

The North Carolina Trustee

For North Carolina Hospital, Health System and Care Provider Governing Board Members

Winter 2018

GOVERNANCE INSIGHTS

Governance Makeover: Making a Commitment to Board Improvement

The board sets the direction for the organization, yet governance improvement is rarely considered as important as key areas such as quality, patient safety or financial vigilance. As hospitals and health systems square up to today's challenges, prioritizing a commitment to ongoing governance improvement is a must.

This article outlines eight core areas of board responsibilities, with recommended actions for improvement in each. As your board plans for the coming year, consider making it a priority to strengthen one or two areas that resonate with your board and its challenges.

Mission, Values and Vision

Hospital and health system leaders develop mission, values and vision statements, but don't always make meaningful strategic use of these critical statements. Successful governing boards know that these statements, when properly developed and used, are the primary driver for every governance discussion and decision.

Governance Makeover:

- Ensure that the mission, values and vision are prominent elements of decision making at all board meetings.
- Test all strategic decisions by asking how they strengthen the ability to achieve the mission and vision.

- Review the mission, values and vision annually at a board retreat, challenging the assumptions in place at the time they were developed and making modifications based on the realities of today's environment.
- Dedicate time to reviewing the values and how the board can further promote them throughout the organization.
- Ensure a well-defined, board approved system is in place to measure progress toward achieving the mission and strategies, and take timely corrective action when necessary.

Strategic Leadership

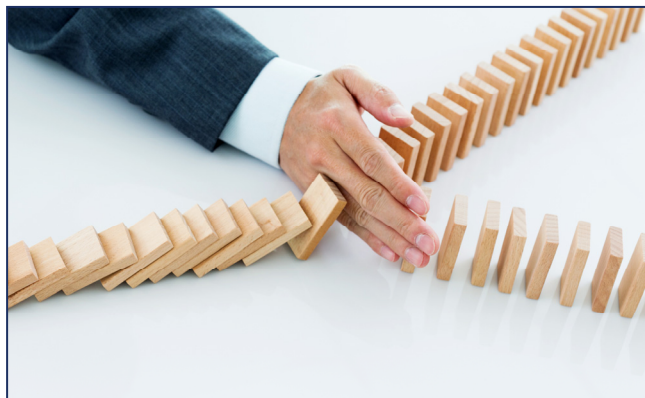
One of the board's most important leadership responsibilities is setting a clear vision for the future and planning a strategy for getting there. But strategic planning is no longer as straightforward as it might once have seemed.

Despite the unknowns, boards cannot wait to see what developments will unfold in the marketplace. It is the board's job to take a strong, focused and forward-thinking leadership role. Board members must be able to think creatively and work with executive management to develop new directions for success in an increasingly challenging market.

Governance Makeover:

- Ensure that the board understands it's strategic role and how it works with the management's tactical role.
- When conducting strategic planning, envision multiple futures and consider a variety of scenarios and potential organizational responses.
- Ensure strategic planning discussions take into account community health needs and the needs of all stakeholders and constituents.
- Ensure that a continual flow of new information and assumptions are presented at board meetings, and that

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NCHA NOTEBOOK



NCHA is now the **North Carolina Healthcare Association: Uniting hospitals, health systems and care providers for healthier communities.** This change comes after more than a year of research and engagement with members, key stakeholder groups, and partners to determine how best to position the association to reflect our current membership and position the organization for the future. The new brand better reflects how our members have evolved from stand-alone hospitals to integrated health systems that span the care continuum. It also underscores NCHA's position as a convener, bringing not only our members, but healthcare partners, business leaders, and community advocates together to address the challenges ahead in healthcare. In conjunction with the new brand, NCHA is launching a new website in mid-February at ncha.org.

Winter Meeting

NCHA's Winter Meeting is February 15-16 and will feature a focus on behavioral health issues facing our state and nation. Keynote speaker Patrick Kennedy, former congressman and mental health advocate, will share his personal story and his passion for leveraging his family legacy to achieve the goal of making mental healthcare as routine, accessible, and understandable as physical healthcare. A highlight of this year's meeting will be a **pre-conference session especially for trustees** to share promising practices for engaging board members in advocacy, followed by a panel discussion with NC legislators. Governor Roy Cooper will speak at the opening luncheon. See the agenda and [register here](#).

Trustee Event

In addition to our two annual membership meetings, NCHA has traditionally offered an education and networking event specifically for hospital and health system trustees. This year's Trustee **Education Forum will be October 5-6 in Wilmington, NC**, beginning with a mid-afternoon session on Friday and concluding by mid-afternoon on Saturday. The agenda will include a political update as well as education sessions on current topics in healthcare.

On-Demand Trustee Education

NCHA has negotiated a reduced price for members to access customizable governance resources for hospital and health system boards. governWell, developed by The Walker Company, offers what it calls a "consultant in a box," with quick-start tools and resources that ensure optimal success in hospital governance practices, performance and leadership development. For more information, contact Leslie Peterson at lpeterson@ncha.org or 919-677-4247 or visit governwell.net.

Important Dates for Trustees

February 15-16	NCHA Winter Meeting Marriott Crabtree Valley, Raleigh
June 4-8	NCHA Advocacy Days NC General Assembly, Raleigh
July 18-20	NCHA Summer Meeting and Centennial Celebration Grove Park Inn, Asheville
October 5-6	Trustee Education Forum Hilton Wilmington, Wilmington

Do you have suggestions for future issues of *The North Carolina Trustee*?

Our goal is to provide you with the information and knowledge you need to lead your hospitals in today's rapidly changing environment. Tell us what you think and what topics you would like to see in future issues. **Write or call:** Leslie Peterson, Vice President, Education Services, North Carolina Healthcare Association, 2400 Weston Parkway Cary, NC 27519, 919-677-4247 or lpeterson@ncha.org.

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board members use the information to modify strategic direction as necessary.

- Ensure medical staff leaders are actively involved in all phases of strategic planning leadership, from mission development to action plans.

Quality and Patient Safety

Quality and patient safety is the board's number one responsibility. Achieving consistent high quality care requires a commitment to excellence at every level in the organization. It requires that all decisions and actions made on behalf of the organization keep quality at the forefront. Consistent, high-quality care is a natural outflow of an organization that embeds quality and patient safety into its DNA. This not only creates high levels of quality care, but also improves patient satisfaction, elevates medical staff and employee morale and improves reimbursement.

Governance Makeover:

- Make quality and patient safety a part of every board meeting.
- Ensure an organization-wide quality improvement plan and a board-approved quality dashboard.
- Make patient and family engagement a part of the organization's culture.
- Make it safe and easy for employees to report adverse events and "near misses."
- Build time into board agendas to hear about quality failures and near misses.
- Involve physicians in board decision-making processes, and seek physician input regularly relating to quality and safety improvement opportunities.
- Embrace transparency of quality and performance data.

- Require an orientation to the organization's quality improvement goals and culture for every employee, physician, leader and board member.

Financial Leadership

The board is responsible for the financial success of the hospital. In order to fulfill this responsibility, board members must have a solid grasp of the indicators of the hospital's financial health, and be knowledgeable about key financial interrelationships.

Governance Makeover:

- Ensure board-wide understanding of financial basics, including how to read financial reports and the ability to engage in dialogue and discussion around financial statements.
- Develop a financial reporting style that is easy to understand, highlights major trends and stimulates creative and meaningful discussion.
- Conduct an annual audit with a thorough board discussion of all recommendations from the independent auditor's report.
- Ensure board understanding of the organization's major investments.
- Ensure board understanding of the organization's payer mix and their implications.
- Continually educate the board about changes in health care payments.

Relationship with the CEO

Hospital CEOs and their boards must build and sustain vibrant, trust-based relationships in order to successfully navigate the opportunities and challenges in today's complex and fast-paced health care world. That trust requires leadership excellence in a number of key areas, including clear and consistent communication, adherence to well-defined

Which Area Does Your Board Need to Focus on the Most?

- ✓ Mission, values and vision
- ✓ Strategic leadership
- ✓ Quality and patient safety
- ✓ Financial leadership
- ✓ Relationship with the CEO
- ✓ Community relationships
- ✓ Board roles, responsibilities and knowledge
- ✓ Board meetings

roles and responsibilities, and clear CEO performance expectations and accountabilities that are appropriately rewarded using responsible compensation assessment policies and procedures.

Governance Makeover:

- Establish an organized process for meaningful CEO/board communication between meetings.
- Ensure board discussions focus on evidence, not anecdotes or hearsay.
- Foster a climate of mutual trust, respect and support between the board and CEO.
- Establish mutually agreed-upon CEO performance expectations and targets, and evaluate the CEO's performance annually based on those predetermined measurements.
- Hold executive sessions regularly to encourage candid and forthright board/CEO discussion, allowing both the board and CEO engage in dialogue that may be difficult during regular board meetings.
- Ensure a well-defined CEO succession plan is in place, regardless of when the CEO plans to retire.

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BOARDROOM BASICS

Ensuring a Strong and Supportive Board/CEO Relationship

Leading your hospital or health system through today's turmoil and uncertainty requires unified leadership at the top. A critical element of a powerful leadership team is a strong working relationship between the board and CEO.

Strong board/CEO relationships put the organization and its mission first, and recognize what they can achieve through joint efforts. Like any winning team, successful boards and their CEOs demonstrate a mutual respect and support for one another's roles and responsibilities.

Clarity of Purpose: The Board's Role

While the board is responsible for the organization's strategic and policy level leadership, the CEO and administrative team are responsible for day-to-day operational leadership. Perhaps one of the greatest barriers to trust between the board and CEO is the misperception of the board's oversight role.

Board members are responsible for three core fiduciary duties:

- The duty of care, requiring trustees to be thoroughly informed before making a business decision;

- The duty of loyalty, requiring trustees to put the needs of the hospital or health system first; and
- The duty of obedience, which requires board members to abide by laws, regulations and standards of hospital operations.

Board members have a duty to ask probing questions and ensure a healthy dialogue and debate before making decisions.

However, those responsibilities shouldn't be confused with managing or supervising the day-to-day operations of the hospital or health system. Board members should never undertake their responsibilities with a controlling or "gotcha" attitude toward the CEO and his or her executive team.

It's often a challenge for board members to balance the fine line between management and governance. A heavy sense of accountability and well-meaning attempts to fulfill the board's fiduciary responsibilities can lead some trustees too far into the CEO's domain, resulting in micromanagement. Understanding one another's roles and responsibilities, regular reporting of strategic progress, and open communication can help build trust and resolve some of these issues.

Develop a Matrix. Micromanagement becomes a problem when trustees pay

too much attention to details, and not enough attention to the "big picture" strategic issues and implications. When confusion about roles, responsibilities and micromanagement threaten to undermine the board/CEO relationship, developing a matrix of responsibilities can help. The matrix should clarify roles in a broad range of areas, such as budgeting, personnel policies, quality, credentialing, strategic planning and more. Whether the board or administration is specifically responsible can be clearly defined and gray areas can be resolved.

A matrix can also help to define whether the responsible party develops, directs, reviews, provides input, and/or approves work in each area. A simple rule of thumb is helpful in determining roles: the board

determines the "what," such as what direction the organization will take or what its policies are; the CEO carries out the "how," such as how strategies will be achieved, and how policies will be implemented.

Track Strategic Progress.

It can be a challenge for boards to know whether the strategies and objectives they've adopted are being implemented and achieving the desired outcomes. Providing boards with current information in a transparent manner not only supports their oversight, but strengthens trust in the CEO.

Oversight, analysis and discussion about strategic progress requires a set of key indicators that tell the board whether performance is on track or falling short. No one indicator by itself can tell a complete story, but taken together, key performance indicators reveal a lot about what's happening in an organization. This

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is where board perceptions and perspectives become pivotal to strategic success. Asking insightful and pointed questions like “What could that mean to us?”, “What implications does it have for the hospital?”, and “How can we correct course?” not only generates deeper understanding, but also fulfills trustees’ fiduciary duty of care.

Open Lines of Communication. A strong relationship between the board and CEO is built on understanding one another’s needs and expectations, shared goals and objectives, and continual sharing of timely and critical information. It requires a foundation of clear, candid and consistent communication between the board and the CEO. Boards and CEOs with strong communication skills follow several best practices, including:

- Clear expectations. The board’s expectations and performance goals for the CEO are clearly communicated and aligned with the organization’s strategic goals, ensuring that the board and CEO are working in tandem.
- Communication between meetings. The CEO emails board members between meetings to ensure trustees know about any issues or concerns that might have cropped up, what steps the CEO is taking and what board members might need to be thinking about in preparation for the next meeting. Conversely, board chairs keep the CEO informed of issues the board is aware of or considering.
- Keep conversations in the open. Trustees and the CEO guard against leadership discussions that take place outside the boardroom. Behind the scenes or parking lot conversations that involve second-guessing, lobbying for specific interests or

promoting personal agendas can lead to factions or coalitions among trustees, erode transparency and trust, and undermine relationships among trustees and with the CEO.

- Value diverse perspectives. Trustees readily participate in board discussions and appreciate the value of the expertise and independent perspectives and thinking that a diverse board offers the CEO.
- Welcome respectful confrontation. Board members ask probing questions and constructively challenge assumptions, refusing to rely on traditional thinking or passively accepting recommendations. Although it may cause short-term tension and disagreement, respectful confrontation drives deeper insights and encourages innovative thinking. It fulfills the board’s due diligence, allowing trustees to be invested in and supportive of the outcome.

Strong Board/CEO Partnerships Create Synergy

Boards and CEOs that work in partnership to fulfill the organization’s mission can create a synergy that drives the organization forward. That synergy rarely happens by chance. Both the board and the CEO must make investments to ensure a valuable partnership on behalf of the organization.

Board members...

- Understand that their job is to provide leadership and oversight, set policy and strategic direction, and provide wise counsel.
- Seek ongoing education, including the issues and trends that may hold implications for the organization’s future.

Characteristics of a Successful Board/CEO Relationship

- ✓ Clearly defined roles and responsibilities
- ✓ Unified leadership and commitment to the mission
- ✓ Mutual trust and respect
- ✓ Open, honest and continuous communication
- ✓ Positive, constructive attitudes and emotional intelligence
- ✓ Balance between constructive debate and disagreement, and collegiality
- ✓ Reliance on evidence, not anecdote
- ✓ Constructive discussions of difficult issues
- ✓ Challenges conventional thinking, willing to explore innovative solutions

- Thoroughly review pre-meeting materials, identify issues, make thoughtful observations and prepare insightful questions.
- Demonstrate their commitment with their presence, participation and passion for the organization and its mission.

CEOs...

- Provide consistent communication and transparency.
- Value trustees’ experience and expertise, and seek their counsel.
- Welcome constructive debate and deliberation of management recommendations rather than passive acceptance.

Sources and More Information

1. Murphy, R.N. How to Create a Better Board-CEO Relationship. *Trustee*. June 8, 2015.
2. Sonnenfeld, Jeffrey, Kusin, Melanie, Walton, Elise. What CEOs Really Think of their Boards. *Harvard Business Review*. April 2013.
3. governWell. Building Bonds: Pathways to Better Board/CEO Relationships. www.governwell.net.

LEADERSHIP PERSPECTIVES

Critical Conditions That Can Be Deadly to Your Governance Health

Every hospital seeks to prevent infections and errors across the organization, with the ultimate goal of improving patient and community health. The boardroom should be no different. Hospital leaders must be aware of potential governance diseases that can plague the board, and make a commitment to both curing existing diseases and preventing future relapses.

The complexity of health care provides ample opportunities for governance slipups. These slipups are often caused by governance diseases that can be harmful or even deadly to boards and the organizations they serve.

Critical Conditions and Symptoms to Watch For

Several critical conditions are highlighted below. For a full list of governance diseases that may plague your board, see the sidebar on page 7.

Accountadebilitation. Boards suffering from Accountadebilitation are paralyzed by governance spinal weakness. This paralyzing condition results in tattered trust and crushed credibility.

The lack of an annual governance health examination, or a board self-assessment, prevents the board from identifying areas of greatest potential for improvement, and developing initiatives and strategies to improve leadership performance.

Complications caused by Accountadebilitation are misalignment of leadership fundamentals and issues, and wandering priorities. Boards afflicted by Accountadebilitation tend to wander into operational details instead of focusing on the overall picture of strategic vision and policy.

Accountadebilitation is reversible, but requires an annual governance examination for long-term governing health.

Agendasclerosis. This common governance disease is characterized by a clogging of valuable meeting time with unproductive discussion and inefficient dialogue. Hospital boards suffering from Agendasclerosis find that they spend an inordinate amount of meeting time and energy focusing on what happened in the past rather than what the future may hold, and what to do about it.

The most notable symptom of Agendasclerosis is an ineffective structuring of the meeting agenda, which in turn results in an inefficient use of limited and valuable time and an uneven focus on the most critical and pressing issues.

A complication of Agendasclerosis is the domination of meeting discussions by a single individual. In addition, boards suffering from Agendasclerosis often rely

too heavily on anecdotes instead of evidence and data.

A major complication that contributes to Agendasclerosis is a lack of meaningful governance education at every meeting. The board chair is the one individual most responsible for meeting organization, trustee participation, and focus on achieving specific meeting objectives and outcomes. Poor meeting skills on the part of the chair can be a source of an Agendasclerosis infection.

Dialogue Deficit Disorder.

This disease is characterized by long periods of silence when important questions are asked, or when debate is required on critical issues. It's also characterized by occasional uncomfortable coughing and an inability to speak articulately. Severe cases may cause cloudy vision, and may also result in two other common governance diseases—Strategicolitis and Irritable Trustee Syndrome.

Symptoms are wide-ranging, including unexpressed ideas and a concern among some trustees that their input will not be welcomed, or will be viewed as a distraction or a waste of board time. A primary complication of Dialogue Deficit Disorder is the missed opportunity for board learning that occurs when trustees engage in robust discussion, challenge one another's assumptions and drive toward a consensus that is grounded in mutual knowledge, understanding and commitment.

Leadershippresbyopia. One of the most critical governance diseases, Leadershippresbyopia is a symptom or outgrowth of Missionmyopia, a related disease. It creates severely clouded vision, causes major organizational disorientation,

As you review each governance disease, ask yourself “does our board suffer from this?”



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weakness, pain and discomfort, and will spread quietly like a virus throughout the organization if not aggressively treated in its early stages.

The symptoms and complications of Leadershippresbyopia are many. They include a myopic, short-sighted mission; cloudy, out-of-focus vision; unproductive and unfocused meetings; a disorder of direction; and a disengagement from reality. In addition, sufferers of Leadershippresbyopia experience a deficiency in their knowledge and boredom with their governance routine.

Taking Control of Your Board's Health

As you review each governance disease, ask yourself “does our board suffer from this?” If you do, what prescriptions should you apply to help cure this disease before it becomes deadly?

Avoiding or curing governance diseases doesn't happen overnight. It requires boards to assess their risk of contracting the diseases, and define specific actions they will take to ensure their governance health.

Governance sickness may be shortened or completely avoided by:

- Keeping the mission at the forefront.
- Conducting an annual board assessment, identifying strengths and weaknesses and making adjustments.
- Engaging in ongoing education.
- Ensuring agendas match strategic priorities and encourage dialogue, discussion and debate.
- Establishing proper communication before, during and after meetings.
- Ensuring a continual flow of new information.
- Developing forward-looking trustee succession plans.
- Continually seeking to improve governing performance.

Common Governance Diseases

Accountadebilitation (*Ac • count • a • de • bil • i • ta • tion*)

1. a paralyzing condition caused by governance spinal weakness; 2. results in tattered trust and crushed credibility; 3. reversible, but requires an annual governance health examination.

Agendasclerosis (*A • gen • da • scler • o • sis*)

1. clogging of valuable meeting time with unproductive discussion and inefficient dialogue; 2. meeting focus and energy on the past rather than on the future; 3. generally a result of benign neglect and inertia; 4. may cause fractured thinking and painful processes.

Analysisparalysis (*Anal • y • sis • pa • ral • y • sis*)

1. loss of strategic energy and forward motion, resulting from poor or no decisions based on reliable data and timely information; 2. results in sluggishness, slow strategic reflexes and painful reactions; 3. highly contagious, and may be spread if not effectively treated.

Dialogue Deficit Disorder (*Di • a • logue De • fi • cit Dis • or • der*)

1. a leadership disease that exhibits long periods of silence, occasional uncomfortable coughing and an inability to speak clearly; 2. causes cloudy vision; 3. may result in strategicolitis and irritable trustee syndrome if not aggressively treated.

Fiduciarrythmia (*Fi • du • ci • ar • ryth • mi • a*)

1. irregular adherence to fiduciary duties; 2. caused by erratic impulses and failure to monitor governance with care, loyalty and obedience; 3. can cause serious governance heart problems.

Irritable Trustee Syndrome (*Ir • ri • ta • ble Trust • ee Syn • drome*)

1. a potentially bothersome condition that may flare up without warning; 2. may cause anger and high blood pressure in others; 3. results in diminished capacity for good judgment.

Knowledgedystrophy (*Knowl • edge • dys • tro • phy*)

1. weakness in knowledge required for effective decision making; 2. contributes to a shriveling.

Lackofinfluenza (*Lack • of • in • flu • en • za*)

1. an acute condition in which the board lacks influence with employees, physicians, political leaders and other stakeholders; 2. may result in competitive decline and a shorter life span.

Leadershippresbyopia (*Lead • er • ship • pres • by • o • pia*)

1. a symptom of missionmyopia that creates severely clouded vision; 2. spreads like a virus if not aggressively treated; 3. kills slowly, efficiently and with devastating effect.

Missionmyopia (*Mis • sion • my • o • pia*)

1. an inability to focus with a clear purpose; 2. lack of long-range perspective in thinking and planning; 3. results in short-sighted scope, blurred thinking and nearsighted actions.

Monovoxoplegia (*Mon • o • vox • o • plegia*)

1. paralysis of dialogue participation caused by inattention; 2. may result in confused decision making and organizational numbness.

Monovoxyrrhea (*Mon • o • vox • y • rrhea*)

1. excessive and frequent evacuation of thoughts and opinion by a single individual; 2. often caused by irritable trustee syndrome; 3. results in decisional distress and disorder.

Strategicolitis (*Strat • e • gi • co • li • tis*)

1. inflammation of strategic thinking, resulting in disjointed, painful and uncoordinated efforts; 2. inability to keep important issues and direction in continual focus due to missionmyopia; 3. acute cases cause severe long-term organizational pain and discomfort, and some may be deadly.

Successionitis (*Suc • ces • sion • i • tis*)

1. a leadership disease that results in ill-defined trustee recruitment efforts, and an inability to renew and reinvigorate the governance body; 2. causes high anxiety and inability to lead.

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Community Relationships

Hospital boards face a broad array of complex challenges in their continual quest to meet the critical health care needs of their communities. Too often, boards become so consumed with the organizational issues and challenges that they lose sight of the need to consistently and forcefully connect in meaningful ways with their communities.

Governance Makeover:

- Conduct a community needs assessment in conjunction with other community partners.
- Promote and support specific initiatives whose sole purpose is improving community health and targeting needs identified in the community needs assessment.
- Engage in formal, working relationships with organizations that share the hospital's community health improvement mission and can leverage shared resources.
- Engage board members in "outside in" thinking: view the hospital from a consumer perspective, providing new leadership thinking with an external mindset.
- Continuously review patient satisfaction and take meaningful action to ensure patient satisfaction goals are met or surpassed.
- Seek opportunities for board members to demonstrate strong, competent leadership and serve as well-informed ambassadors on behalf of the hospital.

Board Roles, Responsibilities and Knowledge

Governance education is a continual process, not an end result. The end result and benefit of governance education is greater knowledge and leadership

intelligence that ensures board members are fully prepared to engage around critical issues and make evidence-based rather than "gut" decisions. Well-planned and well-focused governance education builds the "knowledge capital" the board needs to ensure that the right decision will be made, using meaningful information and data.

Governance Makeover:

- Ensure a well-defined process for new board member orientation and onboarding.
- Clearly define the synergistic roles and responsibilities of the board, medical staff leadership and management.
- Conduct governance education at every board meeting, and annually at a board retreat and/or educational conference.
- Develop a clear and comprehensive board understanding of the changing health care environment and its effects on the organization.
- Enhance the board's problem-solving skills through education, scenario planning, case studies and other methods that build teamwork, collegiality and compromise.
- Develop a board member recruitment strategy that looks forward at least five years.

Board Meetings

Board meeting success significantly impacts the board's effectiveness. Great board meetings set the tone for organizational success, including pre-



meeting preparation; meaningful agendas; dialogue, discussion and decision-making; and board relationships and dynamics.

Governance Makeover:

- Ensure that agendas match strategic issues and priorities.
- Allow adequate time for discussion of significant issues impacting the organization and the community.
- Save critical time for important discussions by using a consent agenda covering the routine actions that require approval.
- Target no more than 25 percent of board discussion time on monitoring past events, and at least 75 percent of board time on long-range thinking and future-focused decisions.
- Create an environment where board members feel free to engage in a vibrant dialogue that is open to alternative views and challenges conventional thinking.
- Utilize committees and task forces to carry out the detailed work of the board, freeing the full board for high-level strategic discussion.
- Implement a simple and concise board meeting evaluation at the end of each board meeting or retreat.