

GREAT BOARDS

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Evolution of health systems calls for trustee leadership

By Barry S. Bader

The question of what it means to be a “health system” has been around since hospitals began combining into multi-organizational arrangements in the 1960s. A new study from The Governance Institute shows that “systemness” today means a lot more than it used to.

Initially, system partners erected loose confederations that imposed a minimum of centralized controls, shared services or standardized procedures. Over time, however, these loose-knit, holding company structures fell short of optimizing the potential benefits of being a system. The economies of scale, superior operating returns and stellar credit ratings that would sustain the mission were not fully realized as some affiliates put their self interests first.

As a result, system leaders are beginning to emulate the practices that corporations in other industries use to leverage the capabilities of their assets. Last year, TGI and its three governance advisers—Ed Kazemek, Roger Witalis and myself—studied this trend among the nation’s largest health systems. We found that in the last five years, large health systems have been shifting their governance structures along a continuum from a holding company model to more of a corporate enterprise model. A survey of the nation’s largest health systems showed:

- System governance is assuming greater authority for strategic and financial goals for subsidiaries and holding them accountable for performance. Some systems have abolished local boards, but most are evolving “shared governance” models.
- More systems are adopting system branding strategies, centralizing information systems and standardizing patient care management systems to better align subsidiaries around the system’s strategic direction.
- More than 90 percent of systems report they “have purposely tried to function more along the lines of a corporate enterprise board” by focusing on strategy, results and financial integrity.
- More than 80 percent have placed “increased emphasis on corporate experience and/or business acumen when selecting new board members.”

Such changes can engender concerns and even resistance over lessened autonomy. System governance must demonstrate strong, visionary leadership to achieve the full potential of systemness. Four strategies can help:

1. Develop clear, non-duplicative and meaningful roles for all boards.

Action Steps

- Develop clear, non-duplicative and meaningful roles for all boards.
- Empower boards with the education and resources they need to be effective.
- Spend time on a succession planning process.
- Communicate the system’s governance principles, strategic vision and major initiatives.

Consolidate overlapping boards; eliminate unnecessary ones.

2. Empower boards with the education and resources they need to be effective, such as systemwide dashboard reports. Some systems are investing in governance or leadership academies.

3. Secure the pipeline. Spend time on a succession planning process to recruit and retain great board members and leaders.

4. Communicate. Don’t assume everyone understands the benefits of being a system or what’s expected of each trustee. Communicate through every means possible the system’s governance principles, its strategic vision and its major initiatives. Provide multiple opportunities for trustee engagement.

The evolution toward “systemness” is just that: an evolution. Continued attention by the system board’s governance committee is needed throughout the journey. **GB**