Modern Healthcare
THE ONLY HEALTHCARE BUSINESS NEWS WEEKLY | JUNE 4, 2018

HIGHER STAKES:

Boards play pivotal role in hospital direction

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Gina Altieri
Senior Vice President and Chief of Strategy Integration
Nemours


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By Alex Kacik

As health systems explore the wild frontier of consumerism, more and more of them seek direction from industry outsiders.

Boardrooms have always been filled with trustees from a cross section of industries, but now expertise in driving consumer engagement, an appreciation for data analytics, a knowledge of information security, and an understanding of how to recruit and retain employees are all at a premium. It's the evolution of the board's role and seeing how all of the pieces fit together to affect the bottom line. These insights will become more critical as payers use different metrics as a performance yardstick.

What was often considered a part-time job has turned into a year-round mission.

Nemours Children's Health System, based in Jacksonville, Fla., has board members with backgrounds in finance, technology, entertainment and real estate. They have played a big role in bolstering Nemours' information security with a focus on the consumer and technology infrastructure investment, said Gina Altieri, senior vice president and chief of strategy integration at Nemours.

"They recognize that you can't just keep building buildings," she said. "The value the board brings is being able to take a step back and provide a higher-level view."

Nemours formed a data governance board that helped vet the data and define each metric, improving visibility and ultimately care coordination, Altieri said.

As patients demanded electronic health record interoperability, the system integrated its app, offering one access point for both patients and doctors. Now everyone gets real-time data. The board took a page out of the finance industry playbook, using rigorous testing and robust security measures to ensure information is protected, Altieri said.

Directors also take the lead on adhering to state and federal regulations, Nemours CEO Dr. David Bailey said. "The largest risk area for healthcare systems is in billing, coding and compliance," he said.

Active board involvement helped Bon Secours Health System, based in Baltimore, significantly improve its patient satisfaction scores over the past several years.

The board relayed the data—how the system matched up against its peers, as well as the potential financial benefits of higher patient-satisfaction scores—to physicians and upper management. It also implemented new training methods, set goals and tracked performance, said Shelly Buck, former chief operating officer and chief nursing executive at Bon Secours who now works at WellSpan Health. Buck talked about the effort at the 2017 American College of Healthcare Executives Congress on Healthcare Leadership while still serving as Bon Secours' COO, describing how the board helped move the health system from a 10% overall satisfaction rating to a 71% rating.

Bon Secours board members, who have backgrounds in finance, academia and philanthropy, looked at the data and the patient feedback through a different lens, Buck said. The board es-

THE TAKEAWAY

A part-time job has evolved into a year-round mission as trustees take more ownership in helping organizations confront increased competition, thinning margins and evolving consumer expectations.

tablished realistic targets with incremental improvement, monitored engagement efforts and rewarded staff to maintain momentum.

"It wasn't just a nursing issue, it wasn't just a clinical issue—it was a whole-house issue," said Buck, adding that all stakeholders need to be informed and engaged to buy into the plan.

But these organizations are the exception, according to consultant Paul Keckley, the managing editor of the health policy-focused Keckley Report. He says many not-for-profit systems generally don't spend enough time evaluating strategic direction.

Boards of not-for-profit hospitals, especially those whose members donate their time and dedicate a handful of hours per week to their duties, are largely unprepared to address complicated issues such as risk, appropriateness of care and compensation, he said.

"I'm just seeing a void of knowledge," said Keckley, adding that many boards defer to the chief executive. "Boards have more risk. They are going to have to be smarter, more engaged—and have some independent judgment."

What was once a transactional job, evaluating an executive's benefits and pay, for instance, has become much more involved, said Kathy Hastings, executive workforce practice leader at Sullivan, Cotter and Associates, a compensation consulting firm.

"Now, they not only have to make compensation decisions but also must consider talent needs over the short- and long-term: sourcing leaders, developing them and making sure they are aligned with the organization," she said.

Boards are taking responsibility on leadership diversity, pay equity and drawing talent from nontraditional markets, Hastings added.

"Cultural integration issues are huge, and many of these board members have run big companies themselves," she said. "Succession planning and diversity are big because the leaders should replicate the profile of the consumers."

Boards are benchmarking their hospitals' performance metrics against the competition's and analyzing CMS star ratings, mortality rates, readmissions and patient safety, as well as patient satisfaction. They are looking beyond the profit and loss numbers to find money to reinvest in certain facilities as consumers become more selective, Hastings said.

The top five quality metrics that boards should analyze are feedback from inpatients and the likelihood they'll recommend the hospital's services; the likelihood that employees would recommend their hospital to family and friends; physicians' evaluation of care; serious safety-event rates; and 30-day readmission rates, according to Press Ganey, which surveyed 139 top executives.

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Compliance and liability also play into the board's growing role, especially as the healthcare arena has become more litigious, said William Horton, a partner with the law firm Jones Walker. "Boards tend to be much more focused. They ask questions and get involved," he said. "They don't want to end up being accused by a government agency of playing along and not taking action."

If a False Claims Act action is filed against a hospital or a cyberbreach occurs, authorities will ask how much the board members knew, what role they played and what they did after the fact to mitigate the problem, Keckley said.

In one case, John Sorenson, the former board chairman of skilled-nursing facility company North American Health Care, paid $1 million to settle allegations that the organization billed Medicare and Medicaid for medically unnecessary rehabilitation-therapy services.

"In many cases, when a problem arises, boards are surprised," Keckley said.

Providers must identify what competencies their boards need, he added. If they are expanding into retail health, for instance, the board must know about Medicaid managed care, formulary design and pharmacy benefit management.

Directors will be more crucial as they try to get closer to the consumer, industry observers said.

Kaiser Permanente is expanding its partnership with Target and adding 31 more retail clinics in the retailer's Southern California stores. The board studied the latest quality scores related to the initial four clinics, the total cost of care and the capital expenses, said Dr. Paul Minardi, the medical director of business management for Kaiser's Southern California Permanente Medical Group.

"Does this help create a more affordable approach to manage the total cost of care for patients? The board needs to know how pharmaceuticals, staffing and each element factors into the expense trend and what impact they have on quality," he said.

Independent, objective analysis is critical, Keckley said. Notably, more health systems are separating the CEO and chairman roles. "It may put too much responsibility on the CEO for issues where you would want some independent judgment," he said.

Not-for-profit boards may need to be slimmed down to be more effective, which is a difficult task given how tied board members can be to the community and the organization, Keckley said.

Boards can't just act as a rubber stamp to the CEO anymore; the compliance and competitive risks are too high, Sullivan Cotter's Hastings said. "CVS-Aetna, JPMorgan-Amazon-Berkshire Hathaway—those disruptors make it more important for health systems to perform, and the board is an important part of directing that shift," she said. ●