

BOARDROOM BASICS

Ten Warning Signs That Your Board May Be Headed for Trouble

Hospital trustees undertake some of the most vital work required for hospitals to be successful in achieving their mission and vision - examining external trends and issues and their impacts; delving into community needs and identifying ways to meet them; balancing board, administrative, and medical staff relationships; monitoring and striving to improve quality and patient safety; and accomplishing it all in a rapid change environment where today's reality may be different tomorrow. Hospital trustees face a variety of significant leadership challenges as they undertake this leadership work. Ensuring that important policies, procedures, and expectations are in place can help the board avoid or manage challenges that are guaranteed to arise.

As trustees navigate through today's transforming health care environment, staying alert to the following governance "red flags," or warning signs, can help boards of trustees keep their attention focused on the priorities most critical to the hospital's successful future.

Warning Sign #1: Failing to Fulfill Fiduciary Duty

It is particularly important for hospital governing boards to earn and keep the public's trust. Boards are held accountable to the people of the communities they serve. They are responsible for overseeing the hospitals' finances, quality and patient safety, and the assessment of hospital programs and services. There can be no room for questioning the integrity or credibility of board members.

The board is ultimately responsible for the success of the hospital, fulfilling a

fiduciary responsibility defined as a duty of organizational loyalty; duty of care to the application of sound business judgment; and duty of obedience to bylaws, regulations, and standards of hospital operations.

Duty of Loyalty. The duty of loyalty bars trustees from using their board position in a self-serving manner. It requires trustees to place the interests of the organization above all else when acting in their fiduciary capacity. Undivided loyalty means that board members are always:

- Objective and unbiased in their thinking and decision-making;
- Free from external control or influence, ulterior motives, and "constituency thinking;" and
- Free of any conflict of interest when discussing issues and making decisions.

Duty of Care. Trustees are required to use the same level of judgment in discussing the business of the hospital that they would use in their own personal business activities. They must:

- Use reasonable inquiry and obtain necessary and adequate information and evidence before making decisions;
- Act in good faith; and
- Make decisions that are always in the best interest of the hospital.

Duty of Obedience. The duty of obedience requires board members to follow all state and federal laws, and organizational bylaws, rules, and regulations when representing the interests of the hospital. At all times, board members must act in a manner that protects hospital operations and continually earns community trust.

Warning Sign #2: Conflicting Interests

A conflict of interest exists when a board member, senior leader, or management employee has a personal or business interest that may conflict with the interests of the hospital. A "Warning Sign" should be raised any time the personal or

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Our Perspective

Evolving Board Responsibilities in a Changing Healthcare Environment

During our September Annual Conference, SDAHO has invited Karma Bass, MPH, FACHE of Via Consulting. Over her nearly 20-year career, Karma Bass has been a sought-after speaker, facilitator, and consultant with deep knowledge and experience in governance, strategic planning, philanthropy, health care policy, and board effectiveness.

Ms. Bass will present on - with the myriad of legal, regulatory, and market shifts occurring in healthcare, expectations of the board are shifting as well. Healthcare payment reforms, challenges to hospitals' tax-exempt status, increased scrutiny of quality and safety, and the 'new normal' of physician-alignment activities are resulting in new and different responsibilities in the board room. Come hear what is now being expected of top performing boards and learn how savvy hospital and health system trustees are carving out new leadership roles for themselves.

Objectives

1. Discuss the fundamental pressures impacting hospitals and health systems across the country today and hear how these are likely to shape a changing role for trustees.
2. Examine the impact of the following, in particular, on board responsibilities:
 - Provider payment reforms due to the Patient Protection and Affordable Care Act (Health Reform).
 - The increased pressure on hospitals to demonstrate sufficient community benefit due to tax-exempt status challenges.
 - Higher visibility and reimbursement-linked quality and patient safety activities.
 - Increasing and increasingly-essential physician alignment activities.
 - The fact that more than 50% of U.S. hospitals now exist within health systems where multiple levels of boards often oversee the organization.
3. Hear how proactive boards are assessing and transforming their governing structures, processes, and practices to ensure the highest level of leadership now and in the years to come.

Please join us at SDAHO's Annual Convention September 19-20, 2019 at Sioux Falls Convention Center. We thank you for your support and the leadership you provide your community hospital and post-acute facility.

If you have any questions, please contact me at 605-361-2281 or email gilbert.johnson@sdaho.org.

Gilbert Johnson, Vice President, Business Development

Spotlight Sponsors



Upcoming Educational Events

3rd Annual Rural Health Leaders Conference

South Dakota's rural health leaders are invited to this networking and education event developed in partnership between the SD Healthcare Financial Management Association, SD Office of Rural Health, Community HealthCare Association of the Dakotas and SD Association of Healthcare Organizations. Programming has been planned for hospital and clinic leadership, including CEOs, CFOs, directors and administrators, and trustees.

June 12-13, 2019

Holiday Inn Sioux Falls City Centre

Sioux Falls, SD Phone: 605-339-2000

SDAHO Annual Convention

Please join us for the SDAHO Annual Convention September 19, 20, in Sioux Falls at the Sioux Falls Convention Center. The kick-off golf outing will be held September 18.

September 19-20, 2019

Sheraton Sioux Falls & Convention Center

Sioux Falls, SD Phone: 605-331-0100

Do you have ideas for future issues of *The Trustee Quarterly*?

Our goal is to provide you with the information and knowledge you need to lead your hospitals forward in today's rapidly changing environment. Tell us what you think, and what you'd like to see in future issues of *The Trustee Quarterly*.

Write or call:

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professional concerns of a board member may affect his or her ability to put the welfare of the organization before personal benefit.

Conflicts of interest can be complicated, and are almost always unintentional. In some cases, no conflict actually exists, but the perception of a conflict of interest can be just as detrimental. Having multiple systems in place to safeguard against conflicts of interest ensures boards can minimize personal dilemmas covering a variety of issues, such as financial gain, or business or family benefit.

Ensuring that a comprehensive conflict of interest policy is in place that requires full disclosure is a critical first step. As part of the conflict of interest policy, every trustee should annually complete a conflict disclosure statement. While a conflict of interest policy defines what potential conflict is, the disclosure statement is the mechanism for individuals to declare any potential conflicts they may have before an actual conflict arises.

Strictly enforcing the policy is the most important aspect of eliminating conflict.

Trustees must recuse themselves from discussions and decision-making whenever they perceive they may have a conflict of interest. Hospital leaders who create and adhere to a strong conflict of interest policy will be most successful in ensuring open and honest deliberation.

Warning Sign #3: Narrow Focus vs. Visionary Thinking

It is easy to become focused on the here and now of current organizational issues, but boards must continually adjust their attention to deal with the issues ahead, not the issues of the past. Creating time on the board's agenda for meaningful discussion of the most significant issues facing the hospital is an important step to ensuring that future issues, challenges, barriers, and opportunities are considered. Valuable board time should be focused on understanding environmental trends, deliberating over challenges, assessing opportunities and determining strategic

priorities, rather than dealing with operational or administrative details which are better left to the management team.

Hospital boards must value creativity and innovation, and leverage change for strategic advantage. They must be ready to lead their hospitals in capitalizing on new opportunities emerging from a changing health care environment.

Warning Sign #4: Lack of Strategic Direction and Focus

Mapping a course for the hospital's future is one of the board's most important governance responsibilities. A clear understanding of the evolving health care environment and communities' needs is the foundation of successful strategic planning. Successful boards engage in continual strategic thinking rather than relegating strategy to an annual occurrence. A strategic thinking mindset is essential to the ongoing monitoring of progress toward achievement of strategic objectives. It will help the board establish a flexible, responsive strategic plan that can adapt to the constant change of today's environment and correct course as the environment changes or progress lags.

Failing to carry out the board's leadership role in strategic planning may keep the hospital from recognizing and taking advantage of opportunities or it may allow the hospital to succumb to uncertainties.

Warning Sign #5: Lack of Board Accountability

The board self-assessment process is one of the most reliable ways to identify and correct "trouble" areas before they spin out of control. It's an important measure that boards can take to prevent problems and strengthen their governance practices.

The first step is completing an effective self-assessment that engages the board in a wide-ranging evaluation of its overall leadership performance. Results of the assessment should help identify "leadership gaps," or areas in which the board has the greatest potential for improving their leadership. Following the

assessment, a governance education plan can be developed that pinpoints and closes "leadership gaps" and reinforces board performance.

Warning Sign #6: Lack of Evidence-Based Decision-Making

Too often the evidence that boards rely on to make decisions is anecdotal, disjointed, or disconnected. The key to successful evidence-based decision-making lies in the intelligent use of "dashboards" and "balanced scorecards" that plot performance against expectations over time.

One of the board's primary challenges is to know whether the strategies and objectives adopted and implemented are achieving the desired outcomes. Being able to engage in a continuous analysis and dialogue about strategic progress and performance requires a set of key performance indicators that tell the board where current strategic gaps exist, and what potential gaps may be on the horizon.

The first step in developing and using a set of hospital-specific performance indicators is determining what should be measured, followed by identifying data that indicates the degree of success in achieving each objective. Once a process is in place, performance indicators may become outdated based on new information or organizational changes. The board should periodically update both its performance expectations and corresponding indicators to ensure it is evaluating the data points most relevant to the hospital's strategic goals.

Warning Sign #7: Lack of Decisive and Deliberative Dialogue

Miscommunication and misjudgment are often a result of inadequate listening, not from a lack of words. To ensure strong, effective governance communication, trustees should listen first and talk later, acquire and absorb new ideas, listen attentively without rushing to judgment, and absorb information before offering a definitive response.

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GOVERNANCE INSIGHTS

Board Diversity: A Commitment to Patient Care and Community Needs

Diversity in board composition is a critical component of governance effectiveness. The racial and ethnic diversity of communities across the country is changing and cultural disparities in health care are becoming more and more evident. It is the board's responsibility to ensure the hospital knows what the community's health needs are and how to best deliver care that meets the needs of all who live in the community. Improving board diversity can offer multiple benefits and should be a priority for trustees.

It is well-known that the United States is becoming increasingly diverse, which has the potential for causing disparities and inequities in health care. The disparities and inequities are driven by differences in languages, consumer health behaviors, discrimination, stereotyping, lack of cultural knowledge and sensitivity, lack of a culturally representative health care workforce, socioeconomic status, and more. Minorities represent only 14 percent of the membership of a typical hospital board, even though they represent 37 percent of the U.S. population and about one-third of hospital patients.^{1,2}

Greater diversity among trustees can, and should, enrich the board's governance capabilities for delivering culturally competent care and strengthen opportunities for fulfilling the hospital's mission and commitment to the community. In 2015, the American

Hospital Association launched its #123forEquity pledge campaign. The campaign asks hospitals and health systems to commit to work on advancing health equity, diversity, and inclusion within their organizations and communities. It seeks to accelerate progress in four areas, including increasing diversity in leadership and governance. The other three areas include increasing collection and use of race, ethnicity, language preference, and other socio-demographic data; increasing cultural competency training; and improving and strengthening community partnerships. As of August 13, 2018: 51 state hospital associations, 12 metropolitan hospital associations, and 1,702 organizations have made the pledge.¹

The Importance of a Diverse Board

A board with diverse cultural representation is better able to understand the different needs, practices, and preferences of the various communities and populations the hospital serves. That same board diversity becomes a model for the organization and helps attract other diverse talent to the hospital, including senior management and medical

staff, cascading throughout the hospital to front-line employees. This diverse representation throughout the organization strengthens its cultural competency.

Leadership Diversity Improves Patient Care. Organizations with cultural strength have a better ability to reduce the racial and ethnic disparities that exist in America's health care system.³ Culturally competent organizations are more equipped to understand patients' culturally-based care perceptions and preferences. In addition, removing language barriers allows for better assessment of patients' needs and delivery of higher quality of care. All of this combines to improve patient satisfaction. Culturally competent organizations also experience higher employee satisfaction and stronger relationships and loyalty with the community's various populations.^{4,5}

Broad Diversity Offers Insights and Understanding. When striving for a diverse board, it is important to remember that race and ethnicity should not be the only criteria used to measure the board's diversity. The board's leadership will also benefit from diversity in age, gender, occupation, income level, geographic location, education, expertise or areas of specialty, and varied personal life experiences, backgrounds, and perspectives.

Trustees with varied experiences can introduce new ways of thinking that help stimulate creative ideas and problem-solving among board members. New and different thinking also contributes to more informed, robust, and productive board discussions and decision-making. Not only does a diverse board better represent the community it serves, but it provides better understanding and insight into the real needs and challenges confronted by members of the community. This understanding is essential as hospitals strive to identify and meet the community's greatest health care needs.

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Work Required to Diversify Your Board

Trustees must recognize that successfully diversifying hospital leadership takes time and dedicated effort. Achieving rich diversity among the board's trustees isn't always easy, and is often most difficult in smaller communities. In 2015, just 36 percent of hospital boards had goals for a diverse board composition that reflect the hospital's patient population.⁶

Once the board makes a commitment to broaden the diversity of its membership, it must also broaden its search methods beyond traditional reliance on trustees' personal networks. This reliance typically results in new trustee candidates similar in background and perspective to existing board members. Instead, nominating committees should be used to set goals for diversification and to maximize contacts with varied community organizations.

Many boards have been successful in reaching out to leaders of advocacy groups, minority-owned businesses, city councils and county boards, academic entities, and business groups like Chambers of Commerce to identify potential trustee candidates. Some organizations have filled their pipeline of candidates by tapping younger or emerging leaders to serve on committees, developing their health care and hospital knowledge

Three Steps to Expanding Your Board's Representation and Perspectives

- Step 1. Research the hospital's patient population, using a broad definition of diversity.
- Step 2. Compare your hospital's patient population to the board's composition. Where are you missing critical representation, perspectives, and experiences?
- Step 3. Look for qualified candidates in non-traditional places. Consider asking trustee contacts to recommend minorities they know, contacting major civic and social organizations that represent critical populations missing on the board, or holding a board luncheon for minority representatives in the community.

and experience prior to trusteeship. Consultant, Eric D. Lister, M.D., recommends that organizations having difficulty finding qualified local candidates consider expanding their search to include non-local individuals, particularly those who might have ties to the community, including people who grew up or attended school in the community, and those with family living in the community.⁷

Ensuring That Diversity is Not Divisive

Despite the importance of board diversity, differing opinions and the failure to understand other perspectives have the potential to challenge the board's cohesiveness. Ensuring that board diversity does not lead to board divisiveness begins with the recruitment process. Above other considerations, an individual's commitment to the mission of the hospital should be foremost in the election process, followed closely by personal competencies and expertise.

Boards must guard against adding individuals simply to meet a requirement or as token representatives on the board. While minority trustees should be able to offer insight, understanding, and new perspective into the community's various populations, the obligation for understanding various community perspectives and needs is the responsibility of all trustees. A single individual should not be expected to shoulder the responsibility alone. A common commitment to the mission of the hospital, coupled with attitudes of respect and openness among all board members are attributes that will help overcome personal differences, perspectives, and opinions.

Trustee Orientation is Essential. Many new trustees arrive on the board with little or no prior board experience or health care expertise. To ensure new trustees are set up for success, they need a detailed orientation to bring them up to speed on basic issues that will allow them to engage in deep dialogue in board meetings without missing critical information.

Even with the necessary background information, a minority trustee serving on

a predominately homogenous board may still feel isolated. As with any member, assimilating new trustees into the board is a key step to success. Besides providing education, materials, and information, trustee mentors and opportunities for informal interaction among board members can help build collegiality and ease initial feelings of isolation.

A Paradigm Shift. In making the commitment to seek a diverse membership, trustees must recognize they are making a commitment to change their ways of thinking. Working collaboratively to advance the organization's mission and vision requires active participation, constructive deliberation and debate, and even respectful confrontation. Divergent thoughts, opinions, and even behaviors must not become personal and trustees must work to recognize sources of cultural misunderstandings. In its essence, this is the objective of diversity—to enrich the board's governance capacity with a variety of viewpoints, experiences, knowledge, and expertise, enabling the board to better lead the hospital in meeting the health care needs of the community.

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LEADERSHIP PERSPECTIVES

New Technology, Old Facilities, New Delivery Models, Aging Population: What the Board Needs to Know About Facility Planning

Less than a decade ago, the hospital construction market was booming as organizations confronted aging facilities, operational inefficiencies, new market competition, and an aging population. Today, facilities are still aging, achieving efficiency is critical, new delivery models are entering the market, and baby boomers are aging into Medicare in increasing numbers. Adding to these challenges are advances in technology, shifting government policies, and tight margins. Renovation and ambulatory centers are taking precedence over new hospital construction as hospitals and health systems respond to new realities.

Health care architects and designers are rebuilding and renovating aging and outdated hospitals with an evidence-based approach. “Studies show the environment has an important impact on outcomes in health care,” says Debra Levin, president of the nonprofit Center for Health Design. Patient rooms, corridors, and public spaces can directly influence health outcomes and efficiencies in the hospital. New design concepts include decentralized nursing stations to reduce staff time, acoustical tiles and carpet to reduce equipment noise, access to gardens and natural light, private patient rooms, and social areas for family members.

The health benefits of a healing environment have positive financial implications as well. Estimates show that new designs may add two percent to five percent in upfront capital

costs, but there are increased savings over time resulting from streamlined operations and faster patient recovery time.

In addition, an improved environment translates into a decrease in staff turnover, higher quality work, and a more positive experience for patients. Ultimately, quality standards, safety, and delivering better care to patients is the responsibility of the board and should be the priority when making decisions about the appropriate design for the organization’s facility.

The Role of Leadership

Effective leadership is critical in facilities planning. The board and management need to work closely through a comprehensive environmental assessment and strategic planning process to ensure the organization is best prepared to meet the community’s current and future health care needs.

Key considerations for the short-term may include the demand for outpatient services, configuration of pre- and postoperative areas, efficiency of support areas, and attractiveness of entrance and admittance areas. Long-term planning may involve patient flow volumes, overall revenue trends, outside competitive pressures, and

improvement of outpatient services to better serve community needs.

Once the hospital’s needs have been identified, the functionality, efficiency, and mix of services in the market area should be evaluated to determine whether to replace, renovate, or expand existing facilities. It’s the board’s responsibility to ensure the plan is flexible enough to accommodate future changes in the institution’s development, which may include technological advancements and changing government regulations.

Trends That are Changing Hospital Facilities

Forces, trends, and technological advances are pushing boards and executives to rethink the function and design needs of their facilities. The following trends are changing the look and design of hospitals today.

Rising Priority of Behavioral Health. The opioid epidemic and mental health concerns are driving the rising priority of behavioral health for hospitals and communities. According to 2018 Hospital Construction Survey results, the number of organizations that have built or are planning to build behavioral health care projects has jumped to 53 percent from 17 percent five years ago.¹

Hospitals are making facility design changes to reduce the stigma of mental-health disease, normalize patient access to mental health care, and better address the needs and outcomes for behavioral health patients.

Building for Resiliency. By 2020, California’s acute care hospital buildings must comply with the state’s Seismic Safety Law. But earthquakes are not the only disasters hospitals must plan for. Hurricanes, tornados, floods, wildfires, power outages, and winter storms have all tested hospitals’ ability to remain operational during and following recent disasters. Given a 400 percent increase in natural disasters in the past 20 years, resiliency has become a core consideration for hospitals designing and building new facilities.¹

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Moving to Malls. Rising patient expectations for on-demand service and convenience, growing competition from non-traditional providers, and high costs of new construction are among considerations prompting hospitals and health systems to think creatively about growth and facilities development. Both Vanderbilt University Medical Center and Duke University Health System have opted for redevelopment, each selecting available space in local malls. As online shopping forces closure of brick and mortar stores, the mall locations offered cost-savings, convenience, and accessibility. As mall tenants, hospitals and health systems generate an economic boost to local communities as employees, patients, and families seek out nearby restaurants and shopping.^{2, 7, 8}

Focus on Wellness. As health care continues to advance and transform to a value-driven system of care, health care focus is shifting to preventive care, wellness, and social determinants of health, with significant implications for hospital and health care facilities. This shift is evident in the planning and design of “wellness villages,” like the Florida Hospital Health Village, a 172-acre “health care and life sciences innovation district” supported by Florida Hospital and Adventist University of Health Sciences; or the Verde at Peachtree, a 60-acre wellness village set to start development in 2019 in Mesquite, Texas. Hospitals like St. Anthony Hospital in Chicago are seeking to promote healthy lifestyles by incorporating urban renewal concepts into their facilities plans.^{1, 9}

Bedless and Micro-Hospitals. Advances in health care mean less invasive surgeries, faster recoveries and shorter lengths of stay, more outpatient visits, and declining inpatient admissions. As a result, inpatient stays are declining as outpatient volume is increasing. Often with the support of larger health systems, bedless and micro-hospitals are able to provide small or underserved communities less costly acute or emergency care, as well as deliver lower rates of infection and mortality.^{2, 10, 11}

Process Planning

Building a facility can generally be divided into three phases: 1) programming; 2) design;

and 3) construction. Of these three phases, programming is the responsibility of the organization’s leaders and is crucial to the success of a project. Programming can be a complex process which determines “the combination of care delivery models, technology, staffing, management, philosophy, branding, clinical use, and support services necessary to meet those needs, now and in the future.” To successfully lead the programming phase, strategic alignment between the board, executives, and medical staff leaders is essential. An organization can achieve strategic alignment by reaching agreement on the following:¹²

- Alignment among the strategic facilities plan, the business plan, and the strategic plan;
- Risk assessment of the organization;
- Organizational preparedness;
- Resource allocation;
- Respective leadership roles and responsibilities;
- Metrics for evaluation;
- Financial, operational, philosophical, and clinical care priorities; and
- Specific tasks and accountabilities.

Organizations that can achieve strategic alignment have an immediate advantage due to “extreme collaboration,” a method in which tasks that usually occur sequentially are instead managed concurrently. Using a single source for planning, design, and construction phases helps ensure that budgets, deadlines, and quality standards are maintained. Ultimately, strategic alignment reduces building costs due to streamlining operations and leads to a better, more complete project plan.

Financing is Fundamental

Although the upfront capital required to build a new facility can be daunting to hospital boards facing challenging economic times, research conducted by Kaufman Hall indicates that better-performing hospitals are able to achieve operating savings of six percent to eight percent in replacement facilities by the fifth year after replacement. Boards must keep this in mind as they seek

funding and consider the amount of debt they are willing to accept.

Potential funding sources include bonds, equity, conventional loans, government funds, and philanthropy. A survey from the Healthcare Financial Management Association (HFMA) found that tax-exempt bonds provide a majority of organizations’ financing for major building projects, but there is also a trend towards using less traditional avenues, such as the sale of medical office buildings and donations from the community.

When replacing an aging facility, some key financial questions include assessing the organization’s credit profile, the amount of additional debt the organization can support, alternative sources of funding, and the organization’s projected financial performance. Ensuring continued financial integrity of the organization is the board’s primary responsibility, and decisions on renovations or construction of new facilities can be a crucial strategy to remain competitive in today’s health care marketplace.

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Without constructive challenges to conventional wisdom and thought, the best solutions may never surface. Trustees should be comfortable confronting issues by challenging assumptions and exploring alternatives to traditional thinking. Doing so may cause short-term tension and disagreements, but this tension should be welcomed and resolved through thorough, organized, deliberative dialogue.

Well-informed boards make a practice of searching out opinions, ideas, and perspectives that may be different from their own. Boards can accomplish this by listening to a variety of voices outside the organization and engaging the viewpoints of people with unique experiences and perspectives as trustees on the board. In doing so, boards will expand their knowledge base, build a mutual understanding of diverse perspectives, and open new lines of thinking.

Warning Sign #8: Lack of Commitment to Quality and Patient Safety Improvement

Boards are fully responsible for the hospital's quality of care and should lead the organization in seeking the highest levels of quality and safety. To fulfill their fiduciary duties of care and obedience, trustees must establish and nurture an organizational culture that continually seeks to improve quality and patient safety at every turn. While no board or individual trustee sets out to govern poorly, boards can commit "governance malpractice" simply by being uninformed, unengaged, or failing to understand key issues. Not talking regularly about quality and patient safety measures and their implications or

focusing in the wrong areas can also lead to poor governance.

One way to ensure an adequate focus on the right areas is through the consistent use of understandable, comparable hospital quality indicators. The board should engage in frequent internal and external communication about quality improvement initiatives. Trustees must be well-aware of and proactive in addressing patient safety and seek out continuing education about

current trends and implications in this area. They should regularly review key quality indicators, asking questions to ensure they are fully informed and taking necessary corrective action when appropriate. Trustees must remember that they set the tone—a quality focus must not only occur at the top, but quality literacy should be built into the hospital's DNA at every level of the organization.

Warning Sign #9: Insufficient Commitment to Community Health Improvement

Serving the health needs of the community is job one. Trustees are responsible for making sure that their hospital's services provide meaningful benefit and value to the public. It is the board's responsibility to ensure that the hospital understands the needs of the community and strives to meet those needs.

A comprehensive community needs assessment is not only a legal and regulatory requirement, it helps a hospital address the health care needs of the community by providing a snapshot of the "health" of the community. The assessment can provide information about other organizations that may be working to meet specific community needs and where gaps in those services may lie. The assessment also gives hospitals the intelligence needed to evaluate potential partnerships with community groups and organizations already addressing community issues.

In addition to identifying community needs, the assessment process will improve the board's strategic thinking and planning by providing clarity about needed services,

and identifying specific, attainable goals for meeting community needs. It's important that hospitals don't stop there—hospitals can only fulfill their critical role and responsibilities in meeting community needs if they act based on the findings from their community needs assessment. Initiatives to address the health care needs of the community must be identified in the hospital's strategic plan and reported in the IRS Form 990 filing.

Warning Sign #10: Planning for Governance Succession vs. Filling Vacant Board Seats

Continued board leadership success depends on how well the board plans and executes the recruitment of new trustees. Trustee succession planning and recruitment is more than simply filling a vacant seat on the board—it requires finding the right candidates to fill critical gaps needed to strengthen board and organizational performance.

The board should be composed of individuals who display a diversity of opinions and independent thought and actions. Board members should have the intelligence, education, and experience to make significant contributions to governance. They should also possess the personal attributes that will contribute to sound working relationships with other board members and the executive staff. Boards of trustees should seek to develop a composition that also reflects the overarching experience and expertise needed to successfully govern into the future.

A trustee succession plan should be developed to attract and recruit trustees that meet specific governance needs identified through the board self-assessment process. Properly identifying and successfully recruiting new trustees involves several steps. After identifying specific characteristics and skill sets needed to ensure on-going governance strength, the board should seek out and talk with a variety of candidates who may meet their requirements. Once a new trustee is selected, orientation and ongoing education is critical to ensure trustee success in providing strong and effective leadership to the organization.