



Governance Principles for Physician Organizations

Healthcare executive support can influence the value these organizations provide.

“A strong, consistent governance and leadership focus on doing what’s best for patients and communities is positioning physician organizations as significant drivers of improved quality and financial performance and as architects of the new care delivery system.”

This is one of the key findings of a recently released report, *Governance of Physician Organizations: An Essential Step to Care Integration*. The report shares results of a study conducted by the American Hospital Association’s Center for Healthcare Governance and Physician Leadership Forum.

The study notes the wide range in organizational size, structure, ownership and control, geographic location and governance structure and practices among participating organizations. It concludes that best governance practices now accepted in hospitals and health systems may not apply in the same way to physician organizations and that there is value in matching governance practices to organizational needs at various stages of their development.

Taking a Closer Look

In the study, AHA defines physician organizations as entities designed to engage physicians in leadership,

governance and decision making of the clinical enterprise. It is among the first to explore governance and leadership in these organizations from the perspective of physicians and the executives who govern them.

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For the study, AHA interviewed board members and executives from six diverse organizations (see the sidebar). An expert panel synthesized findings to help other physician organizations better understand governance and leadership practices in these evolving entities.

According to the study, there are 10 principles of strong governance that physician organizations can apply throughout their development.

Principle No. 1: Governance becomes more robust and mature as organizations grow and develop.

For example, the processes physician organizations use to select board members, make decisions or evaluate

their performance are likely to expand and strengthen as these organizations become firmly established and continue to broaden their focus outward toward the communities they serve.

Principle No. 2: No single evolutionary path or model of governance will work in all organizations and care systems.

The study notes clinical enterprise boards, enhanced community boards and smaller, high-performing boards that typically provide system-level oversight of strategy, risk and performance can all play roles and already are functioning in many markets.

Principle No. 3: A relentless focus on mission—providing high-quality, safe care for patients—brings clarity and impact to governance structure and function.

Study participants share examples of defining moments in governance—such as requiring adoption of electronic medical records or adding primary care physicians to the board and leadership—that led to higher levels of board and organizational performance with broader impact.

Principle No. 4: Boards should adopt a competency-based approach to member selection, board member

and leader development, performance evaluation and board decision making. For example, in addition to drawing on leaders of local medical groups or physician-hospital organizations to serve on the boards of physician organizations that are part of health systems, several study participants are beginning to look for specific competencies, such as business, financial or legal skills, as they add new members to their boards.

There is value in matching governance practices to organizational needs at various stages of physician organization development.

Principle No. 5: Boards should seek and balance diverse member competencies to ensure necessary perspectives are present at all levels of governance to meet the needs of patients the organization serves. The skills and competencies needed to govern a clinical enterprise, for example, may differ in some ways from those needed to govern a health system, and member competencies should be matched

with each board's roles and responsibilities.

Principle No. 6: A robust board culture incorporates discussion, debate and dissenting opinions. Advance preparation, intellectual rigor and continuous learning are expected for participation in governance.

Principle No. 7: Boards can lead their organizations to higher levels of performance. Making and enforcing tough, data-driven decisions and responding productively to defining moments are steps boards can take to set the tone and direction for ongoing performance improvement.

Principle No. 8: When clinicians, outside experts and stakeholders govern collaboratively, the outcomes are more robust and sustainable. One physician organization executive and panelist noted adding an outsider to the board changed the tone of the board's conversations from representing constituencies to what was in the best interest of the organization as a whole.

Principle No. 9: Formal, rigorous development, performance evaluation and succession for physicians in

leadership and governance roles are essential for their meaningful participation in the transformation of healthcare. Study participants all cited the importance of ongoing governance education, and some have established a governance and leadership curriculum to support continuous learning.

Principle No. 10: Effective boards have credibility with the stakeholders they serve. Leading the charge on quality and safety improvement for the broader health-care organizations of which they are part, or making the decision to participate in Medicaid managed care because "It was the right thing to do" are examples of how physician organization boards and leaders are focusing on improving care and outcomes for the patients and communities they serve.

Action Steps for Healthcare Leaders

CEOs and executives can encourage boards and leaders of physician organizations that are part of their hospitals or systems to assess how their own governance practices compare with these principles. Questions to guide such an assessment are included throughout the report.

Additional findings from the study also can help hospital and health system CEOs and senior leaders further consider how best to support and continue to advance the governance of physician organizations:

The strong focus physician organizations have on doing what's best for patients and communities is positioning them as key drivers of improved

Study Organizations

Board members and senior executives with these organizations participated in the AHA study:

- Advocate Physician Partners, Downers Grove, Ill.
- Billings (Mont.) Clinic
- East Bay Physicians Medical Group, Lafayette, Calif.
- Hill Physicians Medical Group, San Ramon, Calif.
- Hospital Sisters Health System Medical Group, Springfield, Ill.
- Memorial Hermann Physician Network, Houston

quality and financial performance and as architects of the new care delivery system. By supporting the innovative work physician organizations are doing to create new models of care, hospital and system executives can positively influence the value these models can deliver for patients and communities.

Physician organizations and their governance are still evolving, and the boards of these organizations are growing into their roles. Governance practices will likely evolve to meet the needs of these organizations at various stages of their development.

The evolution of physician organizations may indicate the need for

variation in governance practices from those considered most appropriate for hospitals and health systems today. For example, a blend of representational and competency-based board-member selection processes may work best for some physician organizations during their formation and at other key stages in their development.

If empowered and encouraged, physicians can play a significant role in transforming healthcare and will step up and partner with executives to bring value to the change process.

Investing in physician organization governance is essential to ensure success. For more information about

the study and its findings, visit www.americangovernance.com. ▲



Combes



Totten

John R. Combes, MD (jcombes@aha.org), is president and COO of the American Hospital Association's Center for Healthcare Governance, and Mary K. Totten (marykaytotten@gmail.com) is senior consultant for content development for the Center for Healthcare Governance.

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