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TRANSFORMING GOVERNANCE



The board of St. Charles Health System in Bend, Ore., applied Lean principles not only to patient care, but governance as well.

Applying Lean Principles to Board Work

St. Charles Health System's embrace of Lean practices led to a new culture and revitalized governance model

BY MARY K. TOTTEN

Health care is ripe for change. The evidence is all around us. A majority of health care leaders recently surveyed said hospitals and health systems are most in need of disruptive innovation (*New England Journal of Medicine Catalyst*, February 16, 2017). Consumers are taking charge of their own health and seeking providers that deliver high-quality, affordable and accessible care in ways they have come to expect from their favorite retailers. And disrupters from

within and outside of health care are joining forces and competing with traditional health care organizations to give consumers what they are looking for.

Change is here and more is coming. The impact of forces like consumerism and disruptive innovation, critical for health care organizations to understand and address, will likely vary across markets and over time. But, when significant, targeted and sustainable organizational change is needed, how exactly do large organizations like

hospitals make that happen? And what role, if any, can the board play?

Right People, Place, Time and Approach

Sometimes the stars align. In many ways, that's what happened at St. Charles Health System. Having the right people in the right place at the right time embracing Lean philosophy and process improvement tools made change possible for this four-hospital system based in Bend, Ore. The system board set the clear expectation that improving care quality and safety was imperative and needed to accelerate. The system board went further and agreed both to participate in the organization's Lean work and to apply Lean principles and practices to governance. Two events prompted the system and its board

to make these commitments.

December 1, 2014, was a significant day for St. Charles Health System. First, it was the day Joe Sluka joined the organization as its new CEO. Sluka had experience with and was interested in heading an organization committed to or willing to adopt an operating model based on Lean — a methodology that focuses an organization's culture and work processes on maximizing value for customers while minimizing waste. Sluka

ment.

"We understood that under Joe's leadership we had committed to applying Lean organizationwide," says system board chair Dan Schuette. "However, the board initially was concerned about a total commitment to Lean for several reasons. Our system had been involved in a variety of performance improvement initiatives for more than 10 years. We learned that it takes five to 10 years to hardwire Lean into an organization and that

a total, long-term commitment to a single methodology like Lean, they often revert back to previous performance. To create and sustain performance improvement, Lean adoption must be led from the top — by the organization's CEO and board."

Sluka began to bring Lean concepts and practices into the organization by involving 350 leaders and physicians, including board members, in a kickoff event in the spring of 2015. Rapid Improvement Events (RIEs) applying Lean tools and practices began systemwide that June.

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Joe Sluka, president and CEO, St. Charles Health System

was attracted to the CEO position because the St. Charles system board supported his interest in Lean.

December 1 also was the day that a medication error at the system's hospital in Bend caused the death of a patient. Under Sluka's leadership, the system immediately acknowledged and apologized for the error. A week later, system leadership publicly reviewed the results of an investigation into what caused the error and the steps being taken to avoid recurrence. The events of Sluka's first days at St. Charles brought unexpected focus to the system's overall approach to patient safety and to performance improve-

ment. "We understood that under Joe's leadership we had committed to applying Lean organizationwide," says system board chair Dan Schuette. "However, the board initially was concerned about a total commitment to Lean for several reasons. Our system had been involved in a variety of performance improvement initiatives for more than 10 years. We learned that it takes five to 10 years to hardwire Lean into an organization and that

few organizations that commit to Lean are able to sustain it. We needed to understand how applying Lean in our organization would be different and how we could ensure that Lean could be sustained long after our current board and executive leaders had moved on." According to Sluka, adopting Lean often fails when organizations focus mainly on implementing a series of projects using Lean tools and concepts without embedding Lean into the organization's philosophy and culture. "Many health care organizations have used a variety of approaches to process improvement," Sluka explains, "but without

Setting Goals

Three goals were eventually affirmed based on the organization's values of accountability, caring and teamwork:

- **5-year goal:** To become the best place to work
- **7-year goal:** To become the best health system in the nation
- **10-year goal:** To create America's healthiest communities

Aligned with these goals are the system's six 2026 "True North" targets:

- **People:** 100 percent staff engagement
- **Safety:** Zero harm
- **Quality:** Zero admissions for ambulatory sensitive conditions
- **Experience:** 100 percent clinic patient and inpatient satisfaction
- **Delivery:** Zero waiting time
- **Cost:** Reduction in cost from the patient's perspective

As the board learned more about Lean, the challenge of sustainability became paramount. A board retreat in the fall of 2015 led to an agree-

ment that the board would “learn by doing.” Several board members, including most officers, then convened in the summer of 2016 for a five-day RIE focused on a key governance responsibility — succession planning at both the board and organizational leadership levels.

Schuetz describes the board’s application of Lean practices to governance as an “aha!” moment. “We realized we couldn’t expect the organization to change unless the board changed as well,” he recalls.

The retreat and subsequent RIE became catalysts for stepping up performance for both the organization and the board. At the retreat the board set the expectation that the system needed to accelerate the pace of care improvement to be able to meet patient and community expectations in a changing health care environment. The board also challenged itself to determine its role in the system’s Lean journey, distinct from and supportive of the roles played by executives, managers and frontline teams. Figure 1 (see page 6) from St. Charles shows how governance fits into the system’s Lean operating model.

The Board’s Role in Lean

According to Steve Gordon, M.D., chair of the system board Governance Committee, the board is now addressing sustainability of Lean with a three-pronged approach:

- **Education:** Ongoing trustee attendance at conferences and site visits and participation in RIEs to learn Lean thinking and how to use Lean practices and tools.

- **Organizational presence:** Board member visibility in the

organization’s Lean initiatives by observing frontline staff conducting process improvement work; by attending activities such as report-outs and leadership huddles focused on process improvement; and by

Creating Standard Work for Governance

Areas of Lean governance work conducted by the St. Charles Health System board Governance Committee include:

- Conflict-of-interest disclosure
- IRS Form 990 review
- Board evaluations
- Attending outside education events
- Meeting attendance
- Election of directors and officers
- Board stipends
- Board meeting agenda development
- On-boarding new members

recognizing and celebrating staff, providers, managers and executives for their contributions.

- **Governance effectiveness:**

Considering the work of governance itself as a “model cell” to test new approaches, including leveraging learnings from the Lean journeys of other organizations and applying them to St. Charles’ board work.

The board’s involvement in Lean governance includes several touchpoints to the system’s Lean work. These include ensuring consistency with True North — the system’s vision, mission, and goals; application of Lean tools and approaches;

and adherence to guiding principles focused on establishing and practicing Lean behaviors.

The board’s initial RIE on succession planning illustrates how Lean governance integrates with the system’s Lean work. As part of improving board and executive succession processes, board members determined that candidates should be considered across four dimensions: subject matter expertise; perspectives they could bring to the board’s and organization’s work; leadership qualities; and attributes and values.

“We asked ourselves what qualities we should be looking for in candidates that would support problem solving, enable our system’s long-term Lean strategy and indicate a willingness to continue to learn, sustain and improve it,” Gordon says. “Our CEO and executive team had been working on ‘fit criteria’ for new executives. The board borrowed these Lean leader attributes for board succession to ensure they were parallel with what the organization was looking for in executive candidates.”

This initial RIE helped the board expand Lean governance. “The spirit of Lean is experimentation,” Gordon says, “so the board has conducted a number of experiments designed to improve other governance processes by creating standard work.” Examples of the board’s Lean governance work are included in the sidebar on this page.

Change for the Better

Adoption of a Lean operating model at St. Charles Health System has

resulted in significant improvements in performance for both the organization and its board.

For example, the organization's first RIE focused on hospitalist documentation and charge capture. When the RIE began, it took 28 days to get a bill for hospitalist services out the door, Sluka says. Within 90 days, bill turnaround time went from 28 days to one day.

Additional Lean work focused on improving the organization's electronic medical record and installing infrastructure for quality and safety.

Gordon. "As a management philosophy, Lean empowers frontline workers to improve performance," Sluka says. "It flips the organization upside down, putting the people closest to the patient at the top and the CEO and board at the bottom to set direction, support the front-line and remove obstacles to their work."

The board's participation in Lean and the expectations it sets for the organization further embed Lean within the system, Sluka says. "The board clearly indicates it is very

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Steve Gordon, M.D., chair, St. Charles Health System board Governance Committee

Results include hiring the system's first quality and safety officer, ensuring transparency for quality and safety issues — employees that identify quality and safety concerns receive an award presented by the board's vice chair — and improving the organization's quality and safety reporting system. St. Charles Health System also participates in a council of representatives from care coordination organizations throughout the state to help address social determinants of health.

Changing the organization's culture is perhaps the most significant outcome of applying Lean at St. Charles Health System, and culture change remains a work in progress, according to Sluka and

serious about improving care and wants to be involved."

Application of Lean practices to board work has resulted in dramatic changes for governance as well. According to Gordon, the board has moved toward process-driven governance where the steps involved in board work are clarified and codified to avoid wasting time reinventing how the work should be done. He considers the development of standard governance work "our gift to future boards."

Figure 2 (see page 7) from St. Charles offers an example of standard work for the distribution of board stipends. A description of standard work focused on other board practices appears below.

Board meeting agendas and materials

In order to spend more time on strategic and generative discussions and executive sessions at board meetings, the board streamlined its agenda and meeting materials development and management process. The board, CEO and governance support staff focused on being more intentional about which issues should come to the board. Agendas are organized around fiduciary, strategic and generative topics, with specific time allocated for each topic.

The number of presentations is limited at each meeting. At first, each presentation included three slides. Today, as Lean work has further evolved, presentations are composed of one slide with three bullets, accompanied by a one-page executive summary of the issues. The board also receives a written biweekly update from the CEO and a weekly one-page "In the Know" briefing so that time at board meetings does not have to be spent on sharing this information. Between 2015 and 2017, the average number of pages in board meeting agenda packets decreased from 111 to 26. Over the same period, the amount of board time spent on strategy rose from 12 percent to 47 percent.

Meeting conversations

According to Sluka, the board used to spend much of its meeting time discussing operational issues and governance practices. Using Lean to create standard work for many governance practices and tying board education to Lean practices

and system objectives resulted in a major shift toward strategic and generative discussions at meetings, with less time devoted to operational and fiduciary issues. The commitment to performance transparency also means that quality and safety issues, such as sentinel events, are now discussed at board meetings. “The board can’t guide change if it doesn’t know that problems exist,” Schuette says.

Board chair/CEO check-ins

Each Friday at 4 p.m., Sluka and Schuette have a check-in call or meeting to focus on their relationship and discuss system business. They use a “Lean Status Sheet” tool to outline the issues they want to talk about at the check-in. Schuette says that touching base weekly builds confidence, trust and transparency in his relationship with the CEO. “We have learned how isolated the board chair and CEO positions can be, so we use the check-in as an opportunity to support each other and reinforce our commitment to ‘no surprises.’”

Accepting the Challenge

Applying Lean doesn’t mean spending less time on governance, but rather that time is well spent and adds value. The 12-member system board meets for a day and a

half, six times a year. All committees meet, followed by a five-hour board meeting, which also incorporates Lean work. “We ask for a lot of time from our board members at meetings and participating in Lean education, training and other activities,” Sluka says, “but the more we’ve challenged them, the more they’ve risen to it.”

Schuette says that at times he wonders whether board members feel overwhelmed by their governance work. But so far, he says, current members want to continue serving on the board, and others want to join. “People vote with their

a board chair from outside the community. However, if the board chair position is limited to local board members, the pool for future chairs may be too small. Therefore, the board is using Lean tools to identify the traits needed for board leadership so they can be used in more broadly identifying and developing future leaders.

Schuette believes that, for Lean-driven change to be successful and sustained, boards must set the tone at the top and have a “pure commitment” to participate in Lean work.

“Boards need to understand how to do work in a complex system

like health care that is being forced to change,” he says. “Our board may not do everything right, but we are willing to continuously examine our work and make it more efficient and focused on delivering value to the patients

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Dan Schuette, board chair, St. Charles Health System

feet,” says Gordon.

“The board has committed to this level of intensity, and the more we ask of our members, the more they step up to more sophisticated levels of governance,” Schuette says. For example, the board is now using Lean tools to identify what board members need in order to develop further in their governance role.

While the board includes members from within and outside of the community, Schuette says there is a concern that the organization may not yet be ready for

and communities we serve.”

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FIGURE 1

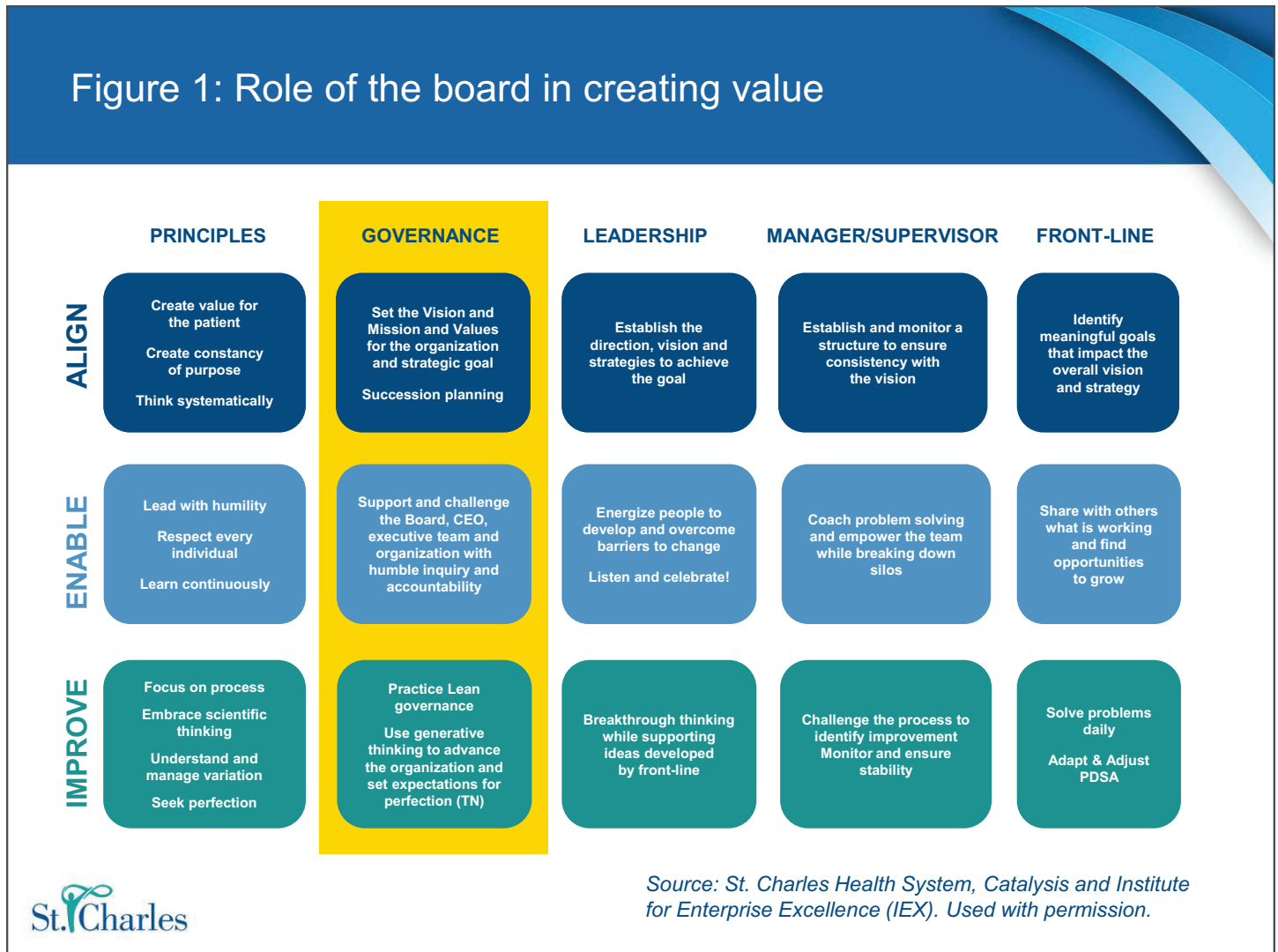
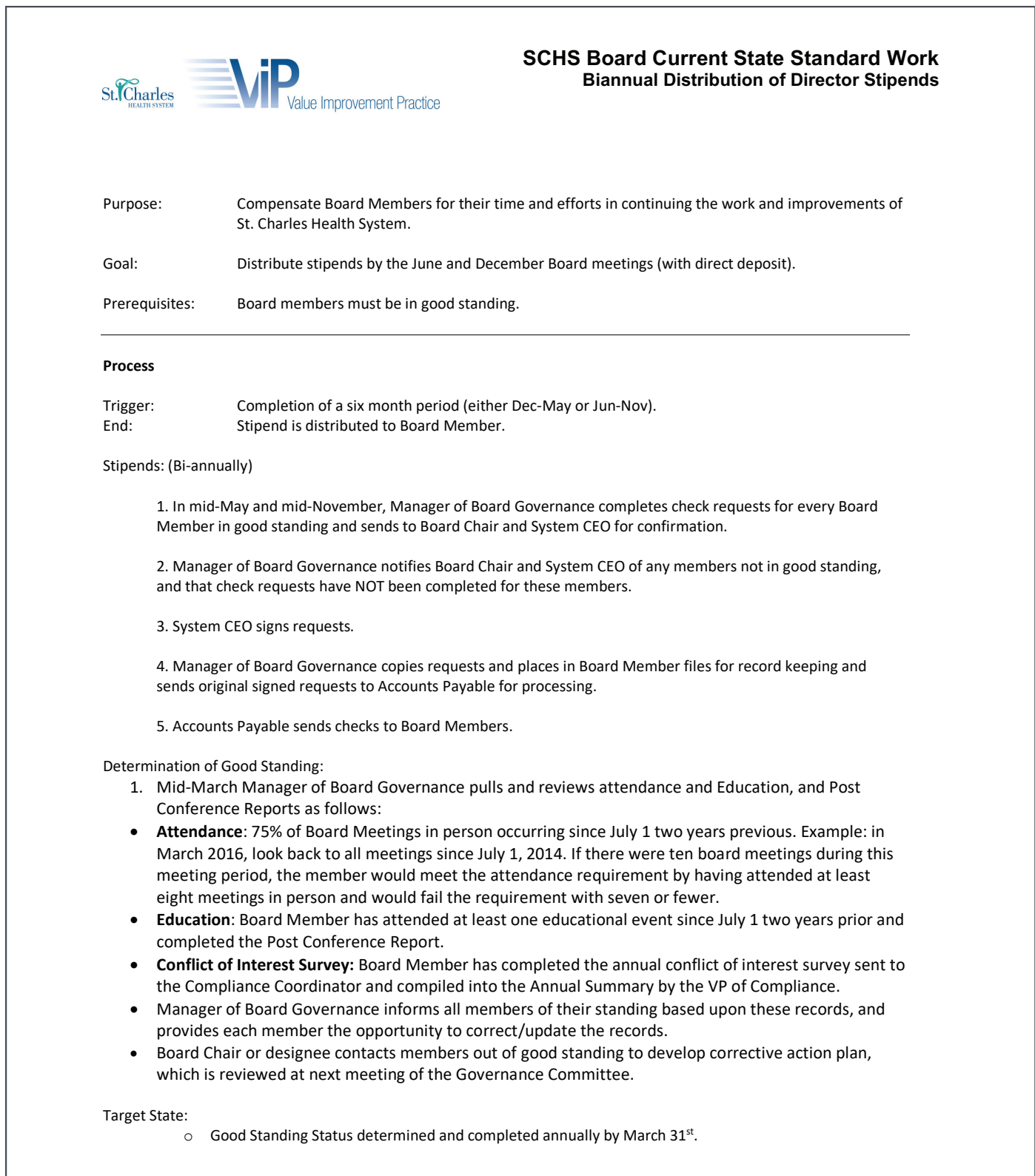


FIGURE 2



Source: St. Charles Health System. Used with permission.