Session #8:
Governance Never Events

Speaker: Larry Walker
Saturday, Jan. 9
11:15 a.m. – 12:15 p.m.
Hennepin 1 & 2
Larry W. Walker

Larry is the president of The Walker Company Healthcare Consulting, an Oregon-based governance consulting firm.

The most important thing for you to know about Larry is that he understands first hand the challenges and issues you face as hospital trustees. A former community hospital chairman and health care system trustee and officer, Larry couples his governance experience and his work with hospital and health system boards across the U.S. to carry out the Walker Company’s mission to “Improve the quality, safety, efficiency and effectiveness of hospitals and health systems through smarter governance.”

The Walker Company has carried out governance audits and performance self-assessments, planned and facilitated board retreats, and delivered governance education on a wide range of topics to thousands of trustees nationwide. He has also been a trusted, long-term consultant to the Minnesota Hospital Association.
Leadership Failures That Should Never Occur in Hospital Boardrooms

Examples:
- Surgery on the wrong body part
- Infant discharged to the wrong person
- Death or significant injury from a physical assault occurring within or on the grounds of facility
The Risk of “Unsafe” Governance

- “Unsafe” boards or “governance malpractice” can be caused by:
  - Lack of knowledge or understanding about key issues
  - Not discussing critical issues in the right way
  - Lack of engaged involvement
  - Focusing in the wrong areas in the wrong ways at the wrong times
- Boards should have policies procedures, structures and expectations to ensure they don’t commit “governance never events”

Knowledge Points

- Review of five leading governance “never events”
- Practical ways to ensure the events never occur in your governance practices
- Questions for the board to consider
The failure to infuse quality and patient safety throughout the board’s agenda

Infusing Quality Throughout the Board’s Agenda: How Engaged is Your Board?

• How engaged is your board in quality?
• Infused in all you do?
• Permeate throughout agenda?
• Connect to every discussion and decision?

Understanding “Quality Fraud:” Are You at Risk?

- Increased attention from Office of Inspector General (OIG) and the Department of Justice (DOJ)
- Quality linked to reimbursement
- Payment for poor quality may be seen as false claim which may be considered a potential fraud


How Do You Know if You’re Committing Quality Fraud?

- Systemic failure?
- False reports?
- Ignoring poor quality?
- Harm by poor quality?

Exercising Care is Fundamental

- Due diligence with “reasonable inquiry”
- Board to exercise general supervision and oversight of quality and patient safety
  - Aware of quality issues, challenges and opportunities
  - Attention to quality measures and reporting requirements
  - Receive updates on quality initiatives and associated legal issues

How Reasonable is Your Inquiry?

- What are the goals of the quality improvement program?
- What metrics and benchmarks are used to measure progress towards each goal?
- What information is essential to understand and evaluate the quality assessment and performance improvement programs?
- How frequently does the board receive quality improvement reports?
- How are medical errors identified, analyzed, reported and incorporated into performance improvement activities? How are quality deficiencies addressed?
What’s Your “Leadership Fitness?”

- Are we clear about our quality strategic aims and focused on the most important improvement opportunities?
- Is there a solid strategic rationale for the annual and long term improvement goals?
- Are we improving enough to meet our goals?
- Do we have any systemic weaknesses?
- Are there any individual facilities or programs that have weak improvement capabilities?
- What are our experiences with improvement telling us about the changes that are necessary in our Quality Strategic Plan?
- Are we sparking innovation?

Failure to engage in robust, deliberative governance dialogue

The Lifeblood of Effective Governance

- Avoidance of “groupthink”
- Willingness to challenge traditional assumptions and beliefs
- Lively give-and-take
- Willingness to openly air conflicts to get real consensus
- Vibrant, vital and focus conversations focused on purpose and outcomes
Balance Black, White and Gray Thinking

- Develop rapid cognition
- See patterns
- Listen artfully
- Nurture an ethic of deep decisive dialogue
- Encourage constructive criticism
- Listen to disparate voices

Develop Rapid Cognition

- Highly attuned and adaptable to change
- Visionary and proactive
- Bore below the surface
- Early warning system
Nurture an Ethic of Deep, Decisive Dialogue that Matters

- Use every minute wisely and judiciously
- Deliberate, decisive dialogue should be the board’s “social operating mechanism”
- Decisions made by grappling and grasping with concepts, ideas and possibilities

Encourage Constructive Confrontation

- Challenge assumptions and explore alternatives
- Welcome tension and use it to ensure all points of view are considered
- Come to meetings well-prepared and informed
- Without constructive challenges, important opportunities may go unrealized
Listen to Disparate Voices

- Listen to voices outside the organization
- Engage viewpoints of people with unique experiences and perspectives
- Build an understanding of community issues and needs
- Open new lines of governance thinking

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- Does our governance culture demand and value constructive, confrontational dialogue?
- Do we have governance structures and processes in place to recognize emerging issues?
- Do we have processes in place to ensure an “outside in” understanding of community needs?
Failure to meaningfully discuss and explore strategic opportunities

Strategic Thinking: The Board’s Highest Value

- Govern and lead the strategic plan, don’t create or manage it
- Ensure that the strategic direction is responsive and consistent with the mission and vision, but do not dictate plans for delivering on those expectations
- Assume a strong and focused leadership role
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Pinpoint Strategic Focus

- Plan proactively and flexibly for rapid change
- Synergy and consistency of activities and strategic direction
- Structure and make-up of board should mirror strategic priorities

Be Catalysts for Change

- Continually challenge the status quo
- Push for change and innovation
- Capitalize on new opportunities emerging from rapid change
Develop New Levels of Expertise in the Issues Driving Health Care

Seek out new knowledge and perspectives
Develop a high level of understanding in areas most critical to success
Engage in continual governance education
Requires motivation, commitment and time

Focus More on the Emergent and Less on the Urgent

- Focus on new directions and new opportunities, not on problems of yesterday and today
- Understand trends and strategic priorities, not projects and details
- Create time for discussing the future at every meeting
Envision Multiple Futures

- No single future
- Multiple potential futures driven by outside forces
- Consider a variety of scenarios and potential responses

Build a Constant Focus on Value

Define value in meaningful ways

Communicate value

Focus on defining and improving value
• Is your board a "strategic thinking" focused board?
• Do you have clear lines of responsibility and authority?
• Do you continuously develop strategic intelligence?

Failure to challenge anecdotal information with a demand for evidence
Evidence Trumps All Else

- Use dashboards and balanced scorecards to plot performance against expectations over time
- Enables the board to govern through “strategic gap analysis”
- Engage in continuous analysis and dialogue about strategic progress and performance

Vital Signs: Tracking Progress and Performance

- Few in number
- Strategically significant
- Quantifiable and trendable
- Time specific
- Consistently reported and used to determine and close “strategic gaps”
Sample Strategic Measures

- Mission
- Productivity
- Quality and Safety
- Financial
- Efficiency
- Culture
- Community Benefit

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- How confident are you that your hospital is making the right progress on your strategic initiatives?
- Do you ensure that anecdotal information is not allowed to drive important governance decision-making?
- Do your dashboards or balanced scorecards give you the right information to inform intelligent governance decision making?
Failure to focus on the big picture

Macro, Not Micro

- Embrace new ideas, think in new ways, and adapt leadership focus to anticipate changes ahead
- Push for change, value creativity and innovation, and leverage change
- Capitalize on new opportunities emerging from rapid change in health care, and create new governance methods and structures to lead change
Building Governance “Knowledge Capital” for Better Decision Making

Education vs. Knowledge and Intelligence

- Vehicle for improved governance knowledge
  - End result is greater knowledge and heightened leadership intelligence
  - Evidence-based vs. “gut”-based decisions
- Builds “knowledge capital”
Define issues and topics for exploration in advance

Topics should be drawn from forces and factors driving hospital success

A basic strategic should be set with objectives and outcomes

Should be an institutionalized requirement

Critical Success Factors in Building Governance Knowledge Capital

• Is your board macro or micro-focused?
• How knowledgeable is your board about trends and forces?
• Do you have a firm board commitment to building knowledge capital?
Leadership Failures That Should Never Occur in Hospital Boardrooms
Governance Never Events

The National Quality Forum, NQF, is a well-known health care organization that aims to improve the quality of healthcare for all Americans. The NQF has identified 28 so-called “never events” (now called “Serious Reportable Events”), errors in medical care that are clearly identifiable, preventable, and serious in their consequences for patients, and that indicate a real problem in the safety and credibility of a health care facility. Just as preventing clinical “never events” from occurring is a vital quality and patient safety priority, preventing governance failures is also critically important in ensuring continuous governance quality improvement.

There are many opportunities for governance slips to occur in today’s complex and fast-moving environment.

Hospital trustees undertake some of the most vital work required for the hospital to be successful in achieving its mission and vision - examining external trends and issues and their impacts; exploring the advantages and disadvantages of various strategic scenarios; delving into community needs and determining options to meet them; balancing board, administrative and medical staff relationships; discussing progress in quality and patient safety; and accomplishing it all in a rapid change environment where today’s reality may be different tomorrow.

To be confident and successful in their governance, boards should have policies, procedures, structure and expectations to ensure they do not commit “governance never events,” basic failures of accountable governance leadership.

Never Event #1: Failure to infuse quality and patient safety throughout the board’s agenda

No single governance accountability is more critical than ensuring the highest degree of quality and the safest environment for patients.

The board of trustees is responsible for ensuring the quality and patient safety of the organization, and must establish and nurture an organizational culture that continually seeks to improve quality and patient safety.

While no board or individual trustee sets out to govern with low performance, boards can be “unsafe” or perform “governance malpractice” simply through a lack of knowledge or understanding about key issues, not talking in the right way about quality and patient safety measures and their implications, a lack of engaged involvement, or focusing in the wrong areas.

Boards are responsible for ensuring that high-quality care is consistently and effectively delivered to patients, and providing leadership that results in effective systems, measurement and improvement. In fulfilling this responsibility boards should take action to ensure that health care quality is of paramount priority in every decision and action made on behalf of the hospital.

The board sets the tone or “culture” for the hospital, including approving patient safety guidelines and priorities, and dedicating the resources necessary to ensure appropriate, effective and safe care. Boards should know the answers to questions like these:

- How good is our quality? How safe is our hospital? How do we know?
- What is our “culture” of quality and safety? Does everyone in the hospital family understand and embrace it?
- What should we be measuring, and how can we improve?
Governance Never Events: Leadership Failures That Should Never Occur in Hospital Boardrooms

- What does the public expect from us? and
- How ready are we to publicly disclose our quality and patient safety performance?

It is the board’s responsibility to ensure that the hospital is taking clear, appropriate measures to provide the safest health care in the most efficient and effective manner.

Trustees must be well aware of and proactive in addressing patient safety and seek continuing education about current trends and implications in this area. And they should regularly review key quality indicators and take necessary corrective action when appropriate.

Attaching a measure to the amount of board meeting time spent on quality is one way to stimulate boards to carry out their quality accountability, and raise their level of quality and patient safety knowledge, engagement and effectiveness. Being conscious of the amount of governance time spent on quality will raise its prominence on the list of board priorities. Quality should be at the forefront in board discussions and decisions on virtually any agenda topic.

The “Boards on Board” governance “how-to” guide from the Institute for Healthcare Improvement (IHI) suggests that boards typically fall into one of four categories in their quality accountabilities. The IHI considered board engagement in improving quality and safety, effectiveness, and understanding of quality principles. The four board categories they identify are:

1. Actively engaged and capable; already leading a high-performance organization and wondering how they can do their board work even better;
2. Actively engaged; often showing that commitment through a high-profile event, but needing a much stronger foundation for continual work on improvement;
3. Not fully engaged, but having strong, latent capabilities and talent on the board; looking to light a fire with the full board, but not sure how to proceed; and
4. Neither engaged nor capable; feeling quality is just fine; viewing quality of care as not the board’s proper business, but rather that of the medical and executive leadership.

Infusing the board agenda with a focus on quality invites another perspective on the board’s responsibility for quality and patient safety: the one of compliance, and avoidance of “quality fraud.” “Quality fraud” is a term not often understood, but it is one that every board should pay close attention to.

Both the Office of Inspector General (OIG) and the Department of Justice (DOJ) have increased their attention to quality and patient safety. Quality is increasingly being linked to reimbursement, and these government agencies want to ensure that patients receive the quality of care that they are paying for.

Payment for poor quality is viewed as a false claim, and failure to accurately report quality data may be considered potential fraud. Further, both the OIG and the DOJ place the responsibility for quality of care squarely on the shoulders of the board.

Prosecution for quality fraud may be determined by the following factors:

1. Has there been a systemic failure by management and the board to address quality issues?
2. Has the organization made false reports about quality or failed to make mandated reports?
3. Has the organization profited from ignoring poor quality or ignoring providers of poor quality?
4. Have patients been harmed by poor quality or given false information about quality?

Boards can’t just be passive recipients of quality and safety information; trustees must be actively engaged in oversight. The OIG and the DOJ will increasingly examine governance to ensure that boards of trustees understand quality and patient safety issues, and that they effectively monitor performance to ensure that the care provided by their organization exhibits the highest quality and efficiency.

In the pursuit of “reasonable inquiry”, the OIG and AHAlA recommend that boards ask and have solid answers to several questions:

1. What are the goals of the organization’s quality improvement program? What metrics and benchmarks are used to measure progress towards each of these performance goals? How is each goal specifically linked to management accountability?
2. How does the organization measure and improve the quality of patient/resident care? Who are the key management and clinical leaders responsible for these quality and safety programs?
3. How are the organization’s quality assessment and improvement processes integrated into overall corporate policies and operations? Are clinical quality standards supported by operational policies? How does management implement and enforce these policies?
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1. Are we clear about our quality strategic aims and focused on the most important improvement opportunities to achieve those aims?

2. Is there a solid strategic rationale for the annual and long term improvement goals that management is recommending?

3. Are we improving fast enough to meet our annual and long term prevention needs?

4. Does the board have a formal orientation and continuing educational process that helps members appreciate external quality and patient safety requirements? Does the board include members with expertise in patient safety and quality improvement issues?

5. What information is essential to the board’s ability to understand and evaluate the organization’s quality assessment and performance improvement programs? Once these performance metrics and benchmarks are established, how frequently does the board receive reports about the quality improvement efforts?

6. How are the organization’s quality assessment and improvement processes coordinated with its corporate compliance program? How are quality of care and patient safety issues addressed in the organization’s risk assessment and corrective action plans?

7. What processes are in place to promote the reporting of quality concerns and medical errors, and to protect those who ask questions and report problems? What guidelines exist for reporting quality and patient safety concerns to the board?

8. Are human and other resources adequate to support patient safety and clinical quality? How are proposed changes in resource allocation evaluated from the perspective of clinical quality and patient care? Are systems in place to provide adequate resources to account for difference in patient acuity and care needs?

9. Do the organization’s competency assessment and training, credentialing, and peer review processes adequately recognize the necessary focus on clinical quality and patient safety issues?

10. How are “adverse patient events” and other medical errors identified, analyzed, reported, and incorporated into the organization’s performance improvement activities? How do management and the board address quality deficiencies without unnecessarily increasing the organization’s liability exposure?

The board should have materials and information that will enhance their quality discussions and support their governance efforts. These materials should include such things as:

- A comprehensive quality dashboard that includes key indicators of clinical quality, patient safety and satisfaction, employee and staff satisfaction, turnover and vacancies;
- Executive reports of medical staff quality meetings;
- Reports of grievances, adverse events and potential liabilities;
- Progress reports on corrective action plans;
- Information about quality improvement and patient safety plans;
- Understanding of publically reported hospital data and information; and
- Information about healthcare quality trends.

Background materials should include articles about quality, governance practices in relation to quality, emerging industry trends, legal and regulatory requirements regarding quality, and quality processes and practices from other industries that might be applied in the hospital setting.

Information should lead to knowledge, which should then inspire probing questions. The common theme found in best governance practices is the ability of board members to ask penetrating and insightful questions, such as the ones recommended by the OIG and the AHLA.

Providence Health and Services, a west coast health care system, identified seven governance questions to help define board responsibilities and “foster wise strategic thinking about quality and safety”. Consider these seven questions as you seek to infuse more focus on quality in your meetings. As you review these questions and think about their applicability to your hospital, move past quick or simple responses like “yes” and “no” and identify substantiating data for your answers.

For example, what reports are you receiving, how are you reviewing them, what measures are included on those reports, and will those measures give you the information you need to answer these seven questions? If not, think about what additional information you need and what changes are you going to make to get that information.
improvement goals?

4. Do we have any systemic weaknesses that should be addressed to meet our internal improvement aims and/or to respond to external demands for data and accountability?

5. Are there any individual facilities or programs that have weak improvement capabilities or insufficient capacity to improve?

6. What are our experiences with improvement telling us about the changes that are necessary in our Quality Strategic Plan?

7. Are we sparking innovation, finding and systematically spreading best outcome practices and great ideas?

Board members should ask questions that will help them drill down to real issues and define expectations:

- Why is a particular dashboard measure not progressing as expected?
- What is the plan to change the trajectory, and when should we expect to see that?
- What potential for success does a corrective action plan have?

A critical tool for advancing quality is continuing governance education and knowledge building. The goal is to build the board’s “quality literacy.”

Quality education planning should include new trustee orientation. Does your orientation emphasize quality? Does it include help in understanding quality reports and dashboards, information about quality trends, a summary of legal and regulatory quality mandates, an explanation of quality terms and acronyms, and a review of your hospital’s quality program, initiatives, challenges and issues? Have you considered assigning new trustees to the Quality Committee to provide them with a deeper understanding of the hospital’s quality commitment and efforts?

If boards begin to think of quality in these ways, they will infuse your agenda with quality discussions at every level. More importantly, you’ll think of your quality leadership in qualitative terms – what you accomplish – rather than quantitative terms – how much time you spend.

Never Event #2: Failure to consistently carry out the board’s fiduciary responsibility

More than any others the board of trustees is vested with full authority and accountability for both defining quality and patient safety, and ensuring that it is consistently developed and delivered.

As the ultimate authority for the hospital, the board sets the overall agenda and charts the course for the future. The board is responsible for operational effectiveness, strategic direction, establishing and nurturing the corporate culture, ensuring CEO success, and maintaining a careful balance between meeting community needs and ensuring financial viability. To accomplish this, each board member must provide strong, insightful and balanced leadership.

The board has a fiduciary duty of trust to the organization’s stakeholders (patients, the community, employees, medical staff, payers, governments, and others) to ensure that the hospital is financially, organizationally and culturally healthy, and that it successfully serves the varied needs and interests of its stakeholders.

The board is the driver and keeper of the organization’s mission, values, vision, goals and strategies. And the board is broadly responsible for the overall success of the hospital, and fulfills a fiduciary responsibility defined as a duty of organizational loyalty; a duty of care to the application of sound business judgment; and a duty of obedience to abide by laws, regulations and standards of hospital operations.

- The duty of loyalty bars trustees from the use of their board position in a self-serving manner. It is essentially a requirement for 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; unbiased in their thinking and approaches to issues and decisions; free from external control, ulterior motives and “constituency thinking;” and have no conflict of interest when discussing issues and making decisions.

- Through the duty of care trustees are required to use the same level of judgment in discharging the business of the hospital that they would use in their own personal business activities. This is accomplished by obtaining necessary and adequate information before making any decisions; acting
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in good faith; and making decisions that are always in the best interest of the hospital.

- Finally, the duty of obedience requires board members to follow all state and national laws, organizational bylaws, rules and regulations when representing the interests of the hospital. The bottom line is that board members must act in a manner that protects corporate operations and community trust.

Never Event #3: Failure to engage in robust, deliberative governance dialogue

How well the board of trustees consistently engages in lively dialogue around issues vital to the hospital’s success determines its ability to successfully and decisively deal with major challenges.

Good board dialogue is characterized by an avoidance of “groupthink,” and a willingness to challenge traditional assumptions and beliefs. Lively give-and-take supersedes mundane reporting, and a willingness to openly air the conflicts that would otherwise remain below the surface makes way for real consensus.

Board and committee meeting time is limited, and every minute should count. Board members must ensure their governance conversations are always vibrant, vital and focused on purpose and outcomes.

Miscommunication and misjudgment often are a result of inadequate listening, not from a lack of words. To ensure strong, effective governance and communication, board members 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.

Without constructive challenges to conventional wisdom and thought, the best solutions may never surface for discussion. Boards should regularly confront 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 will result in thorough, organized deliberative dialogue.

Never Event #4: Failure to meaningfully discuss and explore strategic opportunities

Mapping a course for the hospital’s future is one of the most important governance responsibilities.

There’s a big difference between mapping the course, or being a navigator, and “driving the bus.” To successfully lead their organizations into the future, trustees need to understand and successfully carry out their unique role in the strategic development and implementation process.

The greatest value that the board of trustees contributes to strategic planning success is the ability to govern, lead and think strategically.

A highly effective strategic plan is not a document; it’s not simply a set of strategies, plans, budgets and responsibilities. Instead, it’s an ever-evolving examination of the market, forces for change, and other information that helps the board to understand changing dynamics, and continually reshape or fine-tune the hospital’s strategic direction.

The board should govern and lead the strategic plan, not create or manage it. The board bears ultimate responsibility for the design of the strategic planning process and for the hospital’s success or failure. To fulfill this responsibility the board must exert a strong and focused leadership role; it cannot reactively wait to see what developments will unfold in the market before determining a clear vision and strategic initiatives to achieve it.

It’s the strategic thinking role that is absolutely unique to the board in the strategic planning process. Simply stated, the board should govern and lead the strategic plan, not create or manage it. But that simple statement too often gets lost in misunderstanding, miscommunication, misapplication and missed opportunities.

The board is the driver and keeper of the organization’s mission, values, vision, goals and strategies, but it should not dictate the plans for delivering on those expectations. When it does, it ceases to play a governing role, and instead plays a
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management role, blurring the lines between these two critical elements. The board bears ultimate responsibility for the design of the strategic planning process and for the organization’s success or failure. To fulfill this responsibility the board must assume a strong and focused leadership role; it cannot afford to reactively wait to see what developments will unfold in the marketplace.

The board must be able to engage in new thinking and help executive management develop new directions to successfully compete in an increasingly challenging marketplace. Board leadership must be fast, fluid and flexible, and power an expectation of innovative ideas, new thinking and new directions to successfully compete in today’s turbulent environment.

Effective board-level planning emphasizes a continual strategic dialogue into which are continually fed new information, new ideas and new perspectives, and out of which emerges a constant stream of strategic development opportunities.

Finding a way to play the most positive role possible in the strategic change process, and drive strategic discipline and strategic thinking throughout the organization without micromanaging can be a difficult balance.

Hospital boards must first establish direction. The board must ensure that the hospital has a meaningful, unique, market-specific and compelling mission and vision, statements of purpose and long-term focus that inspire employees, physicians, trustees, volunteers and others. Second, the board must ensure that the entire hospital family, from top to bottom, sees their role and value in achieving the hospital’s strategic initiatives. Every single person plays a role, and each person should hold him or herself accountable for understanding that role and playing their part in organizational success. That culture of commitment is created and inspired by the board. Third, and very importantly, the board plays a unique role in motivating and inspiring hospital leadership to excel as strategic change leaders, individuals who can coalesce their colleagues in a strategic movement unified by purpose, committed to excellence and rewarded for performance.

The board should lead the process of exploring deep, critical questions during the strategic planning process. The questions typically result from a close examination of the data and information included in a strategic assessment, and are sparked by review of information from all information gathered, including a community needs assessment, an analysis of demographic trends, emerging competitors, projected internal and external threats, and more.

Some examples of the types of questions that typically emerge at the board level when a strategic assessment is properly used include:

- What are the most important forces driving the hospital’s future success?
- How can the hospital improve its image and enhance consumer preferences?
- How can the hospital best capture market share from its competitors?
- Will the hospital’s competitors be different in the future? How?

- What hospital services have the most potential for growth, both existing services and services that could be created?
- What are the primary factors driving patient outmigration, and what can be done to retain more business for the hospital?
- What is the hospital’s role and responsibility in addressing the primary service area’s most serious health risks?
- How attractive will the primary and secondary service areas be in the future to aggressive competitors?
- How do the service area population mix and economic character affect future hospital development potential?
- What should be the hospital’s financial growth strategy, both short and long term?
- How should the hospital balance expense reductions with the need to invest in future service development needs and opportunities?
- How can the hospital continue to fund capital needs and growth strategies in the face of declining margins?
- How can the hospital ensure an adequate supply of RNs, technicians and other employees required to meet emerging needs?
Never Event #5: Failure to avoid conflicts of interest

Hospital board members often are involved with many other business, social and charitable organizations in the community, resulting in a wide range of business and personal relationships. Hospital leaders that develop and religiously adhere to a strong conflict of interest policy will be successful in ensuring open and honest deliberation.

Despite a board’s best efforts, conflicts of interest will inevitably erupt in the boardroom from time-to-time.

The board has a fiduciary duty to ensure that all governance deliberations and decisions are carried out without conflict of interest, always with the best interests of the hospital at the forefront.

A “red flag” should be raised any time the personal or 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 systems in place to safeguard against conflicts of interest ensures that hospitals will minimize personal dilemmas. These “safeguarding procedures” will help the hospital and its board to be prepared when real or perceived conflicts do occur.

Boards should establish a process for preventing and addressing the inevitable conflicts that arise, and ensure that conflict of interest policies and procedures are consistently adhered to. Ensuring that a comprehensive conflict of interest policy is in place that requires full disclosure is a critical first step, allowing board members with conflicts to remove themselves from discussions and decisions when appropriate.

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.

In addition, boards need a process for successfully addressing conflicts when they arise, such as not allowing trustees with a stated conflict to participate in any discussion on the conflicted topic.

Never Event #6: Failure to challenge anecdotal information with a demand for evidence

Boards deal with large amounts of complex information. It is important to evaluate the quantity and quality of information necessary to make strategic and policy decisions.

Pre-meeting information should always be distributed far enough in advance of the meeting to ensure that trustees have adequate time for a thorough review and understanding of the issues they will discuss and vote on.

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. This enables the board to govern through “strategic gap analysis,” with attention that is focused where the most significant performance problems may be occurring.

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 strategic gaps may be on the horizon.

Reviewing organizational performance is essential to good governance decision-making. If the board of trustees doesn’t have defined targets and the timeframe for achieving them, how can it know whether meaningful progress is being made?

With the input of the CEO and the senior management team, the board should review performance and progress using a defined set of metrics, a periodic review process, and an incentive system to reward management for meeting organizational objectives. Well-designed progress indicators have several specific attributes. They are: 1) few in number; 2) strategically significant; 3) quantifiable.
and printable; 4) time specific; and 5) consistently reported and used to determine and close strategic gaps.

The board and management team must first determine what should be measured. Then data that indicates the degree of success in achieving the objective should be determined. And rather than continue to rely on outdated or outmoded strategic progress indicators, the board should periodically update both its indicators and its performance expectations.

**Never Event #7: Failure to hold the board fully accountable for its performance**

A robust, wide-ranging annual governance performance assessment is one of the best ways to prevent governance problems from developing, and identify initiatives for meaningful governance improvement.

Governing performance self-assessment is an important preventive measure boards can take to ensure continual improvement in governing health and wellness. Successful self-assessments enable boards to identify “leadership gaps,” areas in which the board has the greatest potential for governance improvement. The governance self-assessment process identifies these gaps and facilitates the development and implementation of initiatives and strategies to improve leadership performance.

Through an effective, well-developed board self-assessment process growth opportunities may be realized, education may be pinpointed to unique governance needs, new trustee recruitment may be undertaken with increased confidence, and long-range planning may be conducted with a consensus-based framework, with everybody on the same page.

Significant advantages result from an intense examination of the quality and reliability of a board’s governing leadership performance.

- A successful governance self-assessment engages the board in a wide-ranging evaluation of its overall leadership performance.
- In addition, it provides trustees with an opportunity to rate their personal performance as vital contributing members of the board of trustees.
- Finally, it provides trustees with an opportunity to weigh in with their answers to several important questions about governance priorities, strengths, weaknesses and issues.

In addition, to assessing the board’s governing performance in a broad range of areas, here are five questions boards may want to consider including in their governance self-assessment. The answers to these questions will tell you a great deal about where you are, and what you need to focus on to ensure continuous governance leadership gain.

- What is your single highest priority for the board in the next year?
- What governance strengths must be maximized in order to ensure leadership success in the next year?
- What governance weaknesses must be overcome in order to ensure the hospital’s success in the next year?
- What are the most significant health care trends that the hospital’s leadership must be able to understand and deal with in the next year? In the next five years?
- What challenges and issues are most critical to be addressed if the board is to be successful in leading strategic change in the next year?

It’s also vital to carry the concept of governance self-assessment over to individual board meetings. Boards of trustees that conduct the most efficient and effective meetings fine-tune their meeting work through the use of individual board meeting evaluations. These evaluations are designed to be completed in five minutes or less, and include yes-no answers with room for suggestions. Simple questions may include:

- Did the board chair lead the meeting skillfully?
- Was the agenda focused on the most critical issues facing the hospital?
- Was meeting time spent efficiently?
- Did all members participate in an active, value-added manner?
- Were the board materials helpful in stimulating understanding, dialogue and decision making?
Never Event #8: Failure to reinvigorate and replenish governance leadership assets

There’s a big difference between governance leadership succession planning, and governance recruitment. One anticipates future governance needs and defines the skills, characteristics and resources of individuals who will be needed to meet those needs, both today and in the coming years. The other typically identifies individuals who are prepared to meet the hospital’s needs today.

How well hospital boards plan and execute governance succession planning defines the hospital’s leadership success for years to come. Governance succession planning is the key to not only filling an available board seat, but to improving board and organizational perspective and performance.

By regularly assessing the board’s leadership strengths and weaknesses, and using the hospital’s strategic plan to define critical future leadership requirements, the board can identify governance gaps that may be closed through targeted trustee recruitment.

A trustee succession plan should be developed to attract and recruit trustees that meet specific governance needs. These gaps will be different for each board and organization; while one board may need to increase its diversity, another may seek greater financial expertise or an improved balance between visionary, “big picture” thinkers and more practical, “here and now” thinkers.

Properly identifying, assessing and successfully recruiting new trustees involves several steps. Boards should begin by conducting a comprehensive governance self-assessment to determine where they may have potential leadership gaps, either now or in the future. After identifying specific characteristics and skill sets desired, the board should seek out and talk with a variety of candidates who may meet its requirements. Once a new trustee is selected, orientation and ongoing education is critical to ensure his or her success in providing strong and effective leadership to the hospital as quickly as possible.

Never Event #9: Failure to understand real community needs and perceptions

Trustees are responsible for ensuring that their hospital’s services provide meaningful benefit and value to the public. Community needs, plus the hospital’s targeted response to those needs, results in meaningful community benefit.

It’s the board’s responsibility to ensure that hospital leadership understands the needs of the community and develops plans to meet those needs. A robust and wide-ranging community needs assessment is the best way to determine what the public wants and needs from its hospital.

A comprehensive community needs assessment can help the hospital address the health care needs of the community by providing a snapshot of the current “health” of the community. The assessment can also provide information about other organizations that may be working to meet specific community needs, and where gaps in those services may lie.

The assessment gives hospitals the intelligence it needs to evaluate potential partnerships with community groups and organizations working on community issues. And finally, a comprehensive community needs assessment provides the foundation for evidence-based strategic and operational planning.

The community needs assessment should be the foundation for establishing program and services priorities that are included in the hospital’s strategic plan. In addition to identifying community needs, the assessment process will improve the board’s strategic planning by providing clarity about needed services, and identify specific, attainable goals for meeting community needs. Conducting an assessment also contributes toward the community benefit activities required of tax-exempt hospitals.

Completing a community needs
Governance Never Events: Leadership Failures That Should Never Occur in Hospital Boardrooms

assessment, creating a strategic plan based on its findings, and putting that plan into action clearly demonstrates the hospital’s commitment to meeting the diverse needs of the community.

**Never Event #10: Failure to focus on the big picture, rather than the little details**

Today’s rapid-change health care environment requires trustees to continually lead their organizations “to the horizon.”

Hospital trustees must be able to provide strong, dynamic and effective leadership in the tumultuous years ahead for health care. Trustee teams must be willing to embrace new ideas, think in new ways, and adapt their leadership focus to anticipate the dramatic changes ahead. A forward thinking, visionary board does not resist change, but instead embraces it.

Hospital boards must push for change, value creativity and innovation, and leverage change for strategic advantage. They must lead an organization that can capitalize on the new opportunities emerging from the rapid change occurring in health care today, and create new governance methods and structures to lead this change.

Knowledge capital is one of the most vital assets a governing board possesses. Boards of trustees must continually seek out new knowledge and perspectives about the health care field, the evolving environment, and its impact and implications on the hospital, its physicians, employees and the community. They must develop a high level of understanding of the areas most critical to organizational success and performance. And they must engage in continual governance education and speed their understanding toward the development of informed decisions and direction.

Passing knowledge is no longer enough – developing expertise requires motivation, commitment and time. Trustees must focus on new directions and new opportunities, not on the problems of yesterday and today. They must understand trends and strategic priorities, not projects and operational details. And they must create adequate time for discussion of the most significant issues affecting the future success of the hospital at every board meeting.

**Discussion Points**

Consider these discussion questions to determine your board’s governance never events risk:

- Does your board commit any of the 10 governance never events? If so, why, and what contributes to the governance failures?
- Considering all 10 governance never events, which one presents the greatest challenge to your board?
- Where do you have the greatest opportunity to improve your governance effectiveness?
- What ideas do you have for specific initiatives the board could undertake to avoid experiencing any of the governance never events?

Ensuring continuous governance quality improvement is a commitment that every hospital board and individual trustee should make. Avoiding governance errors, near misses and “leadership sentinel events” is everyone’s job. Boards that excel in this area create a strong foundation for leadership effectiveness and organizational success.