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Kentucky Trustee

For Kentucky Hospital Governing Board Members — Summer 2016

BOARDROOM BASICS

Transforming Governance From First to Second Curve

Health care transformation is a simple reference for a sea change of environmental forces and trends, many set in motion by the Affordable Care Act. As a result, hospitals and health systems across the nation are making the transformational leap from a volume-based first curve to a value-based second curve delivery system. As the focus on care shifts from acute, hospital-centric care to integrated continuums of care, attention to population health and community engagement are also shifting from first to second curve. But what about governance?

A hospital's ability to successfully navigate through this evolution and its inherent uncertainty is dependent on the strength of its leadership. Has your board assessed whether or not it is also making a first-curve to second-curve shift in its governance? Is your governance staying ahead of the transformation of your hospital or health system, or are you lagging behind?

What Does a Transformational Board Look Like?

Fiduciary and visionary. Fiduciary duty and responsibility are and have always been the bedrock of governance. Trustees are the legal and financial stewards of their organizations. They are responsible for ensuring compliance, quality of care, viability and sustainability, and mission fulfillment. But fiduciary oversight alone is not enough. The board must define a vision for the future and identify the strategies necessary to achieve the vision.

It's challenging to be visionary in an uncertain, transforming and complex health care environment. Board members must not only be dedicated to ongoing education and awareness of the greater health care environment—they must also continually ask how those trends and forces will affect the hospital or health system, and when. The second curve board thinks multiple steps ahead, anticipating, preparing and leading the hospital into the future.

High trustee expectations. The expectations of trustees are on the rise as health care organizations merge and integrate, assume risk, manage populations and community health, and compete with non-traditional providers. Boards today need an expanded range of knowledge, deeper understanding and new expertise, not only to fulfill their fiduciary duties, but to be able to create and achieve new futures for their organizations.

Trustee excellence has always meant demonstrated business and financial acumen, accountability, and commitment to communities.

As health care shifts, trustees must expand their viewpoints to encompass an enterprise, multiple states, regions or even global perspectives. They must also recognize the new skills, knowledge and expertise needed by a "second-curve" board.

A focus on integrated systems and collaborative communities. Health is significantly influenced by socioeconomic factors outside of a traditional hospital or health system's control (income, employment, food, housing, education, transportation, and more). Hospitals alone can't do everything needed to improve their communities' health. Boards must be prepared to initiate, participate and support new partnerships and collaborations with organizations and agencies throughout their community to successfully address health improvement.

Second-curve trustee acumen. While business, finance and law have long been hallmarks of trustee professions, boards today should also seek candidates with knowledge and expertise that will complement that of current trustees. For example, hospitals and health systems may

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Kentucky Hospital Association

2501 Nelson Miller Parkway Louisville, Kentucky 40223 TEL: 502-426-6220 FAX: 502-426-6226 www.kyha.com

PRESIDENT'S NOTEBOOK

Michael T. Rust
President

Kentucky Hospital Association (KHA) held a very well attended seminar on the proposed Medicaid 1115 Waiver on July 28 in Louisville. Hospital leaders were pleased to hear from Cabinet officials including Secretary Vickie Yates Brown Glisson, Commissioner Steve Miller and Mark Birdwhistell serving as Special Advisor to the Governor on Medicaid.

During their presentation, Cabinet officials discussed the necessity of transforming the Medicaid program into a sustainable program which continues to serve nearly a third of Kentuckians while reimbursing providers in a reasonable manner. They discussed details regarding eligibility, co-pays and deductibles and covered services. Additionally, we were pleased to host several representatives from Indiana including providers and some of those involved in crafting the Indiana plan, which Kentucky has used as one of its models in developing a proposed waiver. It was insightful to hear from our peers in a neighboring state how the Indiana Waiver is working for both beneficiaries and hospitals.

Monitoring and weighing in on the waiver proposal process remains one of KHA's top priorities and we will keep the membership well informed of the progress moving forward.

As you know, health policy and advocacy are profoundly important. Decisions made in Frankfort and in Washington, D.C. directly impact health care for more people than ever before. In that respect, the November election could significantly impact the political landscape and our future efforts on Medicare and Medicaid funding, hospital and physician payment reform, medical liability, Affordable Care Act implementation, and many other key issues. At the end of the day, you can count on the KHA to be your trusted partner and to advocate the interests of Kentucky hospitals as we work together to improve the health status of the citizens of Kentucky.

On behalf of the entire KHA staff, thank you for your support and leadership. We hope to see you at the KHA Health Care Leadership Conference on November 11 in Louisville.

Sincerely,

Michael T. Rust, FACHE
President
Kentucky Hospital Association

Governance Notebook

2016 - 2017 KHA Work Plan

A copy of the 2016-2017 KHA Work Plan is now available online at www.kyha.com/docs/PolicyDocs/WorkPlan2016.pdf. Each year, KHA's Strategic Planning Committee meets to review the accomplishments of the previous year and discuss initiatives for the upcoming year. The Committee then prioritizes those activities and develops a list of recommendations to be presented to the KHA Board of Trustees. The list of initiatives included in this Work Plan was approved by the KHA Board at its June 2016 meeting. New state and federal issues may arise that take priority over those listed; however, this plan identifies the major initiatives the KHA staff will be undertaking before June 2017.

Attend the KHA Health Care Leadership Conference on November 11, 2016

Please join us at the Marriott Louisville East on Friday, November 11 for the annual KHA Health Care Leadership Conference. This program is a great way for hospital chief executive officers, board chairmen, trustees, other hospital administrators, 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.

Kentucky Hospitals' Circle of Friends Political Action Committee

KHA's political action committee, Kentucky Hospitals' Circle of Friends, is important to every hospital in the state because it provides an opportunity to educate officials about health care legislation that impacts hospitals. We ask all Kentucky hospitals' board members to make a personal contribution to help move Kentucky hospitals' legislative agenda forward. If your hospital does not have a Circle of Friends Campaign, please consider starting one. Every hospital has a fundraising goal and KHA will provide you with the forms you need to get started. To learn more, please contact Sharon Perkins of KHA at 502-426-6220 or sperkins@kyha.com.

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*.

Write or call:
Pam Kirchem, MBA, FACHE
Kentucky Hospital Association
2501 Nelson Miller Parkway
Louisville, KY 40223
502-426-6220 or 800 945-4542
pkirchem@kyha.com

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benefit from trustees with experience in large multi-site or multi-service organizations, mergers, acquisitions and partnerships, organizational change and other elements critical to change and advancement.

As hospitals and health systems enter into risk-based payment structures like ACOs, medical homes or bundled payment, it's imperative that trustees understand how to assess financial risk, how to measure utilization and the difference between utilization management and quality of care. This may include individuals with actuarial, insurance or other risk related experience.

Ensuring the delivery of high-quality, safe patient care requires clinical perspective and expertise, which may come from physicians, nurses, pharmacists and other clinical specialties. Despite the need for their essential perspectives, clinicians' presence on hospital boards declined from 31 percent in 2011 to 29 percent in 2014. [1]

As hospitals transform and integrate, board decision-making must also expand to take into account the breadth of the continuum of care. Trustees with expertise in epidemiology or social services help inform boards seeking effective ways to influence population health and meet community health needs. Including individuals with insight into post-acute care, such as skilled nursing or home health, can help the board ensure that its breadth of understanding and perspective matches that of an organization that is also expanding the breadth of its services.

Cultural competency. As hospitals and health systems strive to address population health, cultural disparities in health care are becoming increasingly evident. The U.S. Census Bureau estimates that minorities (including Hispanic or Latino) represent just over 38 percent of the population. [2] But a 2015 survey of hospitals and health systems conducted by the American Hospital Association's (AHA's) Health Research & Educational Trust (HRET) found that despite progress in promoting diversity and cultural competency in other areas, hospitals have made little progress to increase board diversity. Just 14 percent of hospital and health system trustees were minorities in 2015. [3]

It is the job of the board to understand the community's needs, and ensure those needs are met. A board that lacks the first-hand knowledge and perspectives of the community's diverse population cannot effectively serve the community in its entirety.

Board Cultural Competency: First-Hand Perspectives are Invaluable

Despite an increasingly diverse population across the country, many hospital boards are not reflective of the communities they serve. In 2015, just 14 percent of hospital and health system trustees were minorities.[3] National Culturally and Linguistically Appropriate Services (CLAS) Standards in Health and Health Care include three standards that focus on governance, leadership and the workforce:[4]

1. Advance and sustain organizational governance and leadership that promotes CLAS and health equity through policy, practices and allocated resources.
2. Recruit, promote and support a culturally and linguistically diverse governance, leadership and workforce that are responsive to the population in the service area.
3. Educate and train governance, leadership and workforce in culturally and linguistically appropriate policies and practices on an ongoing basis.

The Joint Commission and other legal and regulatory entities look to the CLAS standards when considering their own oversight requirements. However, standards cannot replace the value of first-hand perspectives of a board whose composition reflects the community it serves. In June 2016, the American Red Cross was forced by public backlash to withdraw a poster amid accusations of racism. One headline observed that the poster illustrated a lack of leadership diversity at the organization.[5] Hospital boards hoping to avoid similar mistakes, and more importantly, who want their organizations to truly provide patient-centered and culturally sensitive care, must critically evaluate and prioritize their own diversity.

Attributes of Transformational Trustees

Hand-in-hand with the need for expanded skills, expertise, diversity and understanding are personal attributes. Trustees must have the personal capacity and sound judgement needed to make significant contributions to governance. This includes individuals who display independent thought and actions coupled with the collegiality and professionalism that allows them to constructively express different opinions and viewpoints. At the same time, trustees must be able to work together for the benefit of the hospital or health system and the community.

Transforming governance requires trustees with attributes that enable:

- Rapid understanding and insightful questioning;
- Ready engagement in discussions, debate and constructive confrontation;
- Self-directed learning necessary for informed governance;
- Strategic and policy level thinking and actions;
- Innovative and visionary planning;
- Independent thinking coupled with an ability to establish productive and beneficial working relationships with other trustees, the CEO, executive management and the community; and
- The ability to make hard decisions when necessary.

The AHA's Center for Healthcare Governance's 2014 National Health Care Governance Survey reported that hospital CEOs and board chairs identified finance and business, strategic planning and visioning, education, patient safety and quality and previous board experience as the five most important competencies for new board members.[1]

Despite the importance of strong, broad-based competencies to the organization's successful future, approximately 40 percent of hospital boards don't include competencies in their trustee selection process at all. Furthermore, only two in ten hospitals reported replacing or not re-nominating trustees who fail to demonstrate the competencies the board needs to be effective. [1]

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GOVERNANCE INSIGHTS

Understanding Health Care Trends: The Familiar and the Emerging

The changes underway in the U.S. health care system today demand and are drivers of innovation, new organizational structures and evolving models of care across the health care continuum. In order for hospitals and health systems to keep pace with change and make needed board leadership and structure changes, trustees must first understand the predominant trends at play in the health care environment today.

Some of the transformational trends taking place in health care are familiar to many hospital and health system board members. Other forces are less well-known and understood. Although they are just beginning to take shape, many of these trends have the potential to drastically change health care as we know it and should not be overlooked by hospital board members and leaders as they evaluate their future strategic focus and direction.

The Familiar

***Changing Payment*: The migration from payment for volume to payment for delivering value will continue.** Accountable care organizations (ACOs), bundled payments, readmission penalties, value-based purchasing (VBP) and other pilot projects are helping to achieve one of the primary objectives of the Affordable Care Act—shifting the nation's health care delivery system from one that is paid based on volume to a payment system based on value. These changes require hospitals and health systems to partner with others to manage care across the continuum. As partners, they must also determine how to manage their shared financial risk. This requires understanding what risk is and how to manage it, as well as ensuring effective cost management and improved efficiencies.

***The Need for Efficiency*: Efficiency and effectiveness at every operational level will be increasingly critical to cost control.** Hospitals and health systems today are facing a "cost conundrum." As cost management requires greater attention, hospitals are being challenged to simultaneously create a lower cost structure, while improving quality and patient experience, and implementing new regulations and mandates. Most are actively seeking to find new efficiencies in the ways they deliver care, but may also be experiencing the fatigue that comes with constantly reinventing systems, processes and programs to improve and control costs.

***Quality is Central*: Quality will increasingly be the defining factor in payer and consumer care options.** Health care reform and the transition to value-based purchasing demand that variability in quality and cost be addressed. Hospitals show wide variation in their performance when compared with national overall quality composite scores and average cost per discharge. Payers and consumers will increasingly look at the "value" equation of cost and quality when making provider choices or establishing networks.

***Transparency of Cost and Quality*: Informed consumers will require greater transparency of cost and quality, made available in understandable, meaningful ways.** Consumers are becoming smarter about accessing and using health care, and are shopping for services, quality and price as they've not done before. While still in the early stages, this phenomenon will increase as the internet and retail providers facilitate greater transparency and further change the way people evaluate their health care options.

Strengthening customer service, elevating patient and family engagement, continually searching for new and better ways to meet patient needs, and price and quality transparency will be essential to long-term organizational success. Internal and external transparency have the potential to raise the bar for performance, increase employee morale, strengthen referrals and build community trust and confidence.

***Population Health*: Advancing population health and community health improvement will continue to drive partnerships, services and strategic affiliations.** The shift to value-based care requires a greater focus on the health of the overall population. This includes identifying individuals with the highest risks (the most acute and complex conditions) and those with chronic conditions, and determining the best means for keeping them healthy. It also means identifying and addressing the preventive and wellness needs of the rest of the population.

New requirements for community health needs assessments, assumption of risk, and measurable outcomes, among other factors, indicate that hospitals must develop a delivery system capable of successful population health management. Critical components to success in this area include

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strengthened collaboration, availability and sharing of data and population statistics, analytical support, risk management, leadership training and sharing of best practices.

Focus on Outpatient Care: Inpatient acute care services will continue to decline as technology and new competitors reduce need. Experts predict that the decline in inpatient acute care services will accelerate in the coming years. Hospitals and health systems are already making the transition to lower-cost outpatient settings, such as partnerships with retail-based clinics and urgent care centers, and increasingly rely on remote monitoring and telehealth.

Physician Integration: In the coming years, physicians will increasingly be culturally, functionally and economically integrated with hospitals and health systems and their many community partners. Physician integration is critical to addressing costs for "first curve" functions (revenue cycle, documentation and coding, supply chain, acute inpatient care management, and improved performance of employed physicians). It is also important in building "second curve" capability (leadership of evidence-based practices; process implementation to reduce hospital acquired conditions and infections, readmissions, and management of chronic disease; and participating in and learning from pilots). Physician partnerships and care coordination are also critical in practicing second curve population-based care, such as deploying medical homes, chronic disease management, population-based payment models and establishing integrated delivery system design. As affiliations with provider groups, physician employment, and other forms of physician integration emerge, hospitals are facing new challenges related to physician leadership training and potential conflicts of interest when physicians serve on the board.

Fewer and Larger Organizations: Hospitals and health systems will continue to merge, acquire and partner, resulting in "super systems" spanning multiple locations and treatment venues. Dramatic change is occurring in the competitive landscape as new partnerships are formed to increase scale and deliver services across the care continuum. In December 2015, PricewaterhouseCooper's (PwC) Health Research Institute called 2016 "the year of merger mania."[1] Acquisitions, mergers and various contractual arrangements will continue as hospitals and health systems pursue greater efficiencies, cost reductions, geographic coverage, care coordination, access to capital and tertiary clinical care.

Lines are being blurred between not-for-profit and investor-owned entities, and between insurers, hospitals and physicians. The role of the payer, provider and vendor may also become blurred. Consolidation will continue to accelerate horizontally and vertically as hospitals and systems attempt to leverage economies of scale.

Behavioral Health: Expect a renewed focus on access, funding, and the stigma associated with behavioral health. Mental health has been a subject of discussion at the national and state level for years, but little real action has taken place. The American Hospital Association has identified behavioral health as a top advocacy priority in 2016, noting that one in four Americans experiences a mental illness or substance abuse disorder each year.[2] Increasing funding for behavioral health services and reducing the stigma associated with seeking care are important, but in many areas the shortage of providers is the most significant barrier. According to PwC, more than half the counties in the U.S. have no practicing mental health clinicians.[1]

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Trends that Should be on All Board Radar Screens

The Familiar

- Changing Payment: The migration from payment for volume to payment for delivering value will continue.
- The Need for Efficiency: Efficiency and effectiveness at every operational level will be increasingly critical to cost control.
- Quality is Central: Quality will increasingly be the defining factor in payer and consumer care options.
- Transparency of Cost and Quality: Informed consumers will require greater transparency of cost and quality, made available in understandable, meaningful ways.
- Population Health: Advancing population health and community health improvement will continue to drive partnerships, services and strategic affiliations.
- Focus on Outpatient Care: Inpatient acute care services will continue to decline as technology and new competitors reduce need.
- Physician Integration: In the coming years, physicians will increasingly be culturally, functionally and economically integrated with hospitals and health systems and their many community partners.
- Fewer and Larger Organizations: Hospitals and health systems will continue to merge, acquire and partner, resulting in "super systems" spanning multiple locations and treatment venues.
- Behavioral Health: Expect a renewed focus on access, funding, and the stigma associated with behavioral health.

The Emerging

- Provider "Ecosystems": Alignment of interests and resources across the continuum of care.
- A Focus on the Big Picture: Partnering to address social determinants of health.
- Big Data: Transparency and data analytics will reshape providers' capacity to understand markets, patients and opportunities.
- Innovation in Health Care: New technology, consumer expectations and the push for efficiency will shift how and where care is provided.
- A New Rural Health Care: Technology will make rural health more viable and accessible.
- More Technology: Advances in medical and information technology will continue to transform how care is delivered.

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The Emerging

Provider "Ecosystems": Alignment of interests and resources across the continuum of care. Forward-focused hospitals and health systems recognize that care cannot remain "hospital-centric." Care coordination is central to comprehensive, high-quality care, but provider "ecosystems" are more than mergers and care coordination. They focus on providing seamless care, with common goals and a focus on disease prevention and wellness, rather than caring for the acutely ill. This requires a broader perspective, new thinking, data analysis and maximizing new technologies.

A Focus on the Big Picture: Partnering to address social determinants of health. Many organizations on the cusp of change are maximizing the "provider ecosystem" concept, partnering with others to address root causes of health care challenges. Experts argue that the historic focus on "improving health care" has had a limited impact on actual individual and community health. Instead, the overall system needs to be addressed.

Boards of trustees, hospital and community leaders have an opportunity to more broadly impact health by identifying the social, behavioral, economic, physical and environmental factors that have the greatest deficit. These are unique to each community, but may include safe and affordable housing, access to nutritious foods, strengthened social support, community education, or addressing violence.

Big Data: Transparency and data analytics will reshape providers' capacity to understand markets, patients and opportunities. While "big data" has been discussed conceptually for years, some experts believe health care is closer to uncovering mysteries that will lead to real change. Failure to standardize health care data collection and sharing has slowed the process, but organizations are beginning to use data to develop evidence-based decisions, protocols and practices. As this takes hold on a larger scale, expect new benefits and new challenges to emerge.

Innovation in Health Care: New technology, consumer expectations and the push for efficiency will shift how and where care is provided. Traditional geographic boundaries for care are dissolving. Retail providers, doctors on demand, telehealth's "virtual care" and other innovations continue to disrupt the traditional health care model. Retail-based clinics are expected to continue expanding as well, and some hospitals and health systems are already affiliating with these clinics, including integrating electronic medical records and information systems. Seeking ready access, convenience and lower costs, consumers are increasingly finding satisfaction at retail clinics. [3]

The concept of retail-based care and the increased use of technology are allowing larger health care organizations to have a local community presence. At a time when traditional rural health care is facing significant challenges, this shift has the potential to allow for advanced treatments in underserved communities and expanded market share without a significant brick and mortar investment.

A New Rural Health Care: Technology will make rural health more viable and accessible. Technology is allowing rural communities to access state-of-the-art care in non-traditional ways. There is growing evidence indicating that telehealth lowers health care costs, while improving access and quality of care.[4] One example is the Project Extension for Community Healthcare Outcomes (Project ECHO), which connects rural doctors to specialists using a web-based application.[5] Technology will have a greater impact on rural areas as payment catches up with the value telehealth provides. In addition, permitting non-physician providers to practice "at the top of their license" allows nurse practitioners, pharmacists and other clinicians to maximize their benefit to rural communities, which often struggle for adequate physician coverage.

More Technology: Advances in medical and information technology will continue to transform how care is delivered. Information and medical technology are still lagging in some areas, but the growth potential for technology and its impact moving forward is broad and care-altering. Telemedicine, mobile health, advanced gene therapies, new and superior pharmaceuticals, a new generation of non-invasive diagnostic tools, 3-D printing, robotic surgery, custom-grown tissue and more are currently in various stages of development and implementation. Increasingly, health care treatments, procedures and medications will be custom-tailored to an individual's DNA. According to PwC, biosimilars are expected to reach the U.S. market in 2016, which serve as a substitute for branded biologic drugs.[1] As these and other technologies become readily available to patients, patient control, independence, customization and expectations will evolve as well.

Board members should expect medical and information technology to drastically change the health care environment, and boardroom conversations as a result. Trustees should begin preparing now for the cost implications and the potential ethical dilemmas that may arise.

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First Curve Governance vs. Second Curve Governance

	First Curve Governance	Second Curve Governance
Structure	Individual boards of independent hospitals	System boards with subsidiary boards. Typically system boards have systemic and wide-ranging oversight, while subsidiary boards have regional and local responsibilities. Some local and regional boards may have limited scope or are advisory in nature, but maintain a meaningful role, purpose and value.
Accountabilities	Independent hospital facility	Integrated systems of facilities and services, including multiple hospitals, physician practices, pre-and/or post-acute care, and partnerships with community organizations.
Composition	Current board composition:[1] • Caucasian (88%) • Male (72%) • Over age 50 (78%) • Non-clinical (71%)	• Diverse reflection of the community, including race, ethnicity, gender and age. • Diversity of professions essential to providing insights into an integrated organization that spans the care continuum, as well as expertise in change management, community partnerships and impacting socioeconomic health factors.
Fiduciary, Strategic, or Generative [6]	• **Fiduciary**: Stewards of the assets, fiscal responsibility, use of resources, legal and regulatory compliance, operational oversight. • **Strategic**: Sets the vision, identifies initiatives, defines strategies for achieving the vision and fulfilling the mission, allocates resources to support the strategies, monitors progress to goals.	• **Generative**: Looks outside the box, keeps the mission at the forefront, questions assumptions, identifies which values should drive strategies and tactics, asks: "is there another way?" Generative boards understand paradigm shifts that impact long-term success.
Agenda/Meeting Characteristics	• Reports and routine matters. • Addresses challenges and problematic issues in a known and more predictable environment with more readily discernable outcomes.	• Addresses ambiguous challenges and problematic issues in a rapid-change environment and unpredictable future. • Deep, strategic discussions and deliberations, scenario planning, innovative thinking and a "culture of inquiry." • Longer agendas to allow for more discussion and deliberation of complex issues.
Competencies Needed	• **Tenure**: New to board service as well as experienced • **Perspective**: Hospital-centric • **Professional experience, expertise**: Business, legal and/or financial • **Core competencies**:[1] Finance and business, strategic planning and visioning	• **Tenure**: Prior board experience preferred • **Perspective**: Enterprise-wide, community and/or global thinking • **Professional experience, expertise**: Business, legal, financial, clinical, epidemiology/population health management and social services, compliance, actuarial, risk management, technology, innovation, change management. Focus on community and strategic orientation, collaboration. • **Core competencies**:[1] Rising importance of change management, impact and influence.
Competency-Based Trustee Selection and Evaluation	Trustee selection is generally based on community leadership and/or professional positions of prominence (law, banking, accounting, etc.).	Competency-based succession planning for trustees and the board chair, with trustee and board performance evaluations.
Independent vs. Collaborative Governance [7]	**Independent governance**: Protection of one's own organization .	**Collaborative governance**: Boards with a common interest work together to understand, plan and implement solutions to joint needs and challenges, and share accountability for outcomes.

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Governance Imperatives for a Changing Paradigm

The "second curve" board:

- Ensures mission-driven leadership
- Makes critical conversations the highest priority
- Encourages deliberative dialogue and constructive confrontation
- Focuses its energy on macro-leadership rather than micromanagement (the "what" not the "how")
- Prioritizes governance growth and knowledge-building, with a commitment to continuous governance improvement
- Focuses its energy on emergent issues
- Ensures purposeful meeting preparation
- Understands and capitalizes on opportunities for change
- Uses evidence-based governance
- Ensures a continual focus on community connections
- Relies on varied voices that provide diverse perspectives
- Relentlessly pursues high quality and cost efficiency
- Encourages and promotes transparency

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Evolving Governance Structures

Success under any system of governance is dependent upon clearly identified and well-defined governance roles, responsibilities and authorities. As organizations grow, acquire or merge, their governance structures often become increasingly complex. Adding to the complexity is the fact that the governance of one subsidiary is not always consistent or aligned with another, and none may be in sync with the parent board. The boards of various subsidiaries may be different sizes, they may or may not have the same officers or committees, committee functions may vary, and some boards and committees may have more or less decision-making authority than others. The complexity created by inconsistent governance structures is a barrier to an organization's ability to be nimble, responsive, efficient and effective.

Ensuring an effective governance structure in the midst of growth and change includes:

- Well-defined roles, responsibilities and accountabilities for each governing entity (parent, subsidiary, and advisory boards and committees);
- Delegation of governing functions that are determined by how they best add strength and value to the organization;
- Clear communication of roles, responsibilities and scope of accountabilities to all governing entities;
- Carefully considered board composition at all levels; and
- A vital and valued purpose for each subsidiary board and/or advisory board or committee.

Second Curve Board Mechanics

As hospitals and health systems expand and integrate, increased work and complexity can threaten the board's efficiency and effectiveness. Board expectations are growing, and with them, legal, regulatory, media and public scrutiny is increasing.

Pre-meeting preparation sets the tone. The ability for trustees to come to board meetings well-informed and prepared to engage in robust discussion, deliberation and decision-making is highly dependent on the information they're provided. Pre-meeting materials should include the intelligence trustees need, but shouldn't be overwhelming and unrealistically time-consuming to review. Materials should be clear and concise, providing just the necessary information so that it can be quickly assimilated and referenced by board members during the meeting.

Board agendas ensure active dialogue. Likewise, the structure and composition of the board agenda is essential to ensuring the board is focused on the most critical issues that will advance the organization toward fulfilling its mission and vision. Reports, however important and valuable, should not consume an agenda to the exclusion of time for the board to discuss, question and explore their various opinions. Exercising "reasonable inquiry" is a fiduciary duty of care that the Office of Inspector General expects boards to carry out, particularly when it comes to quality, patient safety and compliance.

Trustee commitment must be clear. The need for ongoing governance education and depth of knowledge and understanding of the interdependencies of health care has never been greater. Board service has never been more challenging. Trustees must have the time, availability and discipline to act on their commitment to the board and the responsibilities of second-curve trusteeship.

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