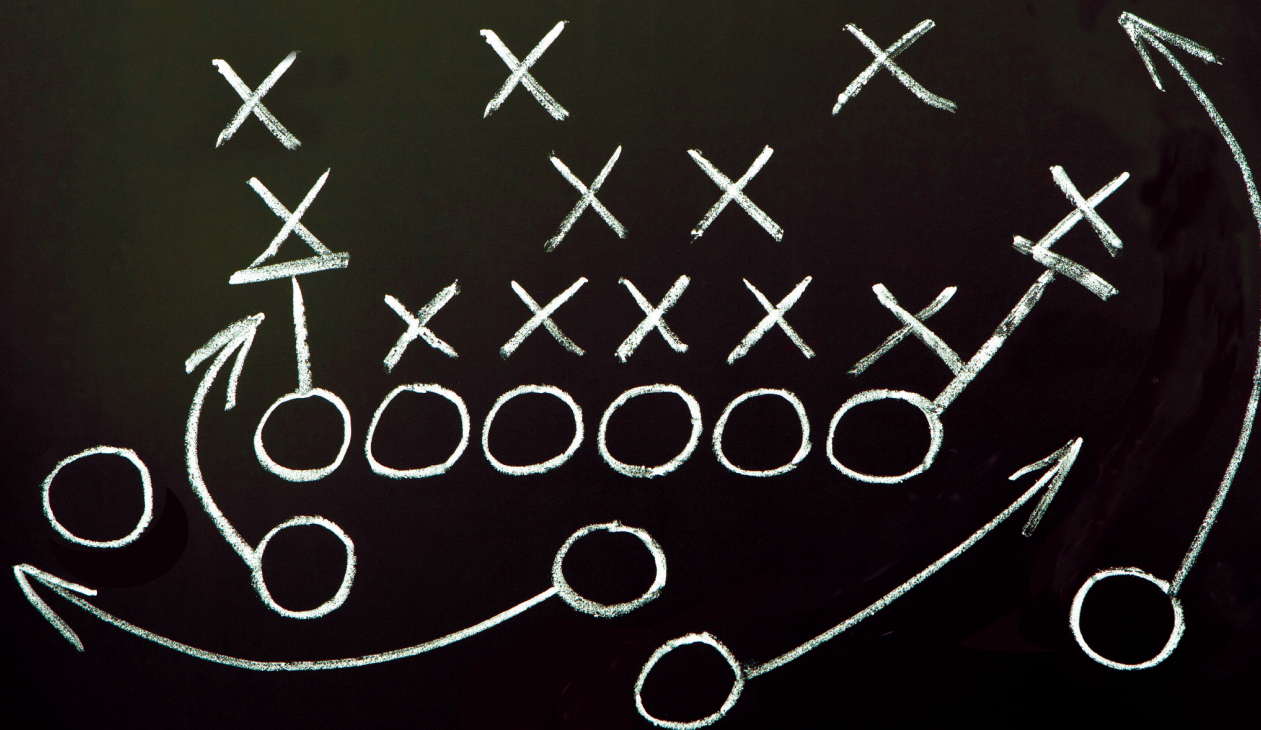




TEXAS HEALTHCARE TRUSTEES

## TRUSTEE BULLETIN

ENSURING ORGANIZATIONAL SUCCESS IN  
THE POST-REFORM ERA: THE TRUSTEE'S ROLE

BY AARON MITRA, FACHE, AND MEREDITH C. INNIGER, HEALTH STRATEGIES &amp; SOLUTIONS INC.

Health care reform is here to stay and transforming the way our hospitals and health systems will operate in the future. Reform initiatives are occurring at the national, regional and state levels as the imperative to make health care more affordable and accessible moves to the front of strategic priorities. Health care providers are forging ahead past the jargon, new acronyms and mind-numbing detail of the law and regulations and focusing on the transition from a production-based to a value-based payment system.

For trustees and health care executives, keeping up with emerging trends, research and best practices and learning how to apply this new knowledge to their organizations are key to being well positioned for future success. Trustees often look to professional journals to keep them abreast of changes. To that end, almost every health care journal article today includes headlines about the Patient Protection and Affordable Care Act; mergers and acquisitions; accountable care organizations; health care technology and meaningful use; and population health.

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Although these articles present a vast amount of useful information about industry trends, they often leave readers wondering how to translate this knowledge to their health care organizations. The answer to that question lies in the organization's strategic plan. A well-thought-out strategic plan should account for the realities of the marketplace. It must be a living document where issues such as health care reform, cost pressures and insurance industry consolidation come together to form a roadmap for your organization.

If trustees understand and maintain a routine, ongoing strategic planning process within their organizations, all the changes in the health care industry will be considered as decisions are made regarding the strategic direction of the organization.

## Strategic Considerations for the New Era

Strategic planning today must directly address the major changes underway due to health care reform and other market dynamics. Much uncertainty remains, but what we do know is that access, coverage and payment reform will occur and are only the beginning of industry-wide transformation. An effective strategic plan incorporates the impact of the evolving health care environment. Below are five attributes a hospital or health care system must have to succeed in a post-reform environment.

1. **Sufficient scale and scope:** Organizations are considering their options to either gather significant critical mass or determine a niche play. This development has led to a new wave of consolidation in the industry, but opportunities will remain for focused niche organizations.
2. **Competitive costs:** Revenue pressures have escalated with the recession and health care reform, resulting in the need for increased cost vigilance.
3. **Demonstrated quality:** As quality measurement tools become increasingly feasible, quality no longer will be assumed but must be demonstrated and tied to payment.
4. **Exceptional service:** Recognizing that a patient's view of quality is largely based on the service they receive and that health care is a service business, exceptional service is increasing in prominence in today's highly competitive market.
5. **Real integration:** Having "all the pieces" (scale and scope) must be accompanied by deliberate strategies to make them work together to yield a commensurable benefit of quality outcomes and low cost.

## Innovation and Strategic Thinking

While uncertainty and instability create vast challenges, they also provide great opportunity for organizations that consider the long-term view and are strategic in their approaches to planning and execution. Some say that it is impossible or impractical to plan under these circumstances, but many organizations are doing just that, albeit in a new and improved way, using novel strategic-thinking approaches and incorporating innovation as a core element in their strategy development. These trustees and strategy leaders are poised to leap forward while many others are paralyzed or reactive to legislative and environmental threats.



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To successfully plan in this era, trustees should consider the following strategic questions throughout the planning process (see chart 1).

### The Trustee's Role in Strategic Planning

Trustees have a responsibility for establishing the strategic direction of an organization. They also form the foundation of a successful strategic planning process. The board's responsibility in the process includes the following:

- **Policy formulation:** The board should define how it will participate in organizational strategy and establish an outline for the formal planning process.
- **Decision-making:** The board should develop elements of strategic direction, including mission, vision, values and goals of the process.
- **Oversight:** The board's most important role in the process, but often the most difficult, is oversight. Optimal oversight by the board includes the following steps:
  - Review/approval of the strategic plan and specific initiatives to ensure consistency with strategic direction;
  - Allocate resources to support strategic direction;
  - Assist management in plan communication to key constituents; and
  - Monitor progress on plan implementation.

In its strategic planning role, the board must strike a difficult balance between swift approval with minimal participation and micromanagement of the planning process. This oversight “sweet spot” enables the board to engender leadership trust and increase implementation success.

How does your current board match up? Grade your board's strategic plan policies and practices with the quiz (see chart 2).

CHART 1

Question	Rationale
Does the current structure, (including governance, management, and administrative) allow swift decision making in both business and operations?	Organizations that are successful in the new era will remain nimble even with increasing size and complexity. Clear lines of decision making and communication are necessary at and across organizational levels. This coordination and collaboration will allow a rapid response to a competitive threat or market shift.
Is your hospital/system's portfolio of service lines, locations, and other business entities the right mix to address future competition?	The strategic plan should address future market and population need for services as well as future payment reform scenarios and technology advances. These considerations will ensure your organization offers the right services, at the right place, and the right time to meet community need and grow market share.
What is the appropriate size of the organization to achieve sufficient scale and scope in the current market?	If an organization is too large, it risks being unable to quickly respond to market conditions; if it is too small, and it will be unable to compete from a cost standpoint. The organization will need to determine if sufficient cost savings or operational efficiencies have been achieved, or if opportunity exists in some areas.
Can the financial plan create the necessary capital capacity to address growth initiatives while maintaining an appropriate level of risk?	Once operational efficiencies are gained and support a healthy cash flow, the organization must reinvest appropriately to continue on a growth trajectory.

CHART 2

### Grading Your Board's Strategic Plan Policies and Practices

1. Does the board establish annual goals for itself based on the strategic plan?

2. Is the strategic plan integrated with the financial plan for the organization?

3. Are the individual entity/departamental goals aligned with the organization-wide goals?

4. Does the board routinely receive a verbal progress report on strategic plan implementation?

5. Is a scorecard format used to measure and report progress on goals to the board at least quarterly?

6. Is management performance tied to successful implementation of the strategic plan?

7. Is a minimum of 50% of board meeting time dedicated to a discussion of strategic issues facing the organization?

HEALTH STRATEGIES & SOLUTIONS, INC.

While strategic planning in the current environment will not be easy or swift, an effective and accountable board of trustees will play a critical role in the planning process to navigate hospitals and health care systems through this period of industry transformation.