Today’s Objectives

• Learn the governance fundamentals trustees must master in order to be successful
• Explore the key roles and responsibilities of hospital boards
• Understand the subtleties of hospital and board dynamics that aren’t talked about during orientation
Healthcare: An Industry under Siege

Strategic Challenges facing North Dakota Hospitals

- Quality & Patient Safety
- New Models for the Delivery of Care
- Payment Reform
- Ensuring Access to Essential Services
- Mental and Behavioral Health Needs
- Redefining the “H”
In these turbulent times, will your board help or unintentionally hinder the achievement of the hospital’s mission?
Fundamental Fiduciary Duties

“Fiduciary” Definition

“A person who holds something in trust for another; trustee.
A fiduciary guardian for a minor child”

Webster’s
New World Dictionary
Fiduciary Duty of Oversight

• Develop the mission and set strategic direction
• Establish policies, norms, and procedures
• Carefully select competent CEO
• Delegate work to CEO
• Monitor performance of organization and CEO

Your Legally-specified Fiduciary Duties

CARE
Duty of Care requires directors apprise themselves of all reasonably available information before taking action and act with attentiveness and care appropriate under the circumstances

OBEEDIENCE
Duty of Obedience requires directors be faithful to the charitable purposes and goals of the nonprofit corporation as set forth in the governing documents. It presumes that the mission of the corporation and the means to achieve it are inseparable

LOYALTY
Duty of Loyalty requires directors to discharge their duties unselfishly, in a manner designed to benefit only the corporate enterprise and not the directors personally. It incorporates a duty to disclose potential conflicts and a duty to avoid competition with the corporation

Source: Michael Peregrine, McDermott Will Emery
Three Important Notes

1. Boards only have authority when meeting as a board (not as individuals or sub-sets)
2. Boards must speak with one voice
3. The Board’s primary contact – and only employee – is the CEO

Duty of Care is fulfilled by...

- Regularly attend board and committee meetings
- Arrive well prepared
- Review and understand information before voting
- Conduct performance reviews
- Oversee the organization’s finances and policies
The Duty of Obedience is carried out by...

- Adhering to the by-laws of the board and the mission of the organization
- Complying with all regulatory and reporting requirements
- Understanding the organization’s foundational governing documents
- Ensuring that all decisions promote the mission and comply with the governing documents

The Duty of Loyalty is carried out by...

- Fully disclosing potential conflicts of interest
- Complying with the organization’s conflict of interest policy
- Avoiding the use of corporate opportunities for personal gain or benefit
- Maintaining confidentiality
Conflicts of Interest

- Exist on all boards; not ‘bad’ per se
- A matter of law
- Can be addressed by clear policies and procedures:
  - Annual disclosure
  - Written policy / process
  - Minutes document attendance and votes

What’s Confidential?
(a partial list)

- Medical Staff appointments, disciplinary action
- Clinical data, malpractice information, litigation, and sentinel events
- Individual patient information
- Hospital’s confidential business and strategic plans
- Executive performance evaluation, compensation, contract and employment conditions
- All discussions in closed session
Will Our Board Be Held Liable?

- Not if the decision:
  - was made in good faith,
  - where the trustee is disinterested and reasonably informed,
  - and the trustee believes that the decision is in the best interest of the corporation.

One Key Suggestion:
Start every meeting and conversation with a review of the mission.

The Hospital Triad of Authority

The Board of Directors

Administration

The Medical Staff

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The Governance Challenge

“There is no other group than the trustees, both deeply concerned and yet above the fray, to insist on the clarification of mission; to monitor institutional progress; to protect the integrity of the institution.”

John W. Nason
The Nature of Trusteeship
Policies: Statements of intent that guide and constrain further decision making and action and limit subsequent choices.

Policies give the organization direction.

Board Role: Policy Formulation

Board Role: Decision Making

Considered the most important role of governance. Decisions are based on policy. Boards can retain or delegate authority for making decisions.
Board Role: Oversight

Central to everything boards do. Involves monitoring decisions and actions to ensure they conform with policy and produce intended results.

Key Responsibilities of Boards

- Set Strategic Direction
- Quality and Safety Oversight
- Legal and Regulatory Oversight
- Financial Oversight
- Management (CEO) Oversight
- Governance Effectiveness
1. Setting Strategic Direction

Responsibility for the Mission

• Confirm, Revise, or Revalidate the Mission

• Articulate the Vision of the Organization

• Specify Key Goals that Result in Progress toward the Organization’s Vision and Realization of the Mission

Clarify Board’s Strategy Role

SWOT Analysis

Overseeing Process and Participants

Monitoring Progress

Board and Management’s Work: “What”

Identifying Critical Strategic Issues and Discussing Alternative Options

Timeless

5 Years

1-3 Years

Less Than 1 Year

Environmental Assessment

Mission and Core Values

Vision

Strategic Goals

Objectives

Management’s Work: “How”

Courtesy of ACCORD LIMITED
Three Important Truths

• You don’t need to know everything to make decisions about the future
• What you know today is very different from what we’re likely to know tomorrow
• You will never know all that you’d like to know to be confident in all decisions

2. Quality and Safety Oversight

Be the driver – quality is ultimately the board’s responsibility*:

• Ensure effective mechanisms are in place to measure, monitor, maintain, and improve quality, safety, and service excellence.

• Approve quality improvement plans and goals, monitor performance in relation to those goals, and exercise accountability in seeing the goals become a reality.

• Approve recommendations for physician appointments, reappointments, and clinical privileges, based on well-documented recommendations resulting from an effective credentialing process.
Credentialing is a process to determine whether a clinician and/or physician can meet/is meeting the organization’s high standards of knowledge and clinical skill.

- A number of the licensed clinical staff must be credentialed: MDs, PAs, APRNs, CRNAs, and nurse midwives, for example
- Which clinicians may practice in our organization?

Privileging:
- Which procedures may each perform?
- Which conditions may they treat?

What Is It and Who Does It?

Four Steps to Credentialing

1. Establish Policies and Rules
   Management, Clinical Leaders and Board
2. Collect and Summarize Information
   Management, Clinical Leaders
3. Evaluate and Recommend Membership and Privileges
   Management, Clinical Leaders
4. Review, Grant, Deny, or Approve Privileges
   Board
Measuring Quality

- Adopt overall theme around quality and patient safety
- Select and monitor a limited number of “Big Dots”
- Choose from balanced set of performance dimensions (i.e., clinical quality, patient experience, employee experience, and community health)
- Use your experts to identify and assist in interpreting data
- Actively engage and constructively challenge information

3. Legal and Regulatory Oversight

- Organizational integrity focus
- Oversee compliance with local, state, and national regulations
- Engage in ongoing education on regulatory and legal issues and changes
- Direct-line reporting relationship with Compliance Officer and closed session reports
- Receives sentinel event reports and information on other reportable events
- Discusses internal processes to ensure highest level compliance and integrity
4. Financial Oversight

- Ensure the integrity of the hospital’s financial processes and systems
- Stay current on health care financing and reimbursement issues and trends
- Set and monitor clear financial performance goals, and demand corrective action as needed
- Insist on quarterly financial reporting
- Ensure the alignment of all plans and budgets
- Choose key ratios and ask tough questions

Key Performance Indicators (KPI) For Critical Access Hospital Finances

<table>
<thead>
<tr>
<th>KPI</th>
<th>How it’s calculated</th>
<th>Measures</th>
</tr>
</thead>
</table>
| Cash flow margin                         | Net income – (Contribution, Investments, and Appropriations) + Depreciation + Interest expense  
Net patient revenue + Other income – (Contributions, Investments, and Appropriations) | Organization’s ability to generate cash flow from providing patient care services |
| Days cash on hand                        | Cash + temporary investments + investments                                          | Number of days an organization could operate if no cash was collected or received |
| Debt service coverage                    | Net income + Depreciation + Interest expense                                      | Ability to pay obligations related to LT debt, principal payments, & interest expense |
|                                          | Notes and loans payable (short term) * (Days in period / 365) + Interest expense   |                                                                          |
| Medicare outpatient cost to charge      | Hospital Outpatient Medicare costs                                                | Percentage of total outpatient charges that are for Medicare patients    |
|                                          | Hospital Outpatient Medicare charges                                               |                                                                          |
| Salaries to net patient revenue         | Salary expense / Net patient revenue                                               | Percentage of net patient revenue that are labor costs                   |

5. CEO Oversight

- Select and employ a competent CEO
- Jointly set well-defined expectations for the CEO’s performance (personal and organizational)
- Discuss the desired Board / CEO relationship
- Conduct an annual CEO performance review
- Provide on-going feedback and encourage open and honest dialogue
- Hold the CEO accountable for own performance and management’s

6. Governance Effectiveness

- Insist on mandatory orientation and education
- Establish and review annual board goals
- Assess board’s structure, bylaws, policies, and functioning on a regular basis
- Conduct Regular Board Self-Assessments and Plan for Board Development
- Focus on Efficient and Effective Board Meetings
- Meet Legally-mandated Fiduciary Duties
- Create written board policies and procedures
On which of the six core responsibilities does your board spend the most time? The least time?

The Distinction between Governance and Management
Governance vs. management
How to tell them apart...

• Governance – Exercising accountability by setting goals, making major policy and strategy decisions, and overseeing implementation

• Management – Delivering results by implementing policy and strategy as set forth by the governing body, managing operations, and reporting on performance

Questions to Help Clarify Roles

1. Is it big?
2. Is it about the future?
3. Is it core to the mission?
4. High-level policy decision needed?
5. Is a red flag waving?
6. Is a watchdog watching?
7. CEO wants/needs board’s support?

**Note:** If the CEO asks the Board for advice on a management issue, the CEO should ‘declare’ that intent, and be responsible for bringing the Board back ‘up’ to governance
CEOs get frustrated by...

- Inappropriate involvement in operations
- Unclear expectations of CEO
- Cop mentality
- Going around the CEO
- Leaks of confidential information
- Insufficient healthcare knowledge
- Grenades in meetings

Boards get frustrated by...

- Insensitivity to need to live and work in the community
- Fully baked cakes
- Excessive time expectations
- Attempts to control / dominate
- Being kept in the dark
- Overloaded board packets
- Too much jargon
- Too many reports by staff
Strong Board-CEO Relationship

• The most important relationship you have
• Your CEO’s success (or failure) is yours also
• Let the full-time people run the show
• Don’t be the police: trust, but verify
• Show respect in public forums

Qualities of Successful Relationship

1. Agree on Board’s role and responsibilities
2. Agree on a governance ‘philosophy’
3. Memorialize agreements in formal Board policies
4. Develop written job descriptions
5. Regularly evaluate CEO performance, set performance goals
What’s the Difference between the Board’s Job and Management’s Job?

**The Board:**
- Ensures overarching objectives and goals
- Establishes and clarifies mission, vision or purpose
- Sets policies
- Makes decisions
- Confirms that effective oversight is in place

**Management:**
- Proposes the organization’s objectives and goals
- Provides plans to accomplish organization’s objectives and goals
- Implements plans
- Reports to the board on progress
- Makes decisions
- Deploys organizational resources within the parameters and policies established by the board

<table>
<thead>
<tr>
<th>RESPONSIBILITY</th>
<th>GOVERNING BOARD</th>
<th>CEO/ADMINISTRATOR (Or Delegate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term strategic plan</td>
<td>Approves and helps formulate</td>
<td>Recommends and provides input</td>
</tr>
<tr>
<td>Short-term plan</td>
<td>Monitors and provides input</td>
<td>Establishes and carries out</td>
</tr>
<tr>
<td>Day-to-day operations</td>
<td>No role</td>
<td>Makes all the management decisions</td>
</tr>
<tr>
<td>Budget</td>
<td>Approves</td>
<td>Develops and recommends</td>
</tr>
<tr>
<td>Capital Purchases</td>
<td>Approves</td>
<td>Prepares requests</td>
</tr>
<tr>
<td>Decisions on building, renovation,</td>
<td>Makes decisions, assumes responsibility</td>
<td>Recommends and has contractual authority</td>
</tr>
<tr>
<td>leasing, expansion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supply purchases</td>
<td>Establishes policy</td>
<td>Purchases according to Board Policy and maintains an adequate audit trail</td>
</tr>
<tr>
<td>Repairs</td>
<td>Establishes policy</td>
<td>Authorizes repairs up to prearranged amount including amount that can be spent without Board approval</td>
</tr>
<tr>
<td>Cleaning and maintenance</td>
<td>No role</td>
<td>Sets up schedule</td>
</tr>
<tr>
<td>Fees</td>
<td>Adopts policy as part of budget process</td>
<td>Develops fee schedule</td>
</tr>
<tr>
<td>Billing and credit and collections</td>
<td>Adopts policy</td>
<td>Proposes policy and implements</td>
</tr>
<tr>
<td>Hiring of staff</td>
<td>No role</td>
<td>Approves all hiring</td>
</tr>
</tbody>
</table>

Source: Barry S. Bader, Bader & Associates
<table>
<thead>
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<th>RESPONSIBILITY</th>
<th>GOVERNING BOARD</th>
<th>CEO/ADMINISTRATOR (Or Delegate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff responsibilities and job assignments</td>
<td>No role</td>
<td>Establishes</td>
</tr>
<tr>
<td>Firing of staff</td>
<td>No role</td>
<td>Makes final termination decision</td>
</tr>
<tr>
<td>Staff grievances</td>
<td>No role</td>
<td>The grievances stop at the administrator</td>
</tr>
<tr>
<td>Personnel policies</td>
<td>Adopts</td>
<td>Recommends and administers</td>
</tr>
<tr>
<td>Staff salaries</td>
<td>Approves budget</td>
<td>Approves salaries with recommendations from the supervisory staff</td>
</tr>
<tr>
<td>Staff evaluation</td>
<td>Evaluates only the administrator</td>
<td>Evaluates other staff</td>
</tr>
<tr>
<td>Board reports</td>
<td>Approves and accepts</td>
<td>Prepares</td>
</tr>
<tr>
<td>Medical staff</td>
<td>Approves bylaws, appointments and reappointments</td>
<td>Receives reports and maintains relationship</td>
</tr>
<tr>
<td>Quality management</td>
<td>Approves and monitors</td>
<td>Establishes quality plan and implements</td>
</tr>
<tr>
<td>Corporate compliance</td>
<td>Approves and monitors</td>
<td>Establishes compliance plan and implements</td>
</tr>
<tr>
<td>Advocacy</td>
<td>Knowledge of issues, pre-approved communication with elected officials</td>
<td>Knowledge of issues, communication with elected officials</td>
</tr>
<tr>
<td>Community relations</td>
<td>Keeps community informed</td>
<td>Keeps community informed</td>
</tr>
<tr>
<td>Community health status</td>
<td>Approves and collaborates with community</td>
<td>Establishes plan and priorities</td>
</tr>
</tbody>
</table>

Source: Barry S. Bader, Bader & Associates

Let’s Discuss!

Governance or management?

Terminating the long-time chief of nursing

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Governance or management?
Making the decision to employ physicians who will (in some ways) compete with existing private practice medical staff

Governance or management?
Adopting a new billing policy for self-pay patients
Board Chair’s Role
• Help the board prepare
• Create a great agenda
• Work through tough issues
• Stay at governance / strategic level
• Advise the CEO if asked to play that role
• Facilitate a productive meeting
• Ensure the board and its committees are effective and efficient
• Develop a healthy board culture

Note: Board Chair does not normally have any special authority
Effective Board Meetings

- Targeted, governance-level packets provided at least a week prior to meeting
- Agenda states action desired, estimated time of conversation, and reference materials
- 60% of time spent on strategic and policy issues
- At least 75% of time spent in discussions vs. reports
- Verbal reports of packet material forbidden
- Consent agenda utilized
- “Dashboard” performance indicators used
- Minutes provide an adequate summary of the meeting
- Healthy board culture

Every Meeting Includes

<table>
<thead>
<tr>
<th>Content</th>
<th>Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>What a team/group does:</td>
<td>How the team/group works:</td>
</tr>
<tr>
<td>✓ Official purpose</td>
<td>✓ Feelings and needs</td>
</tr>
<tr>
<td>✓ Public agenda</td>
<td>✓ Hidden agendas</td>
</tr>
<tr>
<td>✓ Specific tasks</td>
<td>✓ Unwritten norms</td>
</tr>
<tr>
<td>✓ Formal rules</td>
<td>✓ Informal leadership</td>
</tr>
<tr>
<td>✓ Formal authority</td>
<td></td>
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Courtesy of ACCORD LIMITED

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Lower the Waterline...

- Talk about how the process component is affecting decisions
- Be aware of the group dynamic’s influence
- Share concerns about possible decisions
- Speak openly about interpersonal communications breakdowns

Sample Group Guidelines

- “Lower the water line”
- Be honest and kind
- Encourage and respect all opinions
- Declare ‘devil’s advocate’
- Avoid side conversations
- Be fully engaged (no smartphone gazing)
- Use consensus decision making
- Ensure all actions are assigned
- Other?
Sample Code of Conduct

- Promote and protect the mission of the hospital
- Act in a manner consistent with the hospital’s values
- Respect the confidentiality of deliberations at meetings
- Complete the annual conflict of interest questionnaire
- Contribute to a climate of mutual respect, honesty, and open discourse during meetings and with the CEO
- Attend the mandatory orientation within six months
- Attend at least 80% of Board meetings annually
- Come prepared for each Board or committee meeting

Disruption at Board Meetings

**Positive:** A board member who can express controversial ideas and viewpoints brings positive disruption to the board and strengthens governance performance.

**Negative:** An unprepared, argumentative or disrespectful board member. This behavior is a clear detriment to the governance process.

Excerpted from Trustee Magazine article, *Practical Matters: Dealing with Disruption* by Nicole Matson and Cindy Fineran, September 8, 2014
Behaviors that Impede Group Progress

- A person dominates the meeting
- A person is consistently quiet
- A group digresses from the topic, loses focus
- There is silence, no one is talking

Let’s Discuss!

What are some strategies to constructively respond to negative disruption at board meetings?
How to Disagree without Being Disagreeable

1. Speak with civility.
2. State your view about the subject not about the person.
3. State opinion as opinion, not as fact.
4. Avoid absolutes about other people.
5. Think yes, not no.
6. Communicate to learn not to win.
7. Get out of your comfort zone.
8. State your inference as an inference, not as the speaker's intention.

Source: Kate Nasser, The People Skills Coach™
www.katenasser.com

Decision-making Types

- **AUTOCRATIC**: Decision is made by one person who has absolute authority. Decision-maker informs others of decision made.
- **CONSULTATIVE**: Decision-maker gathers input from others; makes decision, and informs subordinates / peers of the decision.
- **DEMOCRATIC**: Group members vote on the various solutions. The decision that receives the majority of the votes becomes the final decision.
- **CONSENSUAL**: All possible input is obtained and all concerned parties consulted. Everyone in the group discusses the subject, arriving at a decision that all members can support.

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Facilitation Tips

• Recognize and utilize members’ various roles to improve the meeting’s effectiveness
• Ensure all members contribute to the conversation (e.g., use ‘round robin’)
• Balance the need to hear from each member with the need for action
• Clarify the desired decision making style

Team Characteristics

• Meaningful common purpose that the team has helped shape
• Specific performance goals that flow from the common purpose
• A mix of complementary skills
• A strong commitment to how the work gets done
• Mutual accountability

Excerpted from article by Jon R. Katzenbach and Douglas K. Smith
“The Discipline of Teams” Harvard Business Review
Healthy Board Culture

- Open, facilitated conversations
- Candid, respectful debate/dissent encouraged and expected
- “Hidden agendas” discouraged
- Realize individual board members have no power: you’re all in this together
- Hold each other accountable for agreed-upon behaviors
- Work as an interdependent team

Thank you and best wishes as you take flight!

Please keep in touch and let me know if I can assist you...
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