

What's New (and What's Not) in Health Care Governance

Kimberly A. Russel, FACHE
CEO, Russel Advisors





Sooner or later, everything old
is new again.
~ Stephen King



What's New?

- Complexity
- Pace
- Consumer/Community Expectations



**P
E
A
N
D
E
M
I
C**



WORKFORCE SHORTAGES



American College of Healthcare Executives 2021 Survey

“Personnel shortages of all types are the top CEO concern.”





=

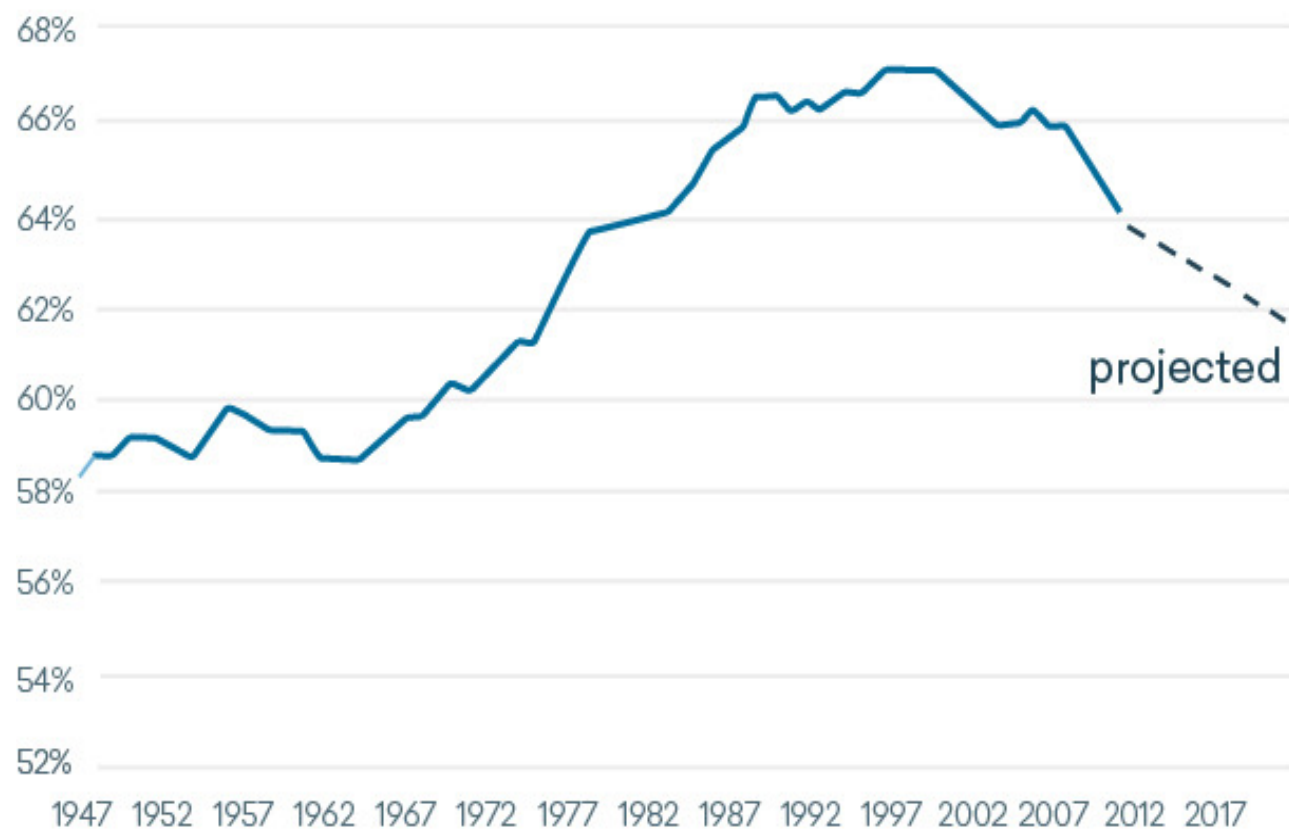


THE **DEMOGRAPHIC DROUGHT**

Bridging the Gap in our Labor Force



Laborforce participation rate, 1947-2012 and projected 2022



Source: U.S. Bureau of Labor Statistics.



RN Workforce

- 1982: 52 RNs per 100,000 residents
- 2020: 100 RNs per 100,000 residents
- Year-end 2020: Total supply of RNs decreased by 100,000 (Largest drop in 40 years)
- 4% workforce decrease in RNs under age 35
- 1.8% total workforce decrease



Source: Health Affairs



Physician Workforce

- Shortage of 54,000 – 139,000 by 2033
- Rural areas are 5 times more likely to experience physician shortages
- 52% of the active physician workforce is over age 55

Sources: AAMC, LeverageRx, Definitive Healthcare



Quality & Safety Pandemic-Era Trends

- Central-line associated bloodstream infections
- Catheter-associated urinary tract infections
- Ventilator-associated events
- Methicillin-resistant staph bacteremia
- Skilled nursing facility falls causing major injury
- Skilled nursing facility pressure ulcer rate



Source: “Health Care Safety during the Pandemic and Beyond,” New England Journal of Medicine



Role of the Board: Workforce Shortages

- Up to speed on local employment market situation and trends
- Periodic review of management's workforce plan
- Incorporate workforce considerations into strategic planning and strategic decisions
- Engage the Board's Quality Committee
- Organized labor implications
- Understand the financial impact



Additional Resources

- Lee A. Fleisher, MD et al, “Health Care Safety during the Pandemic and Beyond – Building a System That Ensures Resilience,” The New England Journal of Medicine, February 17, 2022.
- Ron Hetrick et al, “The Demographic Drought: Bridging the Gap in our Labor Force,” Emsi Burning Glass, February 23, 2022.
- Kimberly A. Russel, “Healthcare Workforce Scarcities: The Governance Role,” The Governance Institute, April 2022.



FINANCIAL HEADWINDS



S&P 2022 Midyear Update

- Q1: Toughest performance quarter on record
- Labor expense will cause sustained operating hurdles in 2022-2023
- Cash flow demands and weaker investment returns reduce financial flexibility
- Risk is increasing for hospitals with weak financial history



KaufmanHall Flash Report June 2022

- “While some metrics have normalized, hospitals continue to perform below pre-pandemic levels.”
- “There is an uncertain outlook for the rest of the year.”
- “Elevated labor costs remain a significant challenge.”

KaufmanHall



Role of the Board: Financial Challenges

- Finance Committee – On Deck!
- Realistic financial status assessment
- Capital expenditure strategy review
- Investment philosophy & policy considerations
- Understand payor negotiation climate
- Public policy implications



Additional Resources

- Suzie R. Desai et al, “US Not-For-Profit Acute Health Care Midyear 2022 Update,” S&P Global Ratings, June 27, 2022.
- Erik Swanson, “National Hospital Flash Report: June 2022,” KaufmanHall, June 28, 2022.



YOUR CEO



ACHE 2021 CEO Turnover Study

- 2021 = 16% Turnover (US)
- 2021 = 13% Turnover (Texas)
- 2022 ??



CEO Retention Factors

- Compensation & Benefits
- Relationship with board leaders
- Clear definition of governance & management roles
- Annual performance review
- Overall level of board talent & board engagement



CEO Succession Planning

- Determine which board committee will serve as the board liaison
- Stay up to date on CEO market trends
- Develop a routine conversation cycle with your CEO
- Regular review of C-suite talent assessment, succession plans and leadership development



Development of Internal Candidates

- CEO responsibility, with periodic board updates
- Support “out of the box” assignments for executives
- Ensure opportunities for board interaction
- Incorporate into annual CEO performance evaluation



Role of the Board: The CEO

- The board's #1 responsibility
- Understand the current (and future) market dynamics
- Remain informed of internal leadership development
- Consider all aspects of CEO retention



Additional Resources

- Kimberly A. Russel, “The Post-Pandemic CEO,” The Governance Institute, Spring 2021.
- Larry McEvoy, “Answering CEO Turnover: Do You Have a Plan?”, BoardRoom Press, The Governance Institute, June 2018.
- Kimberly A. Russel, “CEO Selection in a COVID-19 World,” TrusteeInsights, American Hospital Association, August 2020.



YOUR MARKET ENVIRONMENT



Market Trends

- Payor strategies
- Private equity
- Telehealth
- Mergers & acquisitions
- New competitors
- Consumer empowerment



Role of the Board: Market Environment

- Devote significant governance education time
- This is a full board responsibility
- Expect your CEO to triage topics and provide background information
- Direct link between the board's understanding of the market and strategy
- As the board's understanding of external factors deepens, the result will be a more informed and proactive board



Additional Resources

- Brian Fuller and Jordan Shields, “Post-COVID-19 Future of US Health Care,” TrusteeInsights, American Hospital Association, November 2021.
- Dan Majka et al, “Planning for Resiliency on the Journey Forward,” System Focus, The Governance Institute, May 2021.
- Kimberly A. Russel, “Building Your Health Care Board as a Strategic Asset,” TrusteeInsights, American Hospital Association, May 2020.
- Kimberly A. Russel, “Governance Megatrends,” Texas Healthcare Trustees Webinar, January 2022.



GOVERNANCE EFFICIENCY



Board Discussion

- What did we learn about our board in the past two years?
- What changes in our board processes and interactions should become permanent?
- Looking back, what changes would you make to improve the board's function over the past two years?
- Looking forward, what proactive changes should the board make in its operations to be ready for future unknowns?



Board Considerations

- Board composition
- Board size
- Board education plan
- Committee structure
- Meeting frequency
- Virtual attendance policy



Role of the Board: Governance Efficiency

- The board is 100% responsible for itself
- Annual board assessment
- Update board operations, practices and processes
- Demonstrated commitment to ongoing education by 100% of trustees



Additional Resources

- Paul LeBlanc, “Finding Depth With a Smaller Board,” *Trusteeship*, May/June 2017.
- Rachelle Schultz & Pamela Knecht, “Increasing a Board’s Strategic Competency,” *TrusteeInsights*, American Hospital Association, July 2021.
- Kimberly A. Russel, “Rightsizing Your Board,” *Trustee Bulletin*, Texas Healthcare Trustees, Spring 2021.
- Kimberly A. Russel, “My Board is Too Quiet,” *Trustee Bulletin*, Texas Healthcare Trustees, Fall 2021.



ENTERPRISE RISK MANAGEMENT



Enterprise Risk Management Plan Reboot

- Decide which board committee will serve as the board liaison
- Reevaluate current and future organizational risks
- Periodic updates from management on risk mitigation strategies



Role of the Board: Enterprise Risk Management

- Thinking & deliberating about risk elements is as important as the final plan
- Trustees with nonhealthcare business sector backgrounds are particularly valuable in these discussions
- Risk oversight



Additional Resources

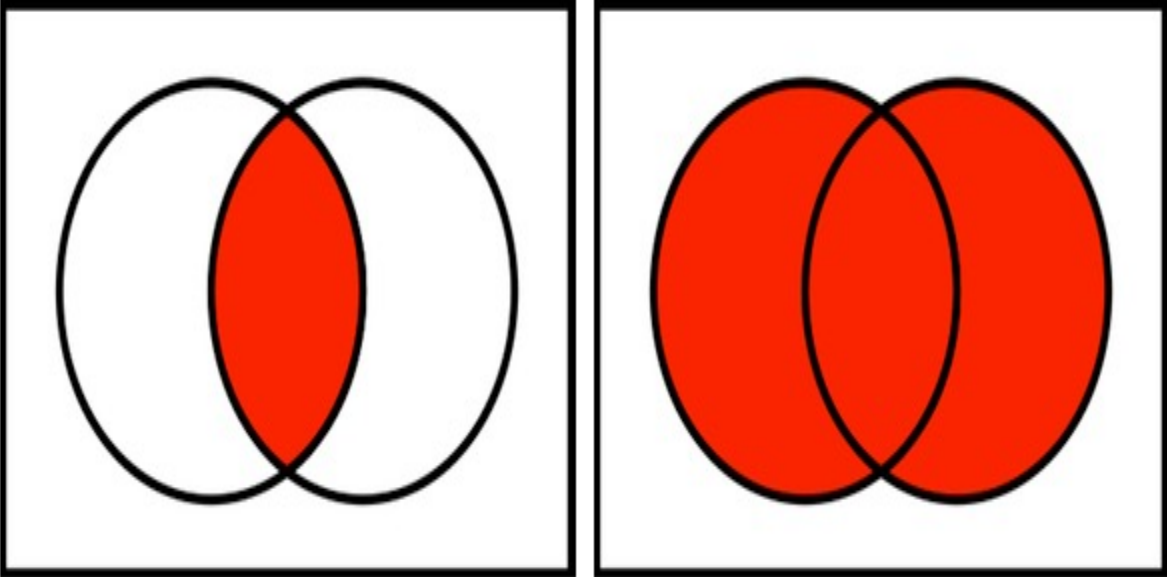
- Marian C. Jennings, “Enterprise Risk Management: Moving Beyond Compliance,” Board Room Press, The Governance Institute, December 2020.
- David Burik and Danielle A. Dyer, “To Manage Volatility, Sharpen Your Enterprise Risk Management Strategy,” E-Briefings, The Governance Institute, January 2022.



PUBLIC HEALTH



Your Hospital and Local Public Health



Board Considerations

- What did we learn from the pandemic about local public health resources, infrastructure and leadership?
- Are there areas of mission overlap?
- Are there partnership opportunities?



Role of the Board: Public Health

- Ask the questions
- Explore opportunities for additional collaboration
- Consider a joint meeting with your local public health board



Additional Resources

- Megan Wallace, Dr.P.H. et al, “The Patchwork U.S. Public Health System,” The New England Journal of Medicine, January 6, 2022.
- Kenneth Kaufman, “The New Public Health Imperative for Hospitals,” Thoughts from Ken Kaufman, kaufmanhall.com, February 11, 2022.



CONSUMER EXPECTATIONS



Gallup Poll

- “What is your overall view of the healthcare industry?”

Very Positive Responses:

2019 – 38%

2020 – 50%

2021 – 41%

2022 - ?



Role of the Board: Consumer Expectations

- Establish key metrics for tracking
- Resist anecdotal comments/opinions
- Learn about consumerism in health care
- Consider the linkage between consumer expectations, patient experience and organizational reputation



Additional Resources

- Ryan Donahue and Stephen K. Klasko, “Patient No Longer: Why Healthcare Must Deliver the Care Experience That Consumers Want and Expect,” 2021.



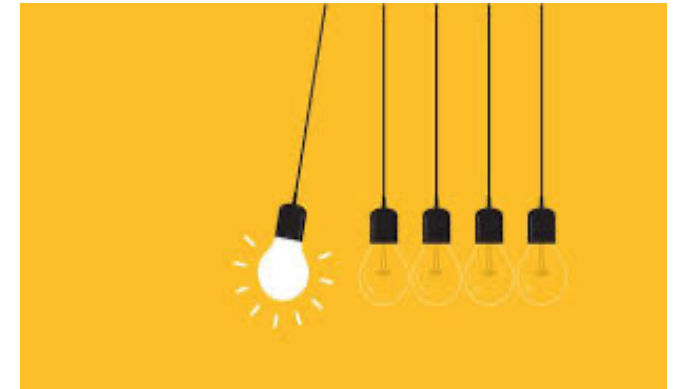
Governance: What's NOT New

- Fiduciary responsibilities
- The imperative of trustee education
- The importance of trustee questions
- The direct relationship between the quality of governance and the strength and success of the hospital/health system
- We need YOU!



Takeaways

- Recognize the increasing complexity and pace of the environment hospitals/health systems are navigating
- The expectations of consumers and of your community have never been higher
- Are the topics covered today in your board work plan?
- Do you have a robust board education plan, and associated expectations for trustees?
- Reexamine all board processes for efficiency opportunities



Questions and Discussion

Kimberly A. Russel, FACHE
CEO, Russel Advisors
Russelmha@yahoo.com

*Thank
you*

