

Kentucky Trustee

For Kentucky Hospital Governing Board Members

Fall 2019

BOARDROOM BASICS

Hardworking Committees and Councils are an Essential Governance Foundation

Board committees, task forces, and advisory councils are essential components of effective governance and leadership. They form the foundation or infrastructure that enables the governing board to focus on critical issues of policy, strategy, and vision.

If your board is finding itself bogged down in detail or unable to respond quickly and effectively to strategic issues, it may need to assess the infrastructure. Even if the board's committees and councils seem to be operating as expected, the following tips will help ensure they're operating at maximum effectiveness, and are ready to meet the board's most current needs.

Balancing the Work of the Board

Quite simply, committees, task forces, and advisory councils empower greater governance effectiveness. When the work of the board is correctly balanced between these small, highly focused working groups and the full governing board, the entire board becomes more productive and effective.

Each hospital board is unique and needs to determine its own "right" balance of working groups to meet its strategic goals, mission, and vision. The size of the board, the expertise and experience of its trustees, and the time board members must devote to committee work will shape the board's decisions about its infrastructure.

High-performance boards consistently rebalance their board structures to increase efficiency and productivity, and ensure a continual board focus on high-level strategic thinking. That may mean reducing the number of standing committees and replacing them with task forces, work groups, or advisory councils assigned to delve into high priority issues.

Rethinking the full board/infrastructure balance may indeed change a board's number of standing committees. Too often, standing committees are outdated and can inhibit the success of the board. In fact, many standing committees exist yet meet with no real purpose.

Why Do Boards Need an Infrastructure?

Governance infrastructure is the backbone of any board and truly determines its leadership efficiency. Without its committees, task forces, and advisory councils, a board would get caught up in endless research and details, and would not be able to work at the

broader, higher level needed for policy-making, strategizing, and setting the hospital's future course.

For a board to think and act strategically, it must have the ability to draw on its committees, task forces, and advisory councils to study an issue, and then educate and bring recommendations to the full board for its discussion, deliberation, and action.

Successful boards use these smaller working groups to maximize their governance time and energy, enhance their effectiveness, and understand their position, progress, and performance in key areas. And they look toward the horizon for opportunities to stimulate hospital improvement and overcome potential challenges. When they are most effective, infrastructure groups provide the analysis and recommendations necessary for effective and well-thought-out full board decisions.

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PRESIDENT'S NOTEBOOK

The KHA Health Care Leadership Conference is a great opportunity for the membership to come together to discuss the challenges facing the health care industry and learn about the priorities of the Kentucky General Assembly for the 2020 legislative session.

Hospital board chairs and trustees are encouraged to join their hospital leadership team to hear from Kentucky's Senate and House leaders, as well as state and national political experts. The Conference also gives attendees the opportunity to keep Kentucky's elected officials informed about the impact of these changes on the state's hospitals and health care safety net.

Members will hear from state senators and representatives, who will discuss the challenges facing health care and the commonwealth during the upcoming session.

Leaders of the Kentucky Senate and the Kentucky House of Representatives will reveal plans for the upcoming session and how health care factors into their parties' agendas. Then, I will present the KHA 2020 Legislative Platform for approval by the KHA membership.

Finally, the chief political correspondent for *Politico*, Tim Alberta, will provide information on key issues in Washington. Alberta frequently covers Donald Trump's presidency, Capitol Hill, the ideological warfare between and within the two parties, demographic change in America and the evolving role of money in elections.

Please save Friday, November 8 on your calendar and plan to attend the KHA Health Care Leadership Conference with your hospital chief executive officer. We hope to see you there.

Sincerely,



Nancy Galvagni
President
Kentucky Hospital Association



Nancy Galvagni
President and CEO

Governance Notebook

KHA Health Care Leadership Conference on November 8

Please join us at the Hyatt Regency Lexington on Friday, November 8 for the annual KHA Health Care Leadership Conference. This program is a great way for hospital chief executive officers, board chairs, trustees, other hospital executives, government relations staff and medical staff members to stay informed of legislation that may affect their hospital, facilities and community.

The conference will present the latest in state and federal legislative issues and regulatory concerns from the Kentucky General Assembly. Please talk with your hospital CEO about attending or register online at www.kyha.com/events.

Save May 21-22, 2020, for the KHA 91st Annual Convention

KHA invites you to join your hospital chief executive officer and fellow hospital trustees at KHA's 91st Annual Convention, May 21-22, 2020, at The Northern Kentucky Convention Center in Covington.

Do you have ideas for future issues of the *Kentucky Trustee*?

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 would like to see in future issues of the *Kentucky Trustee*.

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Governance Committees

The American Hospital Association (AHA), in a 2014 survey of nearly 2,000 hospital CEOs and board chairs, found that almost all boards operate to some extent through a variety of governance committees.

Of the 10 board committees covered in the survey, more than half the boards used the following five standing committees:

- Quality
- Finance
- Executive
- Governance/Nominating
- Audit/Compliance

More than a third of boards also utilized these committees:

- Strategic Planning
- Executive Compensation

The least commonly used committees were:

- Fundraising/Development
- Community Benefit/Mission
- Government Relations

The survey found that nearly 4 in 10 standing board committees meet monthly. Just over a quarter of committees meet quarterly and another 25 percent meet bimonthly.

Source: American Hospital Association. 2014 National Health Care Governance Survey Report.

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Defining the Infrastructure

The three basic types of governance support groups are committees, task forces, and advisory councils.

- **Standing committees** focus on the central areas of board function and responsibility, such as quality and patient safety, medical staff credentialing, audit, board development, etc. They're critical to accomplishing important board work, and much of the board's work is accomplished in these standing committees. The establishment of these committees is often included in the board bylaws and/or policy manual.

- **Ad hoc committees and task forces** are typically created to address specific, short-term issues, problems, or needs. Once the situation has been resolved or the task has been accomplished, the committee is typically disbanded. Ad hoc committees and task forces often address issues such as recruiting a new CEO, developing a CEO succession plan, updating strategic plans, assessing community needs and perceptions, or analyzing problems (such as the workforce shortage).

When teams are needed to tackle short-term projects where a full committee is not necessary, an ad hoc committee or task force is almost always the best solution. The benefits of task forces include a tight focus on a single issue, broad participation and unique perspectives and expertise derived from the inclusion of staff and community members.

- **Advisory councils** are the third level of board support, formed to provide perspective, expertise, and advice on specific issues on an ongoing basis. They often include non-board members and are an excellent way to involve community members in better understanding hospital challenges and issues.

How Do Successful Infrastructures Operate?

High-performance committees, task forces, and advisory councils streamline board decision-making, educate board members, and enable better understanding of critical issues. They enhance overall board and individual trustee effectiveness and help prepare leadership to understand and lead through the challenges of the future. And they leverage board time for the most important and pressing strategic and policy discussions and decisions.

In addition, solid governance committees and working groups enable deep, penetrating analysis and development of alternatives and recommendations that

boards wouldn't have the time and resources to accomplish alone. They also provide an excellent opportunity to "test drive" and groom new leaders, ensure that the board's time is used most effectively, and ultimately facilitate the hospital's or health system's strategic success.

It is important for boards to keep an open mind about standing committees and work groups, and continually assess each group's productivity and effectiveness. The existence of any committee, task force, or advisory council should be a response to the current health care environment, both on the national and local levels.

These groups should be resources designed exclusively to enable the board to better address its strategic challenges and fulfill its strategic plans. As boards reach out to forge stronger community connections, governance committees and work groups offer an avenue to achieve that objective.

Consider Zero-Based Planning. It's important for boards to look carefully at their existing committees, task forces, and advisory councils and ask, "Are these groups helping us do our work as a board?" Also, ask, "Why do we have these committees? What purpose do they serve? What would happen if they ceased to exist?" This is called "Zero-Based Planning" and is a good place to start.

Ensuring a strong infrastructure requires the board to consider what support it needs, how its current committees, task forces, and advisory councils serve these needs, and what structures it would create if starting from "zero," or from scratch, in its infrastructure formation.

Key factors to consider include when setting up committees:

- Keep committee focus sharp and avoid work that is too broad to be successfully addressed;
- Avoid preserving outdated structures. Begin fresh every year by carefully assessing what committees are in place, what others may be needed, and

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GOVERNANCE INSIGHTS

Common Barriers to Effective Governance

In today's complex and advancing health care environment, hospital and health system boards must evaluate every aspect of their governance processes, practices, meetings, and composition to ensure they are well-prepared for the changes ahead.

This article outlines eight common barriers that governing boards must overcome to successfully transform into the nimble, adaptive, responsive, and forward-thinking board their organization's rely on them to be.

Barrier 1: Rubber Stamping vs. Strategic Dialogue

The board's role has never been to "rubber stamp" ideas presented by the senior management team. Yet many hospital boards in America continue to limit their scope by avoiding deep thinking or analysis. A lack of robust, high-level strategic dialogue, discussion, and debate limits the diverse talent, ideas, and experiences trustees bring to the organization and prevents opportunities from being identified. It's the board's job to question the status quo, think outside the box, and engage in rich dialogue that stimulates higher level thinking, ultimately elevating the organization's performance to better serve the patients, employees, and communities.

One way to ensure that the board is focusing on the right topics is to design the agenda around the "25/75" rule.

According to many governance experts, no more than 25 percent of meeting time should be spent discussing past issues and on retrospective reporting and analysis. At least 75 percent of board time should be dedicated to issues in which the board has the greatest impact: planning, setting policy, making critical decisions, and setting future direction.

Barrier 2: Lack of Commitment to Continuous Learning

Board members must have background information and understanding to engage in deep, strategic discussions about key issues. Health care is moving at a faster and faster pace and making sense out of complex issues, considering a range of possibilities and alternatives, and offering creative solutions requires a sound foundation of knowledge about the health care environment, and how it impacts the organization and the communities it serves.

Governance education must be prioritized, budgeted for, and conducted continuously using a variety of sources and opportunities.

Barrier 3: Presence of Conflict of Interest

A conflict of interest exists when a board member, senior leader, or management employee has a personal or business interest that may conflict with the interests of the hospital. Conflicts of

interest can be complicated, and are almost always unintentional. In some cases, no conflict actually exists, but the perception of a conflict of interest can be just as detrimental.

Boards should have multiple systems in place to safeguard against conflict of interest. Every board needs to have a conflict of interest policy, which is well-understood and agreed to annually by all board members. A process should also be in place for declaring real or perceived conflicts as they arise throughout the year. In addition, boards should encourage self-monitoring of real or perceived conflicts that may arise during board meetings. As physicians are increasingly integrated or employed by hospitals and health systems, organizations may consider seeking physician or other clinical representation on the board from non-employed physicians.

Barrier 4: Inconsistent or Limited Board Self Assessments

Despite experts' recommendations to conduct a board self-assessment annually, many boards don't. Those that do, may not use assessments that are as robust or comprehensive as needed to ensure they are prepared to lead in today's complex and scrutinized environment. According to the American Hospital Association's Center for Healthcare Governance 2014 National Health Care Governance Survey Report, only 57 percent of hospital boards reported conducting a full board assessment in the prior three years. Only 33 percent reported conducting an individual board member self-assessment, and only six percent conducted a peer-to-peer assessment. In addition, two in ten of the boards that do conduct a full board assessment do not use the results to create an action plan for improving board, trustee, or committee performance.

A strong and useful governance assessment process secures anonymous, insightful trustee input on the critical fundamentals of

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Overcoming Barriers to Governance Effectiveness

- Ensure robust, strategic dialogue
- Commit to continuous learning
- Identify and address conflicts of interest
- Implement an annual governance assessment, with follow-up action plans for improvement
- Ensure a strong emphasis on quality and patient safety
- Commit to transparency
- Seek board composition based on skills and competencies
- Maximize technology and update board processes

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successful governing leadership. It creates an opportunity to address major issues and ideas in a non-threatening, collaborative manner. The assessment should be conducted regularly, with a follow-up meeting or retreat dedicated to discussing the results and developing an action plan to improve governance effectiveness.

Barrier 5: Lack of Emphasis on Quality and Patient Safety

Quality and patient safety should be ingrained throughout the organization's culture. This begins with the board. Yet too often, boards of trustees assume that quality and patient safety problems are not an issue unless they hear otherwise.

The board's actions set the tone or "culture" for the organization, including setting patient safety guidelines and priorities and dedicating the resources necessary to provide appropriate, effective, and safe care. The board must understand health care's complex systems, and physicians and clinical staff must be held accountable to providing good quality. The concept of a "Just Culture" represents the combination of understanding the board's role in quality and patient safety, and fixing systemic issues that have the

potential to cause patient harm while also holding staff accountable when there is reckless behavior (for example, not washing hands). This cultural concept encourages the reporting of all mistakes, regardless of severity, in order to learn and improve systems and processes.

Barrier 6: Lack of Transparency

In today's environment, lack of transparency implies that an organization is hiding something. For hospitals and health systems, the two hot transparency buttons continually pressed by the media, lawmakers and the public focus on price and quality.

Although the challenges with explaining both are significant, patients and their families, lawmakers, insurance companies, and the public are demanding clear transparency in both areas. Billing statements should be clear, and information must be provided in an easy-to-understand format. Recent moves toward sharing price and quality online demonstrates the efficiency, effectiveness, and overall value of care provided. Hospital boards must ask senior leaders the hard questions to ensure that trustees not only understand the complexity of this challenge, but that the organization is proactively taking steps to increase transparency in these areas.

Barrier 7: Board Composition Based on Representation Rather than Competency

Governance succession planning is the key not only to filling an empty seat on the board, but to strengthening board and organizational performance. An analysis of the board's diversity, leadership challenges, and future leadership needs can help the board to develop a list of specific skills, attributes, and characteristics that are important for new trustees to possess.

The specifications should complement existing board members' skills and competencies, and assist the organization

in furthering its ability to provide high-powered, thoughtful, diligent leadership. Instead of simply accepting any person who expresses an interest in serving on the board, or persuading a reluctant candidate to serve in fulfilling a representational slot on the board, the board should recruit trustees with the skills and personal characteristics that complement existing board members' expertise and which results in a more well-rounded, competency-based board.

Barrier 8: Antiquated Board Materials and Processes

Hospitals and health systems' resources are stretched to the limit. Boards and their committees serve a critical and powerful function for every organization, but re-thinking the use of technology, meeting agendas, and governance processes can minimize the administrative burden required to prepare for board meetings and the cost of printing materials. The use of iPads or other tablets can significantly reduce printing costs and time, and provides trustees with immediate access to materials. Electronic board portals can also provide background material, white papers, educational programs, and more for trustees to access at any time.

A review of board practices and processes can also identify opportunities for improvement. Are there committees that have outlived their purpose and benefit? Are there areas where the board spends valuable meeting time because "it's always been done that way?" Consider how frequently the board meets, how frequently committees meet, and the types of committee used, if similar reports are being made at multiple meetings, and whether a consent agenda is used effectively. Boards should also evaluate their agendas to ensure that all active meeting discussion and dialogue keeps the mission at the forefront. If an agenda item doesn't have a direct tie to the mission, perhaps it shouldn't be on the agenda.

LEADERSHIP PERSPECTIVES

Getting the Most from Your Board Retreat

A board retreat is a good way for trustees to brainstorm ideas about the organization's future, strengthen their understanding of the organization's challenges, and develop a sense of teamwork and camaraderie. It is one of the most important leadership efforts governing teams participate in. To be effective, the retreat must be carefully planned, coordinated, and executed.

Board retreats should always be planned with a specific purpose in mind. For example, *"to involve board members, the administrative team, and medical staff leadership in the development of a meaningful long-term vision that will lead the development of strategies for 2020-2025."* Once a clear purpose has been determined, specific action steps may be taken, including seeking out all participants' ideas, viewpoints, and perspectives prior to the retreat. This intelligence will help to ensure productive retreat dialogue and discussion. In addition, because a well-planned retreat will typically yield a long list of potential actions to be taken, it's a good idea to conduct a post-retreat follow-up survey to further prioritize potential directions and ideas.



Pre-Retreat Research

Seeking opinions from board members, senior leaders, and medical staff leaders before a retreat helps the retreat planner and facilitator identify and understand the issues that are most important to address. It also prompts leaders' thinking and helps ensure that participants come to the retreat prepared to discuss the organization's current strategy, challenges the organization is facing, and critical success factors that must be addressed. A pre-retreat survey, interviews, or small focus groups can be used to gather pre-retreat information. Potential survey topics include asking leaders to:

- Identify organizational strengths, weaknesses, opportunities, and threats;
- Identify the topmost critical issues confronting the hospital;
- Suggest actions for addressing current and expected challenges;
- Gauge the continued relevance of the mission and vision statements;
- Rate the organization's existing strategies; and
- Identify the objectives they'd like to accomplish at the retreat.

The broad results of the research should be presented at the beginning of the retreat, setting the stage for an agenda based on participants' ideas, issues, priorities, and needs. The results can also be used as a starting point for discussion about specific issues, ensuring productive dialogue by giving participants ideas to respond to and build upon.

Ensuring Productive Retreat Dialogue

The retreat agenda should consist of discussion about the issues most important to the organization's board, administrative team, and medical staff, and prioritization of specific strategies and goals. Deliberations should lead to a list of ideas, goals, or initiatives that may be prioritized and finalized following the retreat.

Breakout groups. Depending on the number of critical issues emerging from the pre-retreat research and the number of retreat participants, breakout groups can be a good tool for discussing several issues in more depth. If breakout groups are used, a "discussion guide" should be developed to stimulate the groups' thinking and deliberations. The discussion guide should include a list of the topics to be discussed, questions to be answered, and specific outcomes to be achieved from the groups' discussion.

Each breakout group should appoint a moderator to facilitate discussion, as well as a recorder to take notes. Following their discussions, the breakout groups should reconvene for the moderators' reports, full group discussion, and specific recommendations.

Prioritization of critical issues, goals, or strategies. Full group or breakout discussions may result in a long list of key issues facing the organization and several

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Ensuring Successful Breakout Discussions

Breakout groups can be an excellent way to encourage broad participation among retreat participants, maximize the use of limited retreat time, and develop the greatest number of ideas. To ensure a productive use of time, breakout groups should have:

- A specific topic to discuss;
- Specific questions to deliberate and respond to;
- A facilitator to moderate the discussion and keep conversation on-task; and
- A recorder to take notes for presenting the results to the entire group.

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potential strategies to address these issues. Assessing the organization's capacity for successfully carrying out its ideas is a critical, but often overlooked planning component. Staff time, project costs, board and administration expertise and experience are critical resources that should be included in the board's calculations and decision-making.

To focus the organization's attention on the most critical issues and strategies, the ideas must be prioritized. Prioritization can be done in several ways, using either "low-tech" or "high-tech" alternatives.

- A "high tech" option is to utilize an electronic voting system. Each participant uses a wireless keypad to respond to questions presented on a screen, using specialized software integrated into PowerPoint. Participants can rate and rank ideas, and immediately see the results of their anonymous input.
- A "low-tech" option is to list the ideas, issues, goals, or strategies identified on flip charts and post them around the room. Each retreat

participant is given an equal number of colored stickers, which they place next to the items they believe are most important. As an alternative, participants may simply place a specified number of check marks next to the items they believe have the highest value or the greatest priority.

Both the "high-tech" and "low-tech" options give everyone an opportunity to share their opinions and stimulate dialogue, and result in an immediate understanding of participants' views.

Retreat Evaluation: How Did You Do?

Conducting a retreat evaluation at the end of the session encourages participants to share their opinions about the effectiveness of the retreat, and provides valuable feedback essential to improving subsequent retreats. A typical retreat evaluation may ask participants to rate specific components of the retreat, such as:

- Overall organization and flow of the retreat;
- Value of the pre-retreat research in helping participants prepare their thoughts and ideas about retreat topics;
- Value of the pre-retreat research results in stimulating retreat discussion;
- Overall participation, interaction, and teamwork among retreat participants;
- Quality of discussion and dialogue;
- Success of the retreat in helping to define the organization's goals and strategies;
- Value of breakout groups (if used); and

- Success of the retreat in developing a working consensus on goals and strategies.

The retreat evaluation may also ask participants' satisfaction with the retreat location and amenities, as well as open-ended questions, such as:

- Was the retreat a valuable use of your time?
- What was the most beneficial outcome of the retreat?
- What ideas do you have for future retreats?

Retreat Follow-Up

When critical issues and strategies are discussed and prioritized at the retreat, a brief follow-up survey can help to further clarify participants' opinions and create a roadmap for next steps. For example, the ten most critical strategic issues may be identified at the retreat, and a broad range of ideas for strategies and objectives to address those issues may be developed. But deeper analysis may need to be conducted, such as determining the implications of the issues, the urgency of strategy implementation, resources required, etc. By conducting a follow-up survey following the retreat, participants can share their opinions in a deliberative, thoughtful manner.

The retreat process ought to wrap up with a post-retreat meeting to review the results of the follow-up survey, and take any official action on the retreat outcomes. This may be accomplished at a regular board meeting or an extension of a regular board meeting. Based on the scope of the survey results, a special board meeting may be needed to discuss just the survey findings and determine board action.

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which may have outlived their purpose;

- Ensure the connection between committee work and how the board utilizes that work; and
- Evaluate committee and work group effectiveness as part of the board's annual self-assessment, reviewing each group's current role, contribution to governance success, and future potential.

Develop Charters. Every substructure, whether committee, task force, or advisory council, must have a charter that describes its purpose and responsibilities, how it is to be organized, how frequently it will meet, and how it will report its findings. Creating a charter gives direction and purpose, as well as a clear point of reference. Without a charter, the group may lose its sense of purpose, its efficiency, and its effectiveness.

A typical charter is brief and to the point. Important sections to include are:

- Purpose and authority, succinctly and briefly outlining the primary role of the group;
- Composition and requirements, which define the number of individuals required to serve the group, who selects them, the experience required of potential members, and the projected meeting schedule;
- Duties and responsibilities, which delineate the specific accountabilities of the group and serve as the basis for performance evaluation; and
- Reporting responsibilities, which define to whom or what group the substructure reports.

Require Agendas that Tie Directly to the Charter. Whether operating as a committee, task force, or advisory council,

the substructure will not be successful unless it ties its agendas to the group's charter and purpose. Each agenda should be set up to assure that the group is gathering, building, and preparing for presentation information the board will need to help it make informed decisions.

As boards reach out to forge stronger community connections, governance substructures offer an avenue to achieve that objective.

Encourage Participation by Every Member. Every group member should be certain he or she is taking an active role in the meaningful work of the group, thereby maintaining a clear, strategic focus that fits with the broader work of the board.

The group, and each member individually, should hold itself accountable for its performance, be able to regularly report meaningful progress on its work, and should use its meeting time to challenge assumptions, debate various points of view, and come to consensus on recommendations to be forwarded for board consideration.

Making it Happen: Key Steps to Supercharging Committees

Below are six simple steps to supercharge committee performance, dedication, and drive:

- **Form a governance committee to determine governance needs.** The governance committee is perhaps the board's most critical committee. This group's number one job is to improve the efficiency of the board by examining how the board functions, how board members communicate, and determine if the board is meeting the expectations and objectives of the organization. This committee examines current board infrastructure and makes recommendations for changes to anticipate future governance needs.
- **Develop infrastructure policy objectives.** By determining the policies and objectives of committees, task

forces, and advisory councils, members will have a better understanding of how the groups function, how their work relates to the board's needs, and how success is measured.

- **Compare and evaluate all aspects of the board's committee and work groups, and their functions with those of other hospital boards.** By comparing its organizational substructures to those of other high-performance hospital boards, board members can determine ways the purpose, scope, and structure of the hospital board's support structures may be improved.
- **Determine resources required.** Supporting the work of board committees, task forces, and advisory councils may require resources, including time, money, and people. Determining those needs will help create groups that have the manpower, financial resources, and time to accomplish their goals.
- **Assign committee responsibilities.** By discussing and approving the responsibilities of its various support groups, the board makes certain that the groups are focused on board-approved work that connects to and supports governance success.
- **Evaluate performance and update structures.** The board should periodically evaluate the performance of all committees, task forces, and advisory councils, and determine their ongoing value to supporting the work of the board.

Committees, task forces, and advisory councils keep in mind their strategic connection to the board's work, focus on their purpose, maintain appropriate processes, structure and organization, and are not afraid to press hard to address the unique needs of their board in very specific areas.