

Governance Insider

For Hospital Governing Board Members

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BOARDROOM BASICS

Preventing and Curing Governance Diseases: Practical Prescriptions for Improving Governance Health and Wellness

Everyone who serves on a hospital board of trustees understands that multiple factors, either alone or in combination, have the capacity to dramatically influence and shape the quality of the board’s focus, dialogue and leadership outcomes.

Every board of trustees seeks to be healthy, fit, vibrant, alert and ready for every challenge, able to react swiftly and intelligently in the ongoing quest to achieve the hospital’s mission, vision and strategic objectives.

The unfortunate reality is that all too often boards may suffer from any number of governance diseases that can put them in the leadership intensive care unit.

Slipups That Can Put the Board in the Leadership ICU

Hospitals and health systems are highly complex organizations, and governing that complexity creates a myriad of chances for governance slipups.

Governing boards are responsible for consistently high performance in a broad range of areas, including ensuring meaningful and productive committee work, board composition, strategic planning, acquisition and use of information, partnerships and affiliations, short and long-term financial planning, CEO evaluation and compensation assessment, board agendas, trustee recruitment and succession planning, identification and management of conflicts, contracting and medical staff credentialing, among others.

Governance slipups are often caused by a variety of governance diseases, critical leadership conditions that can put your hospital board in the leadership ICU.

These governance diseases are preventable when trustees have a clear understanding of what the diseases mean, including their symptoms and conditions. Trustees must then work together to follow well-defined prescriptions for change that, when taken, will help to ensure governance vitality, health and wellness.

Five primary diseases can impact your board’s governance health and leadership fitness: Dialogue Deficit Disorder, Knowledge dystrophy, Successionitis, Lack of influenza, and Leadership presbyopia.

Each of these governance diseases is characterized by a variety of symptoms and complications. And each can be cured by close and careful adherence to a well-defined prescription for change.

What’s Your Diagnosis?

As you review each of the governance diseases, ask yourself “how healthy is our board?”

- Is your governance robust, healthy and fit? Do you

perform at a high-level, and is your governance as good as it can possibly be?

- Are you generally healthy, but do you suffer from some minor and intermittent governance problems?
- Do you feel occasional governance pain and frustration from time to time? Do you experience leadership effectiveness highs and lows?
- Do you feel poorly most of the time? Do your trustees have a sense that without major governance change the board may face some future serious problems?
- Or, is your board in need of immediate intensive care, with major governance improvement required in order to ensure that you provide the leadership necessary to achieve your mission, vision and strategic objectives?

Governance Disease #1: Dialogue Deficit Disorder

Dialogue Deficit Disorder is a governance disease that is characterized by long periods of silence when important questions are asked, or when debate is required on critical issues.

It’s also characterized by occasional uncomfortable coughing and an inability to speak clearly and articulately. Severe cases of Dialogue Deficit Disorder may cause cloudy

(Continued on page 6)



Addressing Community Needs Through a Community Needs and Perceptions Assessment

Trustees are responsible for ensuring that their hospital's services provide value to the public. Adding services that meet new and emerging community needs is critical as the health care environment becomes more competitive, increasingly scrutinized by the public, and further regulated by the government. A community needs assessment is the best way to determine what the public wants and needs from a hospital, while providing an important benefit to the community.

A comprehensive community needs assessment can help a hospital address the medical needs of the community by providing a snapshot of the "health" of the community. An assessment can also provide information about other organizations that may be working to meet specific community issues, and where gaps in these services may lie. The assessment gives hospitals the intelligence to develop partnerships with community groups and organizations working on community issues. Finally, a comprehensive community needs assessment helps a hospital begin a planning process by providing the foundation for strategic and operational planning, assessing the hospital's impact on the community, and deciding what strategies may provide new opportunities for the hospital's service to the community.

Key objectives of a community needs assessment include building community connections, understanding and addressing the needs of the community, and improving the overall health of the community. The process

is a means of bringing various groups and people together to work toward a common objective of improving the lives of the community's residents.

Don't We Already Know What the Community Needs?

Spending the time, money, and effort on a community needs assessment may seem hard for some boards of trustees to justify, but when done well the benefits far outweigh the costs. Not-for-profit hospitals have recently become the center of debate about community benefit and tax-exempt status.

Recent investigations by state attorneys generals, the Internal Revenue Service, and the Senate Finance Committee highlight the need for hospitals to demonstrate the community benefit they provide. Many critics claim that hospitals are more focused on their bottom line than on improving the health and lives of the people they serve. This is one reason why sponsoring a community needs assessment and diligently initiating a follow-up plan of action is so important today.

In addition, health care is an increasingly competitive industry. Patients have more choices for where they get their health care, including their local hospital, physician-owned "niche" facilities, alternative care centers, and even receiving care in foreign countries (see "Medical Tourism," page 4). One way to

remain competitive is to improve the public's view of the hospital by assessing the needs of the community and taking direct and focused actions to make improvements, demonstrating the hospital's dedication to the health of the community. Including a section in the assessment that asks about the community's perception of the hospital in a variety of areas will help gain perspective about how to improve the hospital's reputation.

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

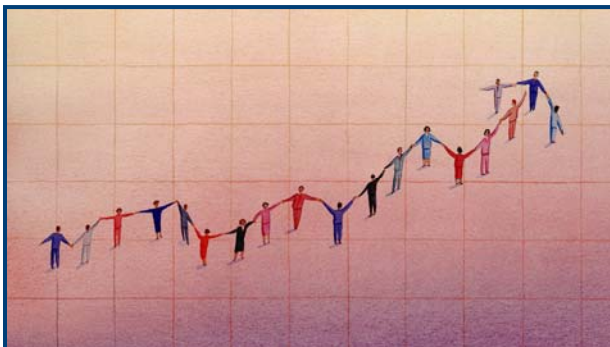
Steps in Developing a Community Needs Assessment

Conducting a community needs assessment involves collecting data about the health issues

(Continued on page 5)

Assessment Components

- **Cover letter** or overview of the survey and its purpose.
- **Questions about hospital utilization**, such as hospital of choice, services utilized in the past five years, etc.
- **Satisfaction with recent care** received at the hospital as well as at competing facilities.
- **Perception of the hospital's** performance and ability to meet community needs.
- **Quality and service** available at your hospital compared to primary competitors.
- **Physician care**, including geographic locations of physicians utilized and factors important in selecting a provider.
- **Hospital service preferences**, including ratings of services currently provided at the hospital as well as desires for additional services to that the hospital may offer.
- **Identification of current and emerging health care needs**, including risk factors for diabetes, hypertension, obesity, and other public health issues the hospital may play a role in addressing. The hospital should work with the medical staff to determine the most appropriate questions for this section.
- **Demographic information** such as gender, age and city of residence that can be cross-referenced to other survey questions.



HOT TOPIC

Medical Tourism: A Non-Factor or a Real Competitive Threat?

So-called “medical tourism” is gaining interest from Americans who are increasingly seeking to reduce their medical costs by using medical care abroad. Medical tourists are increasingly traveling out of the U.S. for heart surgery, cancer therapy, cosmetic plastic surgery, dental surgery and other common procedures.

As the cost of health care continues to outstrip inflation in the U.S., many individuals find themselves increasingly forced to choose between paying higher insurance premiums, paying a greater portion of costs out-of-pocket, or not using medical services at all. As a result, for some traveling abroad for lower cost care is becoming a growing trend. Medical tourism has grown rapidly in recent years, and it is expected to become a multi-billion dollar industry by 2012, with a growth of 15%-20% annually, according to MedRetreat, a medical tour agency.

Attractive Destinations and First-Class Service a Lure

Experiencing the culture and attractions of another country while at the same time receiving health care at significantly lower cost is an attractive and powerful combination for medical tourists. The most common destinations for medical tourism today include India, Thailand, Malaysia, Argentina, Brazil, Costa Rica, South Africa and Turkey. Some experts estimate that between 150,000 and 500,000 people travel to these countries every year, attracted by their modern health care facilities, impressive service, highly-trained physicians and surgeons, and lower costs compared to the U.S.

Bumrungrad Hospital in Thailand has become famous as a medical tourism destination, treating more than 400,000 international patients each year. The hospital appeals to affluent tastes with contemporary décor, private rooms and limousine service, and features Joint Commission International accreditation, U.S. and European trained physicians, and prices 60% to 80% of what patients would typically pay in the U.S.

In a recent *New York Times* article “Sometimes, Sightseeing Is a Look at Your X-Rays,” patient Joshua Kurlantzick described his first experience at Bumrungrad Hospital: “When I visited Bumrungrad’s cashier, passing the hospital’s high-end restaurants and plush waiting rooms along the way, an assistant handed me the bill. For admittance to the emergency room, a consultation, a room and bags of medications, the total cost came to less than \$100.”

Is Quality an Issue?

Quality of care is the biggest concern for most patients considering overseas health care. As hospitals increasingly compete in the international arena, there is an incentive for foreign hospitals and physicians to promote and uphold a reputation of quality and patient safety.

Many foreign hospitals are accredited by The Joint Commission International, a branch of The Joint Commission, the accreditor of health care organizations in the U.S. In addition, many foreign physicians are trained and board certified in the U.S., Europe, or Australia.

The reliability of foreign hospitals is called into question by some who doubt that medical tourism is a major trend with meaningful implications for U.S. hospitals. However, hospitals with The Joint Commission International accreditation, staffed by highly trained physicians, have proven themselves able to provide equal, if not better care than patients may receive at U.S. hospitals.

The Escorts Heart Center in India is noted for its ability to complete the highest number of cardiac operations in the world

while maintaining the lowest failure rates.

Naresh Trehan, MD, is an NYU-trained cardiac surgeon and Director of the Escorts Heart Center. “The death rate for coronary bypass patients at Escorts is 0.8 percent and the infection rate is 0.3 percent. This is well-below the first-world averages of 1.2 percent for the death rate and 1 percent for infections,” stated Dr. Trehan in an article that appeared in *Plexus*, the NYU School of Medicine Journal of Thought.

Why Such a Stark Difference?

Regulation. In the U.S., hospitals and clinics must comply with thousands of rules and regulations in order to receive reimbursement from insurance

companies and the government. This detailed record keeping increases hospitals’ labor costs. Countries that attract medical tourists have significantly lower labor costs, which enables a lower cost of care. According to an article entitled “Operation Vacation” in the *Washington Post*, labor accounts for 18 percent of Thailand’s

Bumrungrad Hospital’s budget, compared with an estimated 60 percent that U.S. hospitals spend on labor.

Medical Liability. Due to the highly litigious nature of U.S. society, physicians and hospitals are required to carry costly liability insurance. This cost is shifted to patients through insurance premiums, making it increasingly difficult for some Americans to afford health insurance. In foreign countries, individuals are less likely to sue their physicians, therefore less expensive insurance is required and patients

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(Continued on page 4)

Patient Perspectives

A patient had no health insurance and was in need of hip replacement surgery. He researched for a year before deciding to go to India for the procedure. He reportedly enjoyed the caring, attentive nature of the hospital staff and was impressed by his surgeon's "bedside manner." The cost of the trip and two hip replacements was less than \$20,000. India is considered one of the best countries for orthopedic surgery, and the hospital the patient went to is accredited by The Joint Commission International.

After three years of caring for his aging parents, an exhausted son began researching the cost of nursing homes. He found that the least expensive facilities began at \$6,600 per month, a price that would soon bankrupt his parents. Desperately looking for an alternate solution, he chose a facility in India as an option. There, his 89-year-old mother, suffering from advanced Parkinson's disease, receives daily massages, physical therapy, and a 24-hour assistant.

Six people care for his parents at a retirement home in Pondicherry, India, which includes a physical therapist, 24-hour assistant, and a full-time chef. Life abroad, complete with medications, rent and utilities costs less than \$2,000 a month, leaving extra money from their Social Security payment for plane tickets for relatives to visit. He considers the move a good decision, assured that in Pondicherry his parents receive high-quality full-time care, beautiful scenery and a welcoming atmosphere.

subsequently pay less for services.

A Favorable Environment. Foreign hospitals competing for international patients attract individuals who are prepared to pay up-front for medical procedures and hospital fees. When traveling abroad for care, patients often pay in-full for services before their departure. As a result, foreign hospitals are not concerned about bad debts and charity care when dealing with their medical tour patients, a major financial cost for U.S. hospitals.

Price. The U.S. has experienced higher health care inflation as liability insurance has become increasingly expensive, insurance costs have continued to rise faster than inflation, and an increasing number of uninsured and underinsured individuals seek

free care in emergency departments. Limited or bare-bones insurance plans often result in high out-of-pocket expenses for procedures not covered. The result - millions of Americans cannot afford the care they need, increasing the appeal of going abroad for services where discounts may range from 40%-80%, or more.

Service. Many foreign hospitals recognize that medical tourists travel long distances in order to receive care, and offer a broad range of services to ensure comfort, relaxation and satisfaction during their stay. Often care in a foreign country includes discounted rates at a nearby hotel with transportation provided, private hospital rooms, and even a post-operative vacation.

Competitive Challenges for U.S. Hospitals

The long-term likelihood of patients seeking care far outside their local communities is a potential competitive challenge that should be considered by hospital boards. At the same time, cost is not the only determinant of where an individual prefers to receive medical care. In the fast-paced U.S. society, convenient and immediate access to follow-up care is valued. If complications occur after surgery, or if after-care is required, patients may not want to get on an airplane, use online correspondence, or utilize a physician who is not well-familiar with their case. When undergoing a serious medical procedure, patients typically prefer to have a physician they know and feel comfortable with. And traveling long hours to a foreign country with language and cultural barriers may simply be too difficult for some patients.

Foreign competition does not replace the important role that local hospitals play in their community, a strength that cannot be ignored when planning ways to remain competitive. Hospitals support and benefit their communities in many ways other than



providing high-quality, safe and easily accessible health care services, including providing local jobs, offering mission-based services and outreach programs, and by promoting a healthy and vibrant community.

To maintain a competitive edge and ensure continued support, hospitals need to build understanding of the local value they provide, increase community involvement and strengthen patient satisfaction.

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12 Steps to Put Your Assessment Results To Work

Boards should review their community needs assessment and determine what services the community needs most, and how plans should be implemented in order to improve access, quality and perceptions of the hospital. Key steps for ensuring that the results are incorporated into your strategic plan include:

1. Review assessment results and determine the most important issues.
2. If necessary, further clarify findings with follow-up research, such as focus groups and personal interviews.
3. Determine potential community needs that are not being met and proposed programs or services to address those needs.
4. Consider advantages and disadvantages of implementing a new program or service.
5. Define factors that are critical to the program or service's success.
6. Ask "will this addition strengthen our ability to achieve our mission and vision?"
7. Determine if the new program or service will negatively impact existing services.
8. Explore potential partnerships with other stakeholders.
9. Complete a financial feasibility analysis.
10. Include the program or service description in the strategic plan.
11. Create a team dedicated to implementing the new program or service.
12. Continually evaluate the outcomes of the program or service and make changes as necessary.

(Continued from page 2)

prevalent in the community, analyzing the data to determine needs, reviewing available resources and barriers to care, and creating a plan to improve the health of the community by tackling the issues that arise from the assessment. Working with key stakeholders and community leaders is essential to successfully completing a sound community needs assessment. The following five steps provide an overview of key components in the assessment process.

Step 1: Designate a Coordinator. This person will be responsible for implementing the logistics of the community assessment.

Step 2: Determine Core Objectives. Clearly define the desired outcomes of the assessment, such as determining community challenges and unmet needs, the hospital's role in meeting those needs, etc.

Step 3: Involve Stakeholders. Consider establishing a workgroup that involves many key stakeholders in the assessment process, including those that will assist in the design and implementation, analysis of the results, and in developing strategies to address identified needs.

Step 4: Develop a Detailed Plan. Create an actionable plan with timeframes, responsibilities and next steps. This should

include how the community needs assessment will be conducted, additional sources of data to be gathered outside of the community needs assessment, a plan for analyzing the results and identifying next steps, and a plan for communicating the results of the assessment to stakeholders and the general community.

Step 5: Implementation. After goals have been identified and a work plan is developed, the assessment is ready to be implemented.

Key steps include:

1. Collect and analyze data on the service needs of the community.
2. Identify strengths, weaknesses, and barriers that affect community needs.
3. Collect information on available resources and barriers to their use.
4. Gather community viewpoints through an online or written survey, interviews with key stakeholders, and/or focus groups or community meetings.
5. Analyze data to develop estimates of need, availability of resources and the gap between need and availability.
6. Prepare a report that includes objectives, methods, findings, and recommendations to address the issues.
7. Present the report to the workgroup, stakeholders, and community members to develop recommendations for next steps.

The Board's Role in Supporting the Community Needs Assessment

It is the board's responsibility to ensure that the hospital understands the needs of the community and strives to meet those needs.

Trustees are responsible for making decisions about how the assessment results will be used and if it is necessary to provide additional services or create new programs. In some cases providing new services will benefit the hospital by providing additional income. However, some new services may result in minimal or no profit. For those services, boards will need to decide if adding the service provides a substantial benefit to the community, is important in fulfilling a specific community need, and directly contributes to the achievement of the hospital's mission.

In addition to identifying community needs, the assessment process will improve the board's strategic planning by providing clarity about needed services and identifying specific, attainable goals for meeting community needs. Completing an assessment also contributes toward the community benefit activities required of tax-exempt hospitals.

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vision, and may also result in two other common governance diseases – Strategicolitis, and Irritable Trustee Syndrome.

Symptoms and Complications. Dialogue Deficit Disorder exhibits a number of symptoms and complications, including unexpressed ideas and a concern among some trustees that their input will not be welcomed, or will be viewed as a distraction or a waste of board time.

When boards experience a dialogue deficit they miss unique opportunities to explore alternative ideas, choices and courses of action. In many cases Dialogue Deficit Disorder results in “proforma” decisions that are made with little insight or real understanding.

One of the primary complications of Dialogue Deficit Disorder is the missed opportunities for board learning that occurs when trustees engage in robust discussion, challenge one another’s assumptions and drive toward a consensus that is grounded in mutual knowledge, understanding and commitment.

Governance Disease #2: Knowledge dystrophy

Knowledge dystrophy is a weakness in the body of knowledge that is required for meaningful and effective decision-making. If left unattended it contributes to a shriveling of strategic thought and ideas, and it worsens over time if it’s not corrected with a vigorous exercise of governance knowledge.

Symptoms and Complications. The symptoms and complications of Knowledge dystrophy can be very harmful to governing effectiveness. First on the list of symptoms is a painful defect in the board’s knowledge capital. All boards require vigorous knowledge exercise and intelligence muscle building in order to stay on top of the impacts and implications of rapid change in the health care environment.

Because many governance diseases are related to or are interconnected with one another, a deficiency in dialogue among board members

is a major contributing factor to Knowledge dystrophy.

In addition, sufferers of Knowledge dystrophy often find themselves making decisions in a governance vacuum, without adequate research, discussion and debate, and with limited input from well-informed individuals outside of the governance structure. As a result of their lack of knowledge and insight, boards suffering from Knowledge dystrophy have an inability to make sense out of complexity, which results in uninformed and ill-timed decisions, or no decisions at all when they’re needed most.

Governance Disease #3: Successionitis

Successionitis is a governance disease that results in ill-defined trustee recruitment efforts, and an inability to renew and reinvigorate the governance body. Boards with a case of Successionitis exhibit high anxiety and an inability to lead effectively. Severe cases of Successionitis may result in governance heart palpitations and damage the soul of the organization.

Symptoms and Complications. The leading symptom of Successionitis is the lack of a coordinated, long-term governance succession plan. A succession plan is more than a trustee recruitment effort. It involves a careful examination of which trustees are rotating off the board and when, the skills and experience that will be lost to the board when these trustees’ terms expire, and the new leadership experience and skills that will be needed by the board to successfully meet the governance challenges of the future.

Boards suffering from Successionitis typically do not have an up-to-date trustee job description, and a trustee “candidate profile” that articulates the qualities, skills and characteristics the board seeks in a new trustee.

Too often, these boards fill trustee vacancies through an informal process of candidate suggestions from other trustees, with little due diligence about the candidate’s fit with the

(Continued on page 7)

Prescriptions for Change

Dialogue Deficit Disorder Rx

- Use an “around the board table” process to give every trustee an opportunity to state his or her viewpoints prior to a vote
- Never undertake an important decision without engaging in a “pros” and “cons” discussion
- Ensure that the board chair is well-attuned to the personalities and body language of board members throughout board meetings
- Provide information in advance of meetings: the better informed trustees are, the more likely they will be to engage in discussion

Knowledge dystrophy Rx

- Ensure that all board members have access to the background information and resources they need
- Ensure the following question is asked at every board meeting: “What do we know today that we didn’t know at our last board meeting, and how does that change our thinking?”
- Set an expectation for board member participation in continuous education
- Custom-tailor governance education to the board’s unique needs
- Ensure the board’s commitment to education is a clear expectation during the new trustee recruitment process

Successionitis Rx

- Define the unique qualities, skills and characteristics of the highly successful trustee
- Recruit new trustees with an emphasis on acquiring the skills necessary to meet tomorrow’s challenges
- Develop a succession planning process that looks into the future at least five years
- Use the process to elevate understanding of the experience, skills and resources necessary to be a valuable board asset

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current board team, and his or her readiness and capacity to bring new skills, experience, diversity and perspective not currently present on the board.

In addition, Successionitis-prone boards do not provide new trustees with a meaningful, in-depth orientation to health care, the hospital, and the scope of their governance functions and responsibilities. And it's important to note that orientation is not a one-time effort; instead, it's a planned and coordinated long-term process of continual education and knowledge building.

Finally, boards suffering from Successionitis fail to grasp the importance of trustee recruitment and succession planning as a process of governance asset development. They view it narrowly rather than broadly, and fail to recognize the long-term implications of their trustee selection decisions.

Governance Disease #4: Lackofinfluenza

Lackofinfluenza is an acute condition exemplified by a lack of governance influence with the community, physicians, employees, political leaders and other key stakeholders and constituents. Serious cases of Lackofinfluenza may result in a gradual competitive decline, and cause significant risk to long-term hospital survival.

Symptoms and Complications. Major symptoms and complications of Lackofinfluenza include a deficiency of relationships with lawmakers, community leaders and others whose trust and confidence in the hospital are critical.

Building trust and confidence requires board members to understand and be able to convey important messages and “talking points” about the hospital, ensuring that those messages are delivered with consistency and effectiveness.

Questions of trust and confidence arise when there is an absence of meaningful information about the hospital delivered consistently over time. Hospitals and boards that seek to avoid contracting Lackofinfluenza recognize the

importance of communicating and connecting with their constituents to build a deep understanding of the hospital's community benefit and value.

When boards have influence with their key stakeholders and constituents, they are able to shape public attitudes, build confidence and loyalty, and strengthen themselves to overcome competitive vulnerability. Conversely, hospitals and boards suffering from Lackofinfluenza are disconnected from the important individuals and organizations whose understanding, commitment and loyalty they rely on for their future success.

Governance Disease #5: Leadershippresbyopia

The last and perhaps most critical governance disease is Leadershippresbyopia.

Leadershippresbyopia is a symptom or outgrowth of Missionmyopia, a related disease. It creates severely clouded vision, causes major organizational disorientation, weakness, pain and discomfort, and will spread quietly like a virus throughout the organization if not aggressively treated in its early stages. Left untreated, it kills slowly, efficiently and with devastating effect.

Symptoms and Complications. The symptoms and complications of Leadershippresbyopia are many. They include a myopic, short-sighted mission, cloudy, out-of-focus vision, unproductive and unfocused meetings, a disorder of direction and a disengagement from reality.

In addition, sufferers of Leadershippresbyopia experience a deficiency in their knowledge and boredom with their governance routine.

Action Agenda: Next Steps

Avoiding or curing governance diseases doesn't happen overnight. It requires boards of trustees to assess their risk of contracting the diseases and define specific actions they will take to ensure their governance health and wellness.

One of the most meaningful actions a board can take to spot the early warning signs of governance diseases is to use a best practices

Prescriptions for Change

Lackofinfluenza Rx

- Ensure that board members have a clear understanding of the most critical issues, and the ability to effectively communicate those issues to key stakeholders
- Build relationships and collaborative partnerships with individuals and organizations that share the hospital's mission
- Provide board members with “talking points” to ensure the hospital communicates with a single, powerful voice
- Report the hospital's community benefit and value in meaningful, “sticky” ways

Leadershippresbyopia Rx

- Have a clear sense of where the board seeks to guide the hospital in the coming years
- Practice “generative governance” - engage in meaningful goal and direction setting, question assumptions, identify obstacles and opportunities, and determine alternative ways of framing issues
- Engage in “real-time” planning, continually incorporating new information, ideas and perspectives
- Create a leadership atmosphere that stimulates decisive dialogue and demands personal trustee commitment

board self-assessment process to analyze the board's strengths and weaknesses, and its readiness to meet the governance challenges of the future.

Governance sickness may also be avoided by developing forward-looking trustee succession plans, evaluating meeting habits and leadership styles, developing an advocacy action plan designed to improve awareness of and trust in the hospital, and continually seeking ways to raise the bar of governing effectiveness.

Finally, the board should consider what it would take to adopt the leadership habits and ideas provided in the governance prescriptions for change.