

# The Outside Board Member's UNIQUE PERSPECTIVE

A nonlocal trustee can boost the board's performance

**P**icture the ideal hospital trustee: A prominent local leader who devours the board packet before every meeting and comes equipped with an encyclopedic knowledge of finance and management best practices and a BlackBerry full of well-connected philanthropic types. This paragon of governance must be thoroughly plugged in to the local community, right?

Not necessarily. While it's important for a hospital's board to have solid contacts within its community, that doesn't mean that every member has to fit that mold. In fact, some hospitals purposely fill a spot or two on the board with an out-of-towner.

Usually these people have been sought out for their specialized knowledge of a particular topic, such as quality and safety in health care, or have hospital management experience in other parts of the country. Governance consultant James E. Orlikoff estimates that only about 10 to 15 percent of nonprofit hospitals use long-distance members, but he thinks that percentage should grow. Orlikoff is a big promoter of nonprofit boards bringing on outside trustees to provide some clear-eyed thinking on tough topics. Given the difficult decisions many organizations will have to make in an increasingly complex and economically challenging environment, he argues that the board needs to have people who can take the heat for choices that may be politically unpopular with locals.

"Because people are so ingrained in the community, they worry that if they consider an action that may be painful but necessary, such as closing a service or raising rates, they will be

socially ostracized or their business will suffer," Orlikoff says. "Many boards have stepped up to the plate knowing what they need to do but are afraid to swing because of negative repercussions in the community."

In such situations, a long-distance trustee can push the board to do the right thing and offer that crucial outside perspective. "One or two people can call to question the elephant in the room or point out things that might be socially awkward," he suggests. He calls this the "emperor has no clothes" board member—someone who can raise some challenging issues.

The other benefit of recruiting trustees from a regional or national pool is the ability to find someone with expertise that the board is missing. Increasingly, boards are making lists of the wide range of skill sets they need on the board and recruiting to fill those spots. It's relatively easy to find someone with banking or finance experience in town, but trustees with an understanding of health care quality and safety are harder to come by.

Reaching out beyond the local talent pool can land you someone like Julie Morath, R.N., a national expert on quality and safety. Her full-time job is chief quality and safety officer of

BY JAN GREENE

Vanderbilt University Medical Center, Nashville, Tenn., but she travels several times a year to Seattle for the board meetings of Virginia Mason Medical Center, a highly regarded system with a hospital, clinics, physician group and research institute, where she's served on the system board for the past year.

Morath was approached by Virginia Mason because she had worked with its CEO, Gary Kaplan, M.D., on various national quality and patient safety-related conferences. With a demanding day job and plenty of other commitments, why would she take on another heavy-duty task?

"It was an opportunity to share best practices and gain new insights and keep myself fresh," Morath says. "One thing that really attracted me to Virginia Mason is their vision about transforming health care. They're a very forward-thinking and courageous organization."

From the hospital's point of view, bringing someone to the board with top-level clinical experience in quality and safety helps the organization strategize at the trustee level. "We wanted someone who had this incredible experience and expertise on our board so that conversations with a clinical perspective are enhanced," explains Michael VanDerhoef, a Virginia Mason vice president whose responsibilities include governance.

Virginia Mason doesn't necessarily seek out trustees from outside the community, but sometimes that's where the necessary expertise can be found. "We've become more deliberate in the last decade in making sure we have the skills we want on our board," VanDerhoef says. "If we can't find that level locally, we'll look around the country."

The Seattle system has another outside board member—Orlikoff, who was sought out for his experience with governance and perspective from working with many other health care organizations around the country. Orlikoff says he's received requests to serve on other boards, some much closer to his Chicago office, but has turned them down. He too was drawn to Virginia Mason because of its commitment to transforming health care and becoming the leanest, most efficient health care organization in the country.

## Unique Freedoms

Regularly evaluating the board's makeup for updated skills is a best practice for hospital governance, according to the Center for Healthcare Governance, Chicago. In fact, a study by the Health Research & Educational Trust and the Center concluded that there's a direct correlation between such reviews and better-performing systems. The study looked at a number of characteristics of effective board culture, one of them being that "the board systematically defines its needs for expertise and recruits new board members to fit these needs." Half of the CEOs of high-performing hospital systems reported this practice "always," compared with just 9 percent of CEOs of low-performing systems.

While the study didn't look specifically at the impact of having nonlocal trustees on the board, it did examine hospitals that maintain a board culture where "respectful disagreement and dissent are welcomed at board meetings" and an atmosphere that would allow an outsider to feel comfortable speaking out. Seventy percent of the CEOs of high-performing systems in the study reported always maintaining that kind of board culture, while 54 percent

of low-performing system CEOs reported always maintaining that atmosphere.

The idea also gets support from credit rating agencies such as Fitch Ratings, according to Orlikoff, who says one of his client hospitals was advised by Fitch to maintain outside directors as one aspect of solid governance.

Presbyterian Healthcare Services in Albuquerque has been recruiting non-New Mexico directors for about 10 years and makes a point of having at least one outside director on each of its key boards and committees.

"The motivation is to bring perspectives from other parts of the country and often to bring expert perspectives," explains CEO Jim Hinton. For instance, the system board's compliance committee includes a compliance officer from another health care system. "We also want to make sure that none of our boards become too insular and that we have people who don't have to live in the political and operational milieu that others do," he adds. "They feel a little more freedom to raise more challenging issues or perspectives on the board. It raises the play of the entire board."

To use outside directors most effectively, the board's culture needs to allow for dissent. "People understand the process can be a bit messy in getting a contrarian or dissenting opinion," says John Combes, M.D., president and COO of the Center for Healthcare Governance. "Strong board cultures will embrace that. It's OK to disagree as long as you don't do it disagreeably."

Cathy Eddy, a member of the Presbyterian board since 2005 and president of the Irving, Texas-based Health Plan Alliance, believes there's a way to bring an outside view without it being seen as a challenge. "It's a different point of view or looking at things more broadly," says Eddy, whose job gives her perspective on 40 different provider-sponsored health plans around the country. "They may be looking at the dynamics in their state and you can say, here's two or three ways others have looked at it."

At Virginia Mason, the board's staff ensures that all trustees have the opportunity to be heard. "We make sure that if there's any question that someone didn't feel comfortable asking that they have a less public option to make sure that question gets teed up," VanDerhoef says. "We rely on our board members to be open with their questions and concerns."

## Benefits for Both Sides

George Isham, M.D., is a long-distance trustee for Presbyterian who travels to meetings from Minneapolis, where he is chief health officer of HealthPartners, also an integrated delivery system. He got connected to the Albuquerque-based system by knowing Jim Hinton for many years through an executive discussion group and by maintaining a second home in nearby Santa Fe. When Isham mentioned that he came to New Mexico regularly, Hinton noted that Presbyterian was looking for a board member with quality improvement expertise, Isham's specialty.

Isham was drawn in by an interest in New Mexicans having access to the best health care, and also by the fact that both Presbyterian and HealthPartners are integrated systems with a health plan and provider network combination. He joined the quality committee in 2006 and a year later began serving on the system board.

He sees the Presbyterian board job as a "growth opportunity" to work in a governance position and believes it has been helpful

to his job in HealthPartners' administration.

For Presbyterian's benefit, Isham says, he brings senior health care leadership experience. "I can ask more penetrating and specific questions about operations," he says. "I understand a lot of the technical issues on the reports we see and strategies being discussed. Other board members appreciate that, and it causes us to ask sharper questions or press management on being accountable for performance in a little more specific way. That is very helpful to the management team and Presbyterian's overall objectives."

Hinton believes Presbyterian's practice of maintaining long-distance trustees keeps the organization aware of national trends. "We would never go back to having boards that are all New Mexico people," he says. "What's happening in health care is increasingly viewed from a national lens rather than a local or regional lens, so getting experiences from other systems and markets is probably more valuable than it's ever been. Their voices are really critical."

While both Presbyterian and Virginia Mason are larger systems investing in being at the leading edge of health care management, smaller hospitals also could benefit from having outside directors, and Hinton expects some of the system's smaller outlying hospitals to adopt the practice in coming years.

Still, the concept of an outside director is really limited to independent, for-profit and not-for-profit health care organizations. Public and district hospitals whose directors are elected can't take advantage of the long-distance trustee option.

Hospitals interested in recruiting long-distance trustees will have more people to choose from as baby boomer hospital executives end their full-time careers but still want to contribute to their field. "There will be a number of CEOs who will want to remain engaged and could be very strong assets," says Doug Smith, president and CEO of B.E. Smith, a Lenexa, Kan.-based health care executive search firm. Good candidates would include people who are originally from the hospital's community and are interested in giving something back to their hometowns, Smith suggests. Having some kind of ties to the place reduces the chance that they'll be criticized as an outsider, he adds.

## Learning the Territory

Even though nonlocal trustees often bring special expertise to the table, they must still take on the same responsibilities to educate themselves about all the issues that local trustees deal with. In fact, they may have to make an additional effort to learn about the local community.

"I have subscribed to the local magazines about Seattle and the state of Washington so I have some better feel for the environment where Virginia Mason is located," Nashville-based Morath says.

Similarly, Isham feels that he has had to work extra hard to get up to speed on the New Mexico market. "You have to work harder to ask questions and read the materials when you're not in the community and don't know the context. That's an important handicap to overcome because health care is really community-focused," he says.

Orlikoff finds that he has to keep in mind the difference between being a consultant to the hospital and being a board member. "There's a significant difference," he notes. "I have to work to be a good board member and not just focus on my area of expertise."

But overall, the job description of hospital trustee is largely the same no matter where a board member is based. When recruiting for new board members, Presbyterian uses the same criteria for both local and traveling trustees, Hinton says. They are expected to show up at every regular board meeting.

Isham says his day job is his top priority, but Presbyterian comes next. He attends every board meeting and retreat. There was one year when he missed a couple of board meetings because their dates coincided with HealthPartners board meetings. "I know I wasn't as effective as I could have been or should have been that year," he says.

Orlikoff attends every board meeting in Seattle, but he often runs the quality committee he chairs by videoconference, which worked out fine once he had established relationships with other members in person. "You can't rely on it until after you have learned all of the people and the culture of the board," he says.

Combes serves on the board at Hospital Sisters Health System in Springfield, Ill., about a three-and-a-half hour drive from his home in Chicago. He was

recruited for his background in hospital governance and his experience in quality and safety. "The board was going through a restructuring and asked if I would mind serving on the board during the transition," Combes says.

With members in Chicago, St. Louis and Wisconsin, the Hospital Sisters board uses teleconferencing for some committee meetings and plans to branch into videoconferencing. "The proper use of that facilitates your work tremendously," says Combes. "You want to make the best use of people's time."

Orlikoff believes many more hospitals and systems would benefit from having an outside perspective on the board, and he often suggests it to his clients. It doesn't always go over well, possibly because organizations are used to grounding the board of trustees so solidly in the community. "A lot of boards push back when they hear that suggestion, they get very defensive," he says. "But just having the conversation is a very healthy governance discussion in its own right." **T**

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