can Take Now

Boards can take action now to move forward as accountable, responsible, and responsive strategy-focused boards, including:

1. ***Review the current strategic plan***, including evaluating its purpose and value.
2. ***Assess the organization***, leading the initiation of a in-depth, wide-ranging, and comprehensive examination of organizational fitness for future success.
3. ***Identify the most critical challenges*** and forces shaping the organization's future, and develop a compelling and responsive vision.
4. ***Focus on vision and outcomes*** vs. programs and details. The board should be most concerned with the "what" rather than the "how."
5. ***Pioneer new thinking*** and new responses to emerging needs.

6. ***Create and nurture a culture that welcomes and embraces change*** as a creator of new opportunities and innovation.
7. ***Lead with purpose and consistency*** through unplanned and unexpected change.
8. ***Inspire executive leaders*** to excel as strategic change leaders who can coalesce employees, medical staff, and others within the hospital or health system in a movement unified with purpose, committed to excellence, and rewarded for performance.

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