CENTER FOR HEALTHCARE GOVERNANCE™

Engaging Boards in the Transition From Volume to Value

Addressing the "why" before presenting the "how."

By now many of us have heard or read enough about transforming healthcare that we might be in danger of assuming the tectonic shift from volume to value is well underway in most of our hospitals and systems. Yet, the major changes that transformation implies are far from a walk in the park to implement, and it's no surprise that boards of all shapes and sizes are still struggling with the need for transformational change and what it means for both their organizations and their own governance practices.

CEOs must first address the change management challenge in the boardroom in order for boards to play a meaningful role in guiding their organizations through the fundamental shifts in healthcare payment and delivery now confronting their organizations, according to Michael Abrams, co-founder and managing partner of Numerof & Associates Inc., a St. Louis-based management consulting firm. Its CEO, Rita Numerof, is the author of the recent American Hospital Association monograph *Making the Transition from Volume to Value*.

For CEOs to help their board view the environment and their role differently, they must be able to make a convincing case for change. However, Abrams says making the case successfully depends on three factors:

- Expressing dissatisfaction with the status quo
- Articulating a clear and compelling vision of the future
- Identifying a clear process for participating in change

"The ability to change is affected by these factors and how they work together," he explains. "Think about each factor being multiplied by the others in an equation where the product of the factors equals the willingness to change. The more significant each factor is, the greater the willingness to change. However, just as in a multiplication problem, if one of the factors equals zero, the product equals zero as well. For example, if the organization's performance has been strong historically, dissatisfaction with the status quo may be low or nonexistent. If leadership has not worked with the board to articulate a clear and compelling vision of a changed future, the board may believe there's no need to assume that the future will be any different from the past. It's easy to see that if either of these factors exists, the willingness to change may be low or there may even be resistance to change because the board does not understand the need for it."

CEOs must first address the change management challenge in the boardroom in order for boards to play a meaningful role in guiding their organizations through the fundamental shifts in healthcare payment and delivery now confronting their organizations.

CEOs must take the lead by building momentum for change and can be catalysts or facilitators in a number of ways, Abrams says. Some approaches include:

- *Providing ample opportunities for board learning and reflection.* Creating forums for dialogue and interaction with organizational, clinical and community leaders about their changing needs and roles and conducting regular board education that supports effective learning along a steep curve are some examples.

- *Bringing discussions about changes occurring nationally in healthcare down to the local level and connecting the dots about what they mean for the hospital and the community.* Examples include sharing the impact on the hospital of penalties that payors are assessing for "never events" or talking about how the hospital is preparing for payment reductions for hospital readmissions or hospital-acquired conditions and discussing their impact on hospital revenue. Examples like these can open up discussion about other ways the hospital will be affected if past performance continues into the future.

- *Evaluating the organization's mission and vision statements in the context of the transition from volume to value in service delivery and payment.* Boards, executives and clinical leaders need to ask themselves whether these guiding statements are sufficiently focused and reflective of stakeholder needs to inspire action toward a sustainable future for the organization and those it serves. If not, revisiting the mission and vision to ensure they focus the organization on the right work going forward can help build momentum for change by creating a clear picture of what the organization is striving to achieve.

- *Discussing situations where boards have been held accountable for poor clinical outcomes.* Understanding of heightened board accountability can pave the way for conversations about steps boards can take to strengthen their oversight of quality and safety performance, making clearer the path toward board participation in the change process.

Once boards understand the need to change both organizational and board performance and acknowledge their role in creating and sustaining value, then any number of board actions to effect and participate in the change process is possible. These can include:

- Having an active board quality committee
- Ensuring that the organization's mission reflects its commitment to providing value in care and service delivery
- Setting quality and safety strategies and ensuring they are appropriately resourced
- Setting performance goals and monitoring progress
- Encouraging organizational transparency about and accountability for performance to stakeholders
- Understanding performance data and how to interpret it
- Setting the expectation that board and organizational leaders will hear from and interact with patients and other stakeholders
- Knowing how to respond to stakeholder inquiries about the organization
- Ensuring the organization's commitment to delivering value is reinforced through reward, recognition, hiring practices, accountability mechanisms and other cultural norms and behaviors
- Engaging clinical leaders in discussions about their participation in achieving performance goals and holding them accountable
- Examining governance practices (selection, orientation, ongoing education and development, performance evaluation, leadership succession planning, meetings) and structure (committees, composition, competencies) to ensure capacity to lead transformative change

It's also important for CEOs to consider that before they take any action to build momentum for change, they must first believe that success in today's healthcare environment requires an active, engaged and educated board. Making the case for change means that executive leadership is ready to enter into a deeper partnership with the board and to support the board in being an active, productive participant in governing and leading effectively in transformative times. ▲

Totten

Combes

Mary K. Totten (marykaytotten@gmail.com) is the content director and John R. Combes, MD, (jcombes@aha.org) is the president and COO of the AHA's Center for Healthcare Governance. Contact the AHA's Center for Healthcare Governance at info@americangovernance.com to learn about its recent monograph Making the Transition from Volume to Value *for more about this topic.*