View from the Governance Front Lines

Challenges, Issues and Solutions in Governance Information and Education

January 13, 2006
Radisson Hotel & Conference Center
Minneapolis, Minnesota
If your board were a car, what would it be?

1. Ferrari 4%
2. SUV 45%
3. Chevy Impala 36%
4. 1985 Ford Pinto 6%
5. VW Bug 9%
Which of the following describes your governance personality?
Choose all that apply

1. Micromanager 3%
2. Thoughtful 36%
3. Visionary 29%
4. Attentive 29%
5. Clueless 3%
Survey Objectives

- Assess CEO and trustee viewpoints about Minnesota hospital governance structures, practices and needs
- Determine areas where MHA can be most valuable to its member trustees in helping them develop their governing effectiveness
CEOS and TRUSTEES responded to the survey.

The majority of the respondents were from RURAL locations, reflecting a SIMILAR demographic to the ENTIRE STATE.

Most respondents represented STAND-ALONE INDEPENDENT HOSPITALS or are PART OF A HEALTH SYSTEM.
Survey Overview

58 CEOs

183 Trustees

Information and viewpoints regarding:

- Board operations
- Board education
- Value of MHA education and information
- Recruiting new trustees
- MHA TrusteePlace Web site

January 2006
71% rural
12% suburban
17% urban
### Respondents Reflect the Full Spectrum of Minnesota Hospitals

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>41%</td>
<td>Stand-Alone Independent Hospital</td>
</tr>
<tr>
<td>34%</td>
<td>Part of a Health System</td>
</tr>
<tr>
<td>25%</td>
<td>Government Non-Federal</td>
</tr>
</tbody>
</table>

January 2006
The **MOST COMMON** other lines of business are **HOME HEALTH**, **CLINICS**, and **NURSING HOMES**

The **LEAST COMMON** other lines include **MENTAL HEALTH** and **CHEMICAL DEPENDENCY**
Hospital Business Lines

DataFile

Home Health 71%
Clinic 67%
Nursing Home 57%
Hospice 47%
Other 36%
Mental Health 34%
Chemical Dependency 21%

*respondents selected multiple options

Percent of CEO Respondents

January 2006
What lines of business do you believe your hospital will operate in five years? Choose all that apply

1. Mental health
   - 14%
2. Emergency Department
   - 25%
3. Home Health
   - 20%
4. Long-term care facility
   - 18%
5. Don’t know
   - 2%
6. Other
   - 21%
Most Minnesota boards have 5-15 MEMBERS

The majority of board members are ELECTED by the board

Nearly ALL board member terms are 3-5 YEARS

Trustees may either serve a maximum of 2-3 TERMS or have NO LIMIT on the number of terms
## Board Composition

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fewer than 5 members</td>
<td>2%</td>
</tr>
<tr>
<td>5 - &lt;10 members</td>
<td>47%</td>
</tr>
<tr>
<td>10 - &lt;15 members</td>
<td>34%</td>
</tr>
<tr>
<td>15 - &lt;25 members</td>
<td>17%</td>
</tr>
</tbody>
</table>
### Most Board Members Serve 3-5 Years

<table>
<thead>
<tr>
<th>Term</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 3 years</td>
<td>7%</td>
</tr>
<tr>
<td>3 years - &lt; 5 years</td>
<td>84%</td>
</tr>
<tr>
<td>5 years - &lt; 10 years</td>
<td>7%</td>
</tr>
<tr>
<td>10 years or more</td>
<td>2%</td>
</tr>
</tbody>
</table>
Does size matter?

1. Boards larger than 15 members are better
   3%

2. Boards with fewer than 15 members are better
   75%

3. Size doesn't matter
   22%
Trustee Terms

Maximum 2-3 terms 68%

No limit on number of terms 32%

January 2006
How many months does it take for a new trustee to thoroughly understand the complexities of the health care industry and their role as a trustee?
When your term is up, would you like to serve another term?

1. Yes 88%
2. No 12%
TIME is the most significant CHALLENGE in RECRUITING new trustees

FEAR OF LIABILITY is NOT a BARRIER in RECRUITING new trustees

Over 40% of trustees do NOT HAVE a JOB DESCRIPTION
Less than **ONE THIRD** of Minnesota Boards have **WRITTEN STANDARDS** of performance

**FOUR IN FIVE** boards have **NO PROCESS** for determining board **MAKE-UP**
Leadership Preparation

58%  Trustee job description with clearly delineated roles and responsibilities

32%  Specific written standards of performance for trustees to remain on the board

21%  Specific process for determining board make-up (age, gender, etc.)
## Recruitment Challenges

<table>
<thead>
<tr>
<th>Challenges</th>
<th>CEOs</th>
<th>Trustees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time required for board meetings, committee meetings and other governance responsibilities</td>
<td>67%</td>
<td>71%</td>
</tr>
<tr>
<td>Time required to learn about healthcare issues</td>
<td>62%</td>
<td>54%</td>
</tr>
<tr>
<td>Competition with other worthwhile local organizations</td>
<td>22%</td>
<td>34%</td>
</tr>
<tr>
<td>Lack of qualified individuals</td>
<td>21%</td>
<td>15%</td>
</tr>
<tr>
<td>Candidates’ fear of personal liability</td>
<td>3%</td>
<td>4%</td>
</tr>
</tbody>
</table>

*respondents selected multiple options*
How many hours per month do you think are required to be a high performance trustee?
How many hours per month do you currently spend on all governance-related activities?
Would written standards of performance be helpful in clarifying the role and specific expectations for trustees to remain on the board?

1. Yes 87%
2. No 13%
In the next year CEOs believe tactical issues, including FINANCE, PHYSICIAN RECRUITMENT AND RELATIONSHIPS and TECHNOLOGY will have the greatest IMPACT on hospital success.
TRUSTEES are concerned about these issues, but also MARKETING, COMMUNITY RELATIONS, PUBLIC TRUST, QUALITY, LEADERSHIP, COMMUNITY GROWTH AND INCREASING COSTS
Issues Impacting Hospital Success

- Reimbursement/financial performance
- Physician recruitment, hospital/physician relationships and medical staff development
- Implementation of technology, including EMR
- Specialty development
- Integration and partnership with physicians
- Marketing and promotion and the need to address competition
- Community relations/public trust and community health
Issues Impacting Hospital Success

► Quality of care/patient safety
► Issues specific to Critical Access Hospitals
► Updates to physical facilities
► Development and implementation of strategic plan
► Board leadership and structure
► Preparing for community growth and increased demand
► Increasing health care costs
Right now, how ready are you to guide your organization through these tough issues?

1. Fully ready now 52%
2. Somewhat ready 43%
3. Uneasy with my level of readiness 5%
The majority of hospitals have a formalized board orientation process.

Over 2/3 of Minnesota hospital boards' orientations include the most critical areas of board performance.

2/3s of hospitals do a board self-assessment, indicating a gap in leadership accountability.
Boards need increased **PREPARATION** for **GOVERNANCE SUCCESSION**

Large percentage **LACK** formal board **POLICY MANUAL**

**LACK** of commitment to **TRUSTEE EDUCATION**

Need increased **PREPARATION** for successful **LEADERSHIP**
89% Have a specified board orientation process

Topics Included in Board Orientation...

- Committees (90%)
- Mission and vision statement (84%)
- Roles and responsibilities (80%)
- Strategic plan (76%)
- Bylaws (75%)
- Organizational chart (72%)
- Job description (65%)
- Policy manual (61%)

*percentages reflect percent of all trustee respondents; respondents selected multiple options
Board Orientation Topics

<table>
<thead>
<tr>
<th>Topics</th>
<th>Percent of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Committees</td>
<td>90%</td>
</tr>
<tr>
<td>Mission and Vision Statement</td>
<td>84%</td>
</tr>
<tr>
<td>Roles and Responsibilities</td>
<td>80%</td>
</tr>
<tr>
<td>Strategic Plan</td>
<td>76%</td>
</tr>
<tr>
<td>Bylaws</td>
<td>75%</td>
</tr>
<tr>
<td>Organizational Chart</td>
<td>72%</td>
</tr>
<tr>
<td>Job Description</td>
<td>65%</td>
</tr>
<tr>
<td>Policy Manual</td>
<td>61%</td>
</tr>
</tbody>
</table>

*respondents selected multiple options

January 2006
How successfully does your board prepare its trustees for a rapid assumption of leadership and accountability?

1. We’re very successful  
   - 25%

2. We do OK  
   - 55%

3. We really need help  
   - 20%
Trustee Education Requirements

▶ Trustee responses

■ Education included regularly in board meetings
■ Workshops, retreats and local educational seminars
■ Some require at least one educational session program or conference annually, while others require at least one every two or three years

▶ CEO responses

■ Some require at least one educational session program or conference annually, while others require at least one every two or three years

*percentage of respondents whose boards have an education requirement

January 2006
Does your CEO promote the importance of trustee education? (Trustee Votes Only!)

1. Yes 79%
2. No 21%
Why do you believe many boards don’t require trustee education?

1. CEO doesn’t value it 9%
2. Trustees don’t value it 32%
3. Time 25%
4. Cost 6%
5. All of the above 28%
Of the CEOs with a budget...

$1,000-$4,999 1 hospital

$5,000-$14,999 8 hospitals

$15,000-$34,999 8 hospitals

$35,000+ 2 hospitals
Most organizations do not have a budget at all for trustee education, and those that do report investing $35,000 or less annually. What is an appropriate annual educational budget per trustee?

1. Less than $2,500  
   - 51%

2. $2,500 - $5,000  
   - 43%

3. Over $5,000  
   - 6%
As a trustee, do you personally feel prepared today to provide the leadership necessary to ensure the future success of your organization?

(Trustee Vote Only!)

1. I feel fully prepared  66%
2. I’m getting there, but slowly  34%
3. I have no idea what I’m doing  0%
Trustees prefer **SHORT EDUCATIONAL conferences and seminars, CLOSE TO HOME**

CEOs believe **BOARDS NEED education most in BUILDING BOARD LEADERSHIP EFFECTIVENESS and STRATEGIC PLANNING**
CEOs believe MHA’s Trustee Workshops and Programs are valuable, and desire additional educational programs as well as Trustee Toolboxes.

CEOs and Trustees desire sharing of best practices and continued advocacy and lobbying.
Trustee Educational Preferences

- Half-day regional briefings: 33%
- Both half-day briefings and weekend conferences: 25%
- Weekend conference: 20%
- State conferences: 11%
- National conferences: 11%

*respondents only selected one option

January 2006
Areas for Trustee Improvement

- Building board leadership effectiveness: 48%
- Strategic planning: 47%
- Board self-assessment: 38%
- Improving public trust and accountability: 36%
- Medical staff development: 34%
- Trustee advocacy: 31%
- Financial planning/understanding: 29%
- Trustee orientation: 28%
- Trustee recruitment: 26%
- CEO compensation: 14%
- CEO evaluation: 14%

*respondents selected multiple options

January 2006
How MHA Can Help Boards

- Continue providing trustee education regarding critical issues
- Provide educational materials for boards to review, including CDs, video conferences and Internet resources
- Sharing of best practices and case examples
- Assistance in workforce development
- Provide access to consultants with expertise
TRUSTEES and CEOs AGREE on the most desired areas for MHA trustee education, including CURRENT TRENDS, QUALITY AND PATIENT SAFETY and COMMUNITY HEALTH

Both Trustees and CEOs AGREE on the need for BOARD ORIENTATION and GOVERNANCE BASICS
In addition to education, TRUSTEES desire HOSPITAL BENCHMARKS, SHARING OF BEST PRACTICES and NETWORKING.
Top 5 Areas in which Trustees Would Most Like MHA To Provide Information and Education

➤ Identifying and understanding trends and issues that will impact the hospital's success (59%)

➤ Improving quality and patient safety (46%)

➤ Assessing current and emerging community health needs (45%)

➤ Adapting to Medicare and Medicaid reimbursement shortfalls (33%)

➤ Improving organizational efficiency (26%)

*top areas selected by both trustees and CEOs are indicated in yellow*
Top 5 Areas CEOs Would Most Like MHA To Provide Information and Education to Trustees:

- Identifying and understanding trends and issues that will impact the hospital's success (50%)
- Improving quality and patient safety (48%)
- Assessing current and emerging community health needs (31%)
- Measuring organizational progress through statistical performance (28%)
- Adapting to Medicare and Medicaid reimbursement shortfalls (28%)

*top areas selected by both trustees and CEOs are indicated in yellow*
Do you know what MHA’s TrusteePlace is?

1. Yes 40%
2. No 60%
Have you accessed information on the TrusteePlace website?

1. Yes  50%
2. No   50%
PATIENT SAFETY, BOARD ROLES AND RESPONSIBILITIES AND COMMUNITY NEEDS ASSESSMENT are the MOST VALUABLE resources on the TrusteePlace Web site.
Although trustees **desire** education regarding **finance, board orientation** and **workforce**, these areas are viewed as only somewhat valuable on TrusteePlace
Least Valuable TrusteePlace Topics

- **Workforce Shortages**: Valuable: 61, Somewhat Valuable: 86, Not Valuable: 17
- **Board Member Recruitment**: Valuable: 60, Somewhat Valuable: 80, Not Valuable: 25
- **Board Orientation**: Valuable: 56, Somewhat Valuable: 85, Not Valuable: 24
- **Revenue Cycle**: Valuable: 55, Somewhat Valuable: 88, Not Valuable: 18
- **Trustee and Board Liability**: Valuable: 54, Somewhat Valuable: 97, Not Valuable: 15
- **Disaster Planning**: Valuable: 45, Somewhat Valuable: 105, Not Valuable: 17
- **Agenda Planning/Board Meeting Management**: Valuable: 37, Somewhat Valuable: 83, Not Valuable: 40
- **Investment Strategies**: Valuable: 37, Somewhat Valuable: 77, Not Valuable: 46
- **Medical Liability**: Valuable: 36, Somewhat Valuable: 103, Not Valuable: 21
- **Working with the Media**: Valuable: 36, Somewhat Valuable: 86, Not Valuable: 39
- **Physician Credentialing**: Valuable: 35, Somewhat Valuable: 99, Not Valuable: 29
- **Conflict of Interest**: Valuable: 34, Somewhat Valuable: 87, Not Valuable: 41

January 2006
Will you use the results of this research to improve your board’s performance?

1. Yes, Definitely! 41%
2. Yes, Some 43%
3. Yes, A little 8%
4. No, not at all 8%
The electronic polling today was Peggy Westby’s idea. She deserves...

1. A big raise
   - 3%

2. Our undying gratitude
   - 14%

3. A standing ovation
   - 6%

4. All of the above
   - 77%
www.mnhospitals.org

Click on the “Trustee” tab at the top, and enter your username and password
View from the Governance Front Lines

Challenges, Issues and Solutions in Governance Information and Education

January 13, 2006
Radisson Hotel & Conference Center
Minneapolis, Minnesota