

Trustee Insights

VIEWPOINT



Reimagining Multitiered Governance in Health Care

Time for a deeper discussion about hospital and system governance

BY KARMA BASS

"We are all confronted with the fact that the scale and bureaucracy that once made our organizations strong are liabilities in this era of constant change." — Aaron Dignan, Brave New Work (2019)

According to the American Hospital Association's most recent data, two-thirds of all community hospitals in the U.S. are now part of health systems. This trend represents a staggering change for a field historically driven by free-

standing hospitals that operated independently in their communities. The governance implications are equally staggering: We can estimate that more than half of all hospital boards now report into a higher authority such as a regional or system board. In other words, multitiered governance is now the dominant structure for hospitals and health systems across the U.S.

Despite this reality, much of the literature about health care governance perpetuates the belief that

Transforming Governance

a single board with ultimate fiduciary

authority is the norm. Models perpetuating this "one organization, one board" construct can create cognitive dissonance for community boards that have a mix of fiduciary decision-making and advisory responsibilities. When trustees don't see their board's situation reflected in the literature, they may worry that their community is being disadvantaged. This mismatch between theory and practice can create anxiety and get in the way of boards doing their best work.

Rethinking Governance Roles

In our work with some of the nation's largest health systems, we see the need for a more contemporary approach to hospital and community-level governance that reflects today's realities. The nation's

largest health systems may have 50 or more subsidiary community boards. Many health systems today have been constructed by bringing disparate organizations together over time and, as such, governance authorities and board practices can vary greatly among subsidiary boards within the same health system. If this situation is not carefully addressed, it can create inefficiencies, poor communication and a lack of cohesiveness. Board effectiveness suffers.

When health systems undertake governance work, the focus is often primarily on the system board. Transformation efforts that reach the community boards may employ a one-size-fits-all approach that doesn't engage the community boards in the redesign process. This approach can cause community boards to become defenders of the status quo, rather than co-creators of meaningful change.

In truth, there is a fair amount of ambivalence about subsidiary boards in health systems today. Even the term "subsidiary board" is rarely used. Several factors may be at play, including uncertainty about the role of these boards in evolving systems and even concern that they may contribute to inefficiency or impede progress. However, when systems take the time to assess the role and value of subsidiary boards — and invest in educating their members to understand and effectively perform their roles and responsibilities in a disciplined manner within a multiboard governance structure — they can avoid these concerns and maintain a key

community connection that might otherwise be diminished or lost.

Reimagining Subsidiarity

The time has come for a deeper conversation about the realities of multitiered system governance so boards at every level can contribute as the true strategic assets they are capable of being. The goal of these efforts should not be to eliminate variation among local and regional boards but rather to:

- Support local and regional boards in adopting more coordinated and efficient governance structures to better realize the benefits of being an integrated delivery system;
- Enable local governing bodies to better engage with and support the system's strategic direction, mission and vision;
- Establish additional clarity regarding governance roles and authorities to eliminate confusion, duplication of effort and inefficient use of resources;
- Retain local community member engagement so that individual communities' needs and values are honored, and their strengths contribute to achieving the organization's charitable purpose; and
- Retain community support of local foundations and philanthropy.

To begin the process of redesigning multitiered governance in health systems, we suggest asking the local chief executives and community boards members what they think is working well and what could be improved about governance across the system and for their respective boards. This discussion

opens the door to identifying areas that could be built upon or improved.

After this first step, the real work begins. In our experience, no single best practice applies universally. The best we have found is to undertake a process that defines principles for the work and success up front, includes the boards themselves, and creates a forum for real dialogue among leaders. With myriad challenges facing health care organizations today, there is a clear need for change. Most community board leaders will acknowledge and join the effort to redesign their governance if they don't feel it will be used to diminish them or disadvantage their local communities.

The time has come to recognize, utilize and leverage the strategic value of community boards. In order to accomplish this task, we must first acknowledge that governance in large health systems today does not resemble the traditional construct of hospital governance. Complexity requires deeper thinking.

We must eschew the search for a silver bullet and roll up our sleeves to do the work of engaging with our community boards and developing the solution. Outmoded models are holding back those in governance roles from realizing a more strategic, meaningful and ultimately valuable role for themselves and their boards — at whatever level they may be.

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