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Today's Agenda

1:00 pm	Opening Remarks
1:05 pm	Introductions and Session Objectives
1:30 pm	Leadership in Challenging Times
2:15 pm	Evolving Responsibilities of the Board
3:15 pm	Energy Break
3:30 pm	Case Study Discussions
4:30 pm	Advanced Practices for a High-Performing Board
5:00 pm	Session Adjourns

A circular inset image of a young boy with glasses, wearing a striped shirt and bow tie, giving a thumbs up and holding a green sign.

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Let's Get Acquainted!

Please introduce yourself and share:

- Your name
- Your role and professional background
- What are you hoping to get out of today's workshop?

An illustration of a name tag with an orange top half and a white bottom half. The top half says 'HELLO' in white and 'my name is' in orange. The bottom half has 'your name' written in blue cursive. Above the tag is a blue pen and below it is a yellow pencil. The background is a light teal circle.

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Today's Objectives

- Discuss the challenging environment and the impact to leadership
- Review the evolving responsibilities of the board
- Summarize the characteristics of a high-performing board
- Problem-solve using real-life examples of board challenges

A close-up photograph of a dartboard with a single red dart hitting the bullseye. The background is a bright, out-of-focus yellow and green.

The logo for Via Healthcare Consulting, featuring a stylized 'V' made of two overlapping circles in green and blue, followed by the text 'Via Healthcare Consulting' in a sans-serif font.

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What Really Goes on in Boardrooms

Meeting Content →

- Official purpose
- Formal rules
- Written agenda

Group Process →

- Feelings and needs
- Informal leadership
- Group dynamics
- Decision-making involvement
- Interpersonal communications



The image shows an iceberg floating in the ocean. The small tip of the iceberg is above the water line, representing the visible 'Meeting Content'. The much larger, jagged mass of the iceberg is submerged below the water line, representing the hidden 'Group Process'.

Courtesy of ACCORD LIMITED

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There's Power in Naming It

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


Courtesy of ACCORD LIMITED

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Group Guidelines

- “Lower the water line” (discuss how group dynamics are impacting the discussion at hand)
- Be honest and kind
- Declare “Devil’s Advocate” (taking a position for argument’s sake, one that you may not believe)
- Avoid side conversations
- Be fully engaged (no smart phone gazing)
- Use modified consensus decision-making
- Ensure all actions are assigned
- Utilize a parking lot to keep discussion focused and moving forward
- Keep conversations in this room confidential



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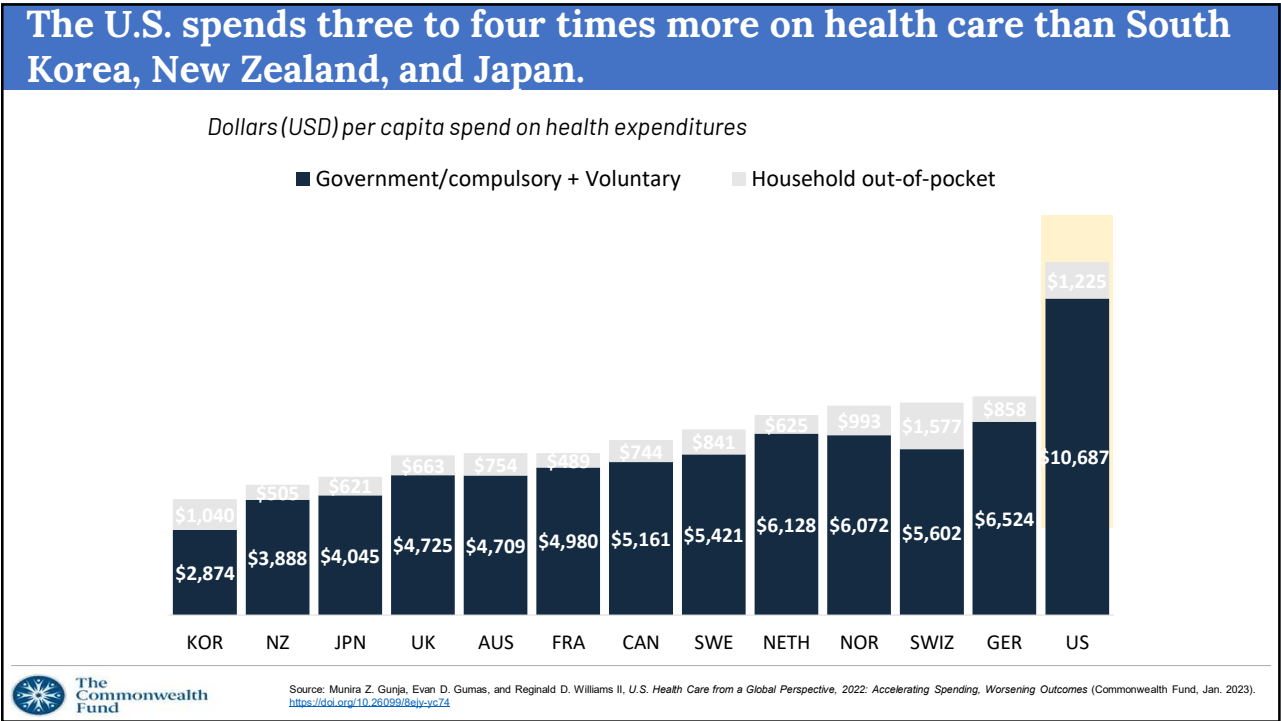


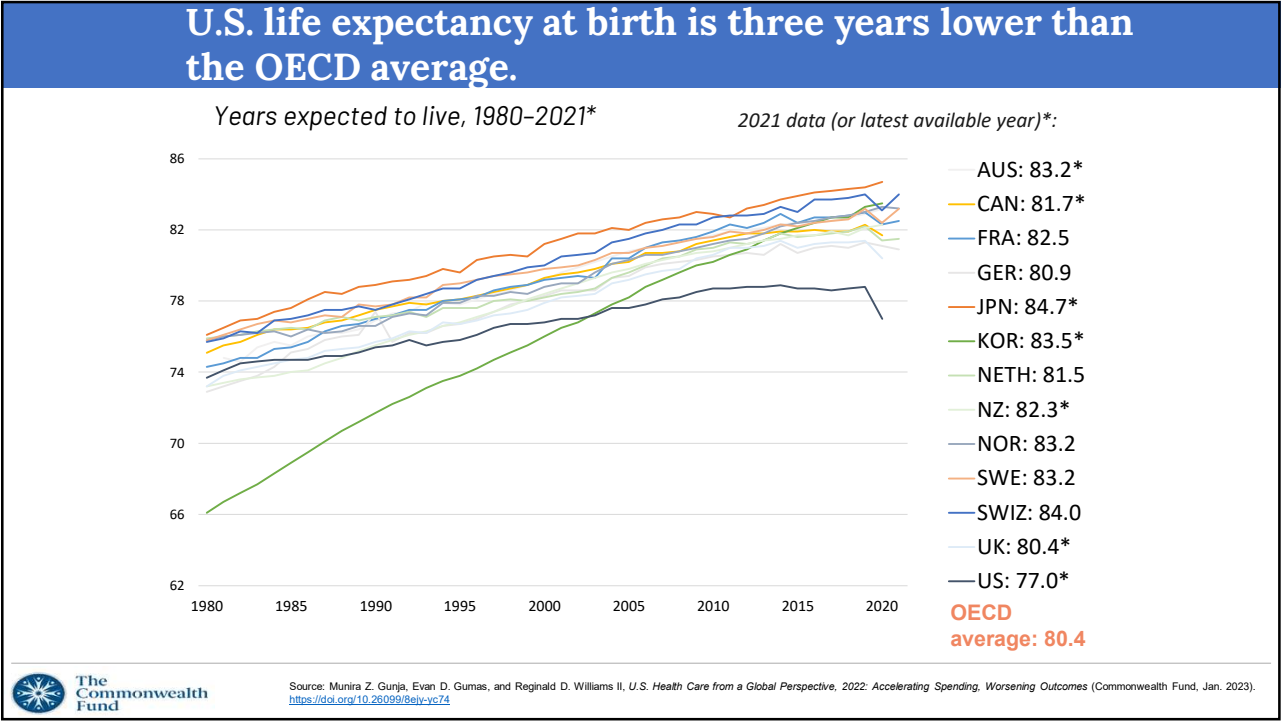
Leadership During Challenging Times

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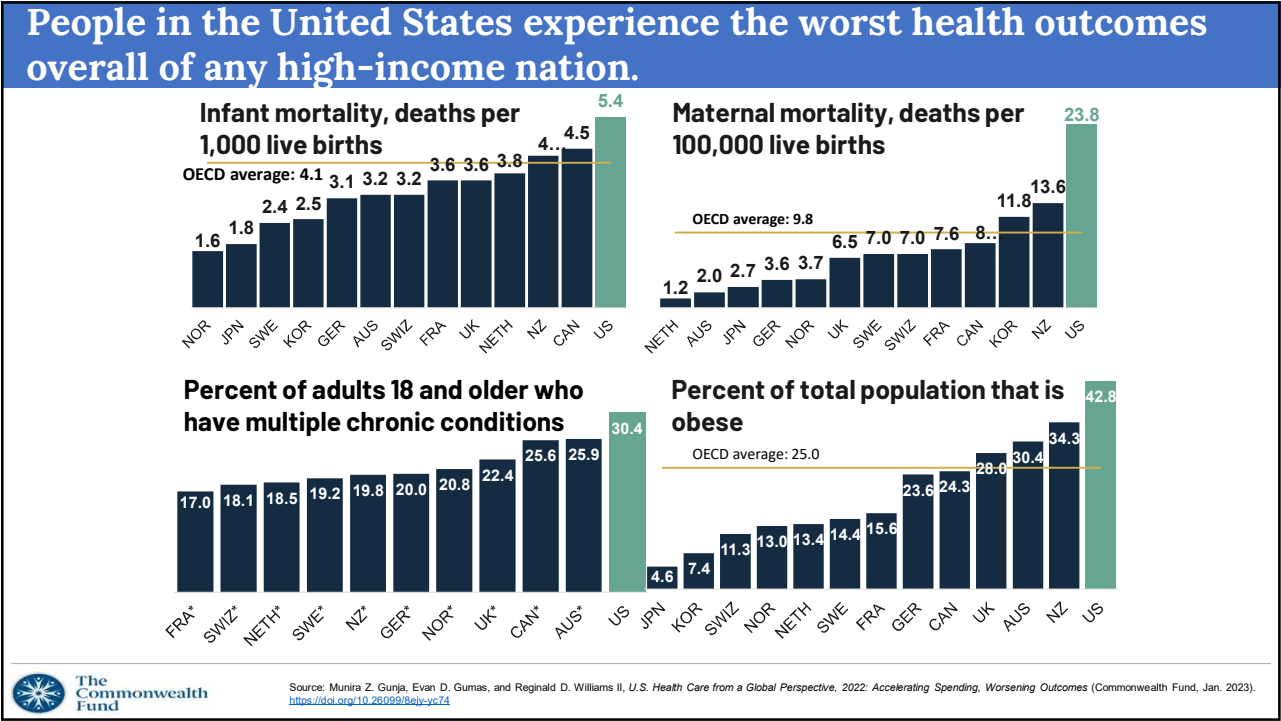


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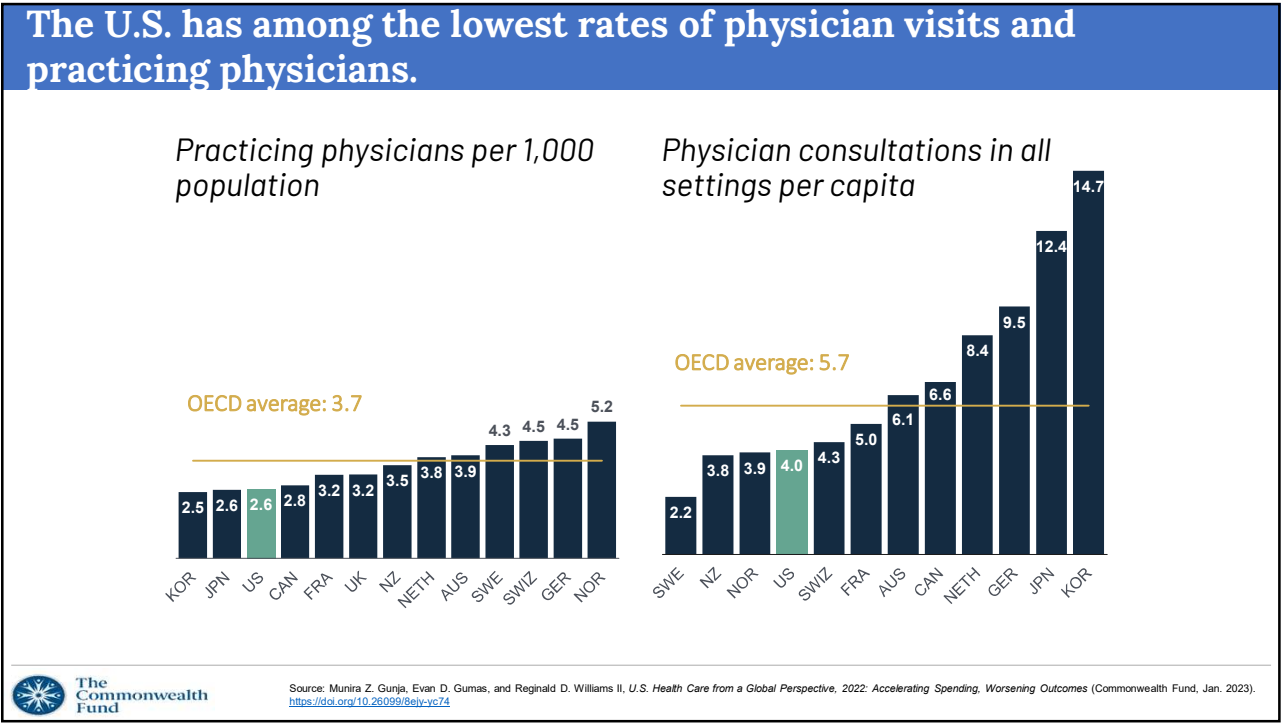




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2023 U.S. Hospitals Financial Snapshot

Key Takeaways

1. Hospital margins end year in difficult shape.

Despite modest margin improvements in November and December, suggesting a positive trendline heading into the new year, 2022 was the worst financial year since the start of the pandemic. Approximately half of U.S. hospitals finished the year with a negative margin as growth in expenses outpaced revenue increases.

2. Financial pressures driven by labor expenses.

Hospitals faced prolonged increases in labor expenses last year. The increases were driven in part by a competitive labor market, as well as hospitals needing to rely on more expensive contract labor to meet staffing demands. Increased lengths of stay due to a decline in discharges also negatively affected hospital margins.

3. Outpatient settings see increased volume.

The front door of the hospital continues to shift away from the emergency department. Hospitals experienced increased outpatient volumes, including in surgical settings.

4. Success in 2023 tied to learning lessons of '22.

Expense pressures are unlikely to recede in 2023. Hospitals that embrace better workforce management strategies, secure more stable supply lines, and more effectively negotiate with payers are likely to have better financial years in 2023. Hospitals should also leverage their outpatient footprint and improve relationships with post-acute settings to maximize current patient volume trends.

KaufmanHall

NATIONAL HOSPITAL FLASH REPORT | JANUARY 2023

kaufmanhall.com/nhr/

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S&P U.S. Not-for-Profit Acute Health Care Outlook 2023, January 5, 2023

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Demands and Expectations Facing Hospital Leadership

- **Board Expectations and Relationships**
- **Medical Staff Expectations and Relationships**
- **Employee Expectations and Relationships**
- **Patient Expectations and Relationships**
- **Public Expectations**
- **Political Expectations**
- **Quality Standards**
- **Audit / Accounting Standards**
- **Third Party Payor Agreements**
- **Staffing Shortages**
- **Generational Workforce Changes**
- **State Licensing Requirements**

Feeling overwhelmed yet?

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The Rural Landscape

- 61 million people (19.7% of the population) live in areas considered rural
- 17% of rural residents live at or below the poverty line, compared to 14% of urban residents
- 70% of Health Professional Shortage Areas are located in rural or frontier communities
- BIPOC (Black, Indigenous and people of color) and Latinx communities have even higher rates of poverty and obesity, as well as lower educational attainment, than rural White and urban children.

Source: "2022: Key Messages and Data Points," National Rural Health Day.

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Rural Hospitals Are at Risk

16 rural hospitals in California are at risk of closing

Rural Hospitals at Risk of Closing

State	% Total Rural Hospitals at Risk
Alabama	48%
Alaska	24%
Arizona	7%
Arkansas	43%
California	29%
Colorado	17%
Connecticut	67%
Delaware	0%
Florida	29%
Georgia	28%
Idaho	10%
Illinois	19%
Indiana	11%
Iowa	5%
Kansas	7%
Kentucky	19%
Louisiana	19%
Maine	27%
Maryland	12%
Massachusetts	27%
Michigan	15%
Minnesota	7%
Mississippi	19%
Missouri	22%
Montana	13%
Nebraska	7%
Nevada	6%
New Hampshire	27%
New Jersey	12%
New Mexico	10%
New York	27%
North Carolina	11%
North Dakota	10%
Ohio	11%
Oklahoma	7%
Oregon	13%
Pennsylvania	12%
Rhode Island	27%
South Carolina	19%
South Dakota	5%
Tennessee	19%
Texas	78%
Utah	10%
Vermont	27%
Virginia	11%
Washington	13%
West Virginia	19%
Wisconsin	5%
Wyoming	10%

Source: "Rural Hospitals at Risk of Closing," Center for Healthcare Quality and Payment Reform. January 2023.

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Who's at Risk in California?

State	Closures Since 2005	Current Rural Hospitals	Number w/ Losses on Services	Percent w/ Losses on Services	Number at Risk of Closing	Percent at Risk of Closing	Number at Immediate Risk of Closing	Percent at Immediate Risk
Alabama	7	52	33	63%	25	48%	16	31%
Alaska	1	17	10	59%	4	24%	2	12%
Arizona	4	27	15	56%	2	7%	1	4%
Arkansas	3	49	34	69%	21	43%	8	16%
California	9	55	29	53%	16	29%	6	11%
Colorado	0	42	16	38%	7	17%	0	0%
Connecticut	0	3	2	67%	2	67%	1	33%
Delaware	0	2	0	0%	0	0%	0	0%
Florida	8	21	10	48%	6	29%	4	19%
Georgia	9	67	35	52%	19	28%	6	9%

Source: "Rural Hospitals at Risk of Closing," Center for Healthcare Quality and Payment Reform. January 2023.

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The Governance Challenge

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

John W. Nason
The Nature of Trusteeship

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Legally-Mandated Fiduciary Duties

Care
The board must be knowledgeable of all reasonably available information and act with appropriate prudence and care.

Obedience
The board must ensure that the organization is obedient to its central purposes as described in its articles of incorporation and the mission.

Loyalty
Discharge duties unselfishly, to benefit only the corporate enterprise and not the directors personally.
This means directors must:

1. Disclose situations with potential for conflicts.
2. Avoid competition with the organization.
3. Refrain from discussing confidential board business with others.

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“Fiduciary” Definition

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

**Webster’s
New World Dictionary**

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Three Important Points

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




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A Focus on Governing

- Respect for the distinction between governance and management
- Understand board is not a legislative body
- Bring discussion and issues back to the mission and vision
- Executives supporting the board understand and reinforce its role during interactions



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Governance vs. management

How to tell them apart...

**The board handles
the what**

Keeps an eye on the horizon, affirms and adheres to the mission, provides vision and strategic direction and oversees implementation.



**Management handles
the how**

Delivers results by implementing policy and strategy, managing operations and reporting on performance.

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Questions to Help Clarify Roles

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

Note: If the CEO asks the Board for advice on a management issue, the CEO should 'declare' that intent, and be responsible for bringing the Board back 'up' to governance



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Role of The CEO



Manage day-to-day operations



Develop & implement strategic direction



Organize hospital to provide safe, quality patient care



Develop & implement financial plans/budget



Achieve results



Build human organization



Ensure availability of necessary resources & deploy them



Serve as hospital's representative and liaison to community, medical staff, and board

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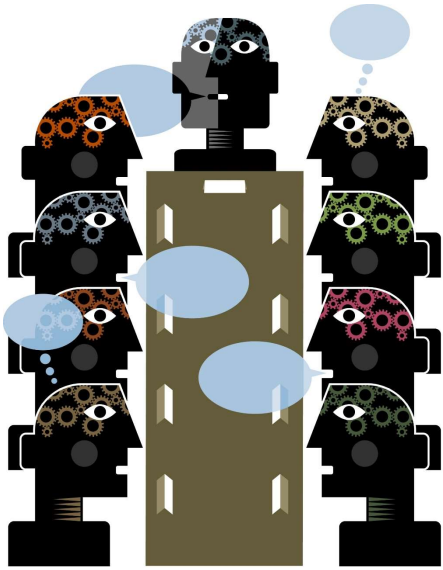
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Role of The Board

- Set strategic direction
- Serve the mission
- Adopt policies
- Make decisions
- Confirm provision of safe, quality patient care
- Adopt sound financial plans & monitor
- Select/evaluate CEO
- Connect with community
- Oversee organizational integrity
- Evaluate board performance



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CEOs Get Frustrated by...

- Inappropriate involvement in operations
- Unclear expectations of CEO
- Lack of honesty with CEO
- Cop mentality
- Going around the CEO
- Leaks of confidential information
- Insufficient healthcare knowledge
- Late and/or absent members
- Grenades in meetings



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Boards get frustrated by...

- Fully baked cakes
- Excessive time expectations
- Being kept in the dark
- Smoke-filled room decisions
- Overloaded board packets with too much jargon
- Too many reports by staff
- Tension between administration and physicians
- Insensitivity to need to live and work in the community



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Six Key Responsibilities of Boards

- Set Strategic Direction
- Quality and Safety Oversight
- Financial Oversight
- Management (CEO) Oversight
- Advocacy
- Governance Effectiveness



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Governance Effectiveness

- Create selection criteria for board as a whole
- Insist on mandatory orientation and education
- Implement leadership development and succession
- Conduct annual board self-assessment and evaluate individual member's performance
- Assess board's structure, bylaws, and policies on a regular basis

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Meeting Effectiveness

- Create a master board calendar
- Develop effective committee structure and reporting process
- Establish and review annual board goals
- Avoid overpacked agendas to ensure sufficient time for discussion

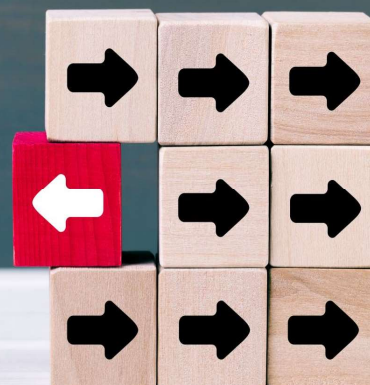
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Conflicts of Interest

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



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The Health Insurance Portability and Accountability Act (HIPAA) and You

Hospital board members are required to comply with the Health Insurance Portability and Accountability Act (HIPAA).

It is illegal to discuss patient information outside of certain types of closed meeting sessions.

In other words, neighbors and friends may gossip about someone's hospital stay but board members may be breaking the law to do so.

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What's Confidential? (a partial list)

- Medical Staff appointments/reappointment and disciplinary action
- Data about clinical services and patient care, malpractice information, actual or threatened litigation, and sentinel events
- Information relating to individual patients such as medical records, billing or financial data
- Hospital's confidential business and strategic plans
- Performance of executives including evaluations, compensation, contract and employment conditions
- All discussions in closed session

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What's a Board to Do?

- "Get Comfortable with Being Uncomfortable"
- Stop the Infighting
- Question Assumptions

- Keep Your Eye on the Right Metrics
- Look Beyond Traditional Competencies When Recruiting
- Engage in Continuous Learning



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Energy Break

Let's start again at 2:30 pm



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Small Group Discussion/ Case Studies



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Profile of a High-Performing Board

Members are focused on the organization’s purpose and mission

Roles and expectations are clearly defined and followed or met

There is a strong focus on performance and results

Individual board members are engaged and knowledgeable

Members represent and actively advocate within and for the community

Source: The Governance Institute.
<https://www.governanceinstitute.com/page/BiennialSurvey>

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Healthy Board Culture



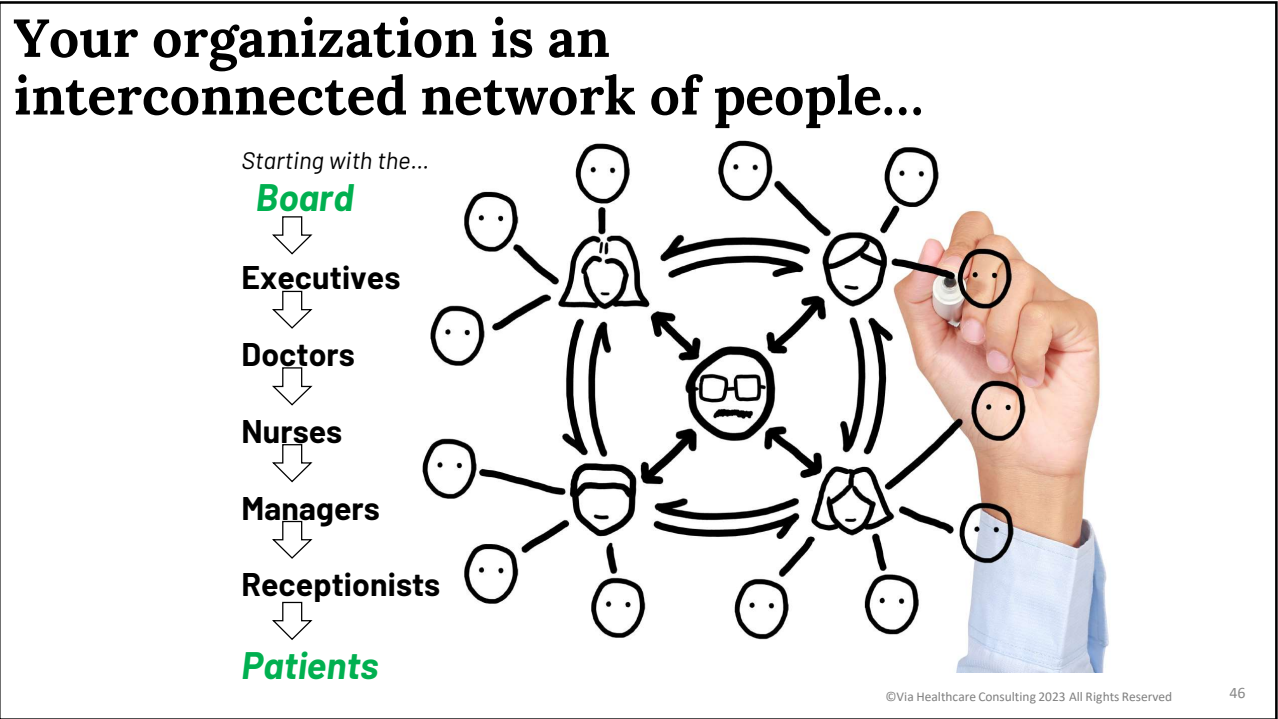
- Open, facilitated conversations; less reliance on Robert's Rules
- Candid, respectful debate/dissent encouraged and expected of members
- Realize individual board members have no power: you're all in this together
- Hold each other accountable for agreed-upon behaviors
- Spend time cultivating individual relationships

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Your organization is an interconnected network of people...



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The Four Distinctions of Trust

Sincerity

"I mean what I say, say what I mean, and act accordingly."

Reliability

"You can count on me to deliver what I promise!"

Competence

"I know I can do this. I don't know if I can do that."

Care

"We're in this together."

Source: The Thin Book of Trust: An Essential Primer for Building Trust at Work, Charles Feltman, www.thinbook.com. © 2016

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Building Trust in the Workplace = Building Trust in the Boardroom

	Trust	Distrust
Assessments about the other person	I can trust this person I am safe with this person	Trusting this person is dangerous This person poses a threat to me
Assessments about self	I am safe I can handle whatever happens I can be open and forthcoming	I am not safe I can't handle what this person might do I need to protect myself
Associated emotions	Hope • Curiosity • Generosity • Care	Fear • Anger • Resentment • Resignation

Taken from The Thin Book of Trust: An Essential Primer for Building Trust at Work, Charles Feltman

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Which Behaviors Should the Board...

Start? *Stop?* *Continue?*

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What Are Generative Discussions?

Frames questions

Addresses the biggest challenges

Is key to understanding and responding to paradigm shifts

Keeps focus, decision-making on the purpose, mission

Can be challenging, and most rewarding

*Like to read about governance? Consider reading the book that coined the term, "Generative Governance": **Governance As Leadership**, by Richard P. Chait, William P. Ryan, and Barbara E. Taylor*

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Thank you!



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Board Diversity

Instructions

As you begin, please choose one group member to facilitate the discussion (a facilitator), another to capture key points of the discussion on a notepad (a recorder) and a third to report back to the larger group (a reporter). If your group prefers to combine any of these roles, feel free to do so. Spend two to three minutes reviewing the case study independently. Then discuss each of the questions listed below. The facilitator should keep track of time to ensure the discussion covers all the questions during the time available.

How to Best Represent the Community*

The board of a large urban hospital serving a very diverse patient population in the Northeast has just completed a self-assessment. The board, which is predominantly white and male, with most members over the age of 65, rated itself lowest in response to the statement: *The board's composition closely reflects the demographic (i.e., age, race, ethnicity, gender) profile of the community it serves.* As part of the board's self-assessment follow-up action plan, a subcommittee is appointed to address this weighty issue.

Discussion within the subcommittee and among the full board reveals a lack of unity on how to best proceed. Some believe there is a need for a more diverse board composition but are unsure of how to achieve it, citing that the board has always used a competency-based approach to recruitment. Others understand the importance of focusing on their diverse patient populations' needs but don't believe board composition is related to this. As one board member commented, "Just because I'm white doesn't mean I can't understand the issues involved with serving our diverse populations." When the board chair respectfully challenges this, the board member replies, "If my contribution is not welcome on this board, I am willing to resign."

To further conflate the discussion, the board chair expresses his belief that the board should focus not on board diversity, per se, but on overseeing development of the hospital's diversity, equity, and inclusion policies. Focusing on these areas will "move the needle the most," he says.

The subcommittee is left to decide which approach to pursue.

In small group discussion, please answer the following questions.

1. Where do you think the board subcommittee should start in taking on this work?
2. Should the board focus on recruiting new members who meet the desired board competencies, or should it focus on recruiting more diverse board members in age, race, ethnicity, and gender?
3. How quickly should the board expect to transform its composition?

*Case studies are fictionalized and may be based on several clients' experiences. These scenarios are intended for discussion only. To maintain anonymity, we have changed the names of organizations, locations, identifying characteristics, and details.

Who Oversees Quality?

Instructions

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The Scenario*

A health system with multiple hospitals in the Southeast acquires a large multispecialty medical group practice near its flagship facility. The medical group now falls under the umbrella of organizations that the health system's board governs. The medical group, however, has an existing board, comprised of physicians, that provides oversight and sets goals for the medical group.

A few months after the acquisition is finalized, the system board chair requests a report on quality metrics from across the continuum of care. She believes the board has been overly focused on inpatient care despite the health system being an integrated care network. Accordingly, the medical group's chief medical officer presents the group's key quality metrics at the next system board meeting. During this discussion, board members ask a number of probing questions, including why certain metrics are not included. The medical group's CMO is taken aback by what he considers to be an interrogation and a critique. He responds to the questions rather testily; the board members are put off by his dismissive attitude. The tense exchange colors the remainder of the meeting and sets the CMO's relationship with the board on a rocky course.

Later, after the meeting the medical group CMO is debriefing with the system CEO. "I don't understand," he comments, "they're not physicians or clinicians. What role do they have in setting the medical group's quality metrics?"

In small group discussion, please answer the following questions.

1. How would you answer the CMO's question? Should the system board be setting the medical group's quality metrics?
2. Does the system board have a role in overseeing medical group quality? If so, how does it dovetail with the responsibilities of the medical group's existing board?
3. Who was responsible for the medical group CMO's rough start with the system board? Should the situation have been handled differently?

**Case studies are fictionalized and may be based on several clients' experiences. These scenarios are intended for discussion only. To maintain anonymity, we have changed the names of organizations, locations, identifying characteristics, and details.*

Fostering a New CEO's Success

Instructions

As you begin, please choose one group member to facilitate the discussion (a facilitator), another to capture key points of the discussion on a notepad (a recorder) and a third to report back to the larger group (a reporter). If your group prefers to combine any of these roles, feel free to do so. Spend two to three minutes reviewing the case study independently. Then discuss each of the questions listed below. The facilitator should keep track of time to ensure the discussion covers all the questions during the time available.

The Scenario*

The board of a 200-bed hospital in a mid-size Midwestern city is about to enter into executive session to conduct its six-month evaluation of the new CEO. Prior to assuming the role, the CEO had been a rising star within the organization, progressing up through several leadership roles over the past 10 years.

When she took on the CEO position, the hospital had been facing a number of difficulties, including significant financial losses, so the board decided it would be best to take financial oversight off her plate while she got oriented to her new role. The board directed the CFO to report directly to the board and instructed the CEO to hire an executive coach to build her leadership abilities and executive presence.

In her short tenure, the CEO has achieved some key wins. She successfully resolved a lengthy and expensive dispute with the market's leading orthopedic group over an ambulatory surgery center. She negotiated additional staffing flexibility with the local nurse's union. And, the latest employee survey indicates that morale across all levels has improved.

Despite these successes, the hospital's finances are still floundering, and the executive leadership team has expressed concerns about her capabilities. The CFO, in particular, has been sharing his reservations with the board about her leadership skills and ability to oversee finances. Some believe she can be too aggressive in her communication style and note that her attire is not suitably professional to her role. The board notices that she appears tense and frustrated at times during board meetings. A few times she has been argumentative in front of the board, correcting the CFO when he's commenting on operational matters. Some board members have privately wondered whether she is the right person for the role. There's even been discussion of developing a performance improvement plan for the CEO.

As all members are seated, the performance evaluation begins.

In small group discussion, please answer the following questions.

1. On the basis of what's been shared, how would you evaluate the CEO's performance, thus far?
2. What factors could be contributing to the CEO's leadership challenges?
3. How should the board deliver its feedback to the CEO and who should participate?
4. What should the board do to work effectively with this CEO going forward?

[^]Case studies are fictionalized and may be based on several clients' experiences. These scenarios are intended for discussion only. To maintain anonymity, we have changed the names of organizations, locations, identifying characteristics, and details.