The Role of Hospital Board Members in Today’s Environment

Alabama Hospital Association 2018
TIMES HAVE CHANGED
Hospitals are very complex organizations, and things are constantly changing.

Decisions made can impact community well being and hundreds of jobs.

Learning the jargon is like tackling a foreign language.

Understanding the reimbursement system is even worse!
Basic roles and responsibilities
Best practices
External challenges
Discussion
Acting in the best interest of the organization, not personal interest.
- Having good faith intentions
- Behave in a way that demonstrates that actions taken are in the best interest of stakeholders

Slippery slopes:
- Conflicts of interest influence decisions
- Disclosure of confidential information
- Capitalizing on a business opportunity meant for the organization
- Voting for unlawful distribution of assets
DEMONSTRATING DUTY OF LOYALTY

- Keeping key stakeholders in mind during discussions
- Disclosing all potential conflicts annually and updating as needed
- Acknowledging specific conflicts as issues arise & abstaining from discussion/vote if conflict is material
- Raising questions about conflicts with other board members when needed
LEGAL DUTIES - DUTY OF OBEEDIENCE

- Abiding by board policies and bylaws
- Abiding by pertinent laws and regulations
DEMONSTRATING DUTY OF OBEDIENCE

- Providing information on potential legal implications before decisions are even discussed
- Seeking legal counsel as needed
- Ensuring all trustees are made aware of board bylaws and policies (orientation and reminders)
LEGAL DUTIES – DUTY OF CARE

- Act in good faith (without improper financial benefit)
- Act on level of ordinarily prudent person
- Act in the best interest of hospital

Typically this comes into play when:

- Board is making decisions on things like contracts, compensation, etc.
- Board is carrying out oversight functions for compliance
DEMONSTRATING DUTY OF CARE

- Coming prepared to board meetings
- Asking for clarification if needed
- Spending adequate amount of board time on key decisions
- Asking tough questions
- Challenging assumptions
- Being willing to vote “no”
SPECIFICS ON COMPLIANCE

- Ensure hospital has a culture of compliance
- Ensure hospital has comprehensive program to include a compliance officer/committee
- Provide resources necessary for compliance
- Receive periodic reports on compliance

Potential liabilities:

☑ Arrangements with physicians to include payments & referrals
☑ Billing issues
KEY RESPONSIBILITIES

What you typically do ...
“If you don’t know where you are going, any road will get you there.” Lewis Carroll
EMPLOY AND COMPENSATE CEO

- Hire CEO who fits organization’s mission and needs.
- Have compensation committee that ensure appropriate compensation and incentives.
- Ensure CEO is providing management depth in the organization to ensure smooth transition when needed.
- Stay focused on CEO.
ENSURE QUALITY CARE

- Establish appropriate bylaws/policies re. physician care, appointment to medical staff, etc.
- Ask for regular reports on the quality of care
- Establish a board quality committee
- Provide resources necessary to provide quality care
- Does the board have clinical representation?

** trustees.aha.org – click “Resource” and then “Issues Trends”**
FINANCIAL OVERSIGHT

- Have active financial committee that helps develop budget, financial policies and reporting tools
- Set realistic financial goals
- Ensure appropriate audits
- Help board members better understand hospital finance
- Recruit financial expertise when selecting board members
Free CD - Gross Charges vs. Net Revenue
Good boards continually assess themselves.

Need individual board assessment, as well as assessment of entire board.

Spend time at a board meeting reviewing results and making changes if needed.

Maybe take time at a retreat to take a deeper dive.

Trustees.aha.org – Resources/Tools.

AlaHA site – www.alaha.org/Resources/Trustee Resources.
Ongoing education – 15 minutes per meeting?

Maybe use one board meeting per year just for education

AlaHA Leadership Forum – have individuals report back at next meeting

Assign articles to read and discuss

Do rounds with clinicians to better understand care provided
EXTERNAL CHALLENGES
INADEQUATE PAYMENTS

- Medicare: 38%
- Medicaid: 20%
- Commercial: 31%
- Other: 12%
MEDICARE PAYMENTS

- Payment for care – 65 and older

- Hospitals receive a fixed payment for each Medicare stay based on the diagnosis, thus placing the risk at the hospital level.

- Payments include a base payment adjusted by several factors, including wages.

- Because of wage calculation, hospitals in some states are paid twice as much as Alabama hospitals, and our margins are the lowest in the country.
### General information

- Hospital type: Acute Care Hospitals
- Provides emergency services: Yes
- Participates in Nursing Care Registry, General Surgery Registry: Yes
- Able to receive lab results electronically: Yes
- Able to track patients’ lab results, tests, and referrals electronically between visits: No
- Uses outpatient safe surgery checklist: Yes
- Uses inpatient safe surgery checklist: Yes
- Uses hospital survey on patient safety culture: Yes

**NORTHEAST ALABAMA REGIONAL MEDICAL CENTER**

400 EAST 10TH STREET  
ANNISTON, AL 36207  
(256) 235-5121

**Overall rating**: ★★★★★

Learn more about the overall ratings  
View rating details

**Distance**: 0.7 miles

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Map and directions for
MEDICAID PAYMENTS

- Medicaid is a joint state/federal program that provides health care to low-income individuals and the disabled.
- In Alabama, majority of those covered are children, seniors and the blind and disabled.
- Very strict eligibility – no childless adult covered, and a family of four must make less than $4300 a year to qualify.
Out of $6.5 billion Medicaid budget, only 11% of dollars come from the General Fund.

Not one dime of General Fund dollars are used for hospital care. Hospital reimbursement comes from hospital assessments and transfers matched with federal dollars.

Heavy reliance on Washington – Alabama gets 68 cents in federal matching funds for every 32 cents of state funding.
OTHER CHALLENGES – VOLUME TO VALUE

- Increased clinical integration
- Greater risk
- More accountability
OTHER CHALLENGES – AUDITS

- **Constant audits:**
  - RACs – identify payment errors.
  - MACs – conduct reviews for payment accuracy and medical necessity.
  - ZPICs – look for billing fraud.
  - CERTS – work with MACs and randomly review claims.

Recent court case - no grounds for denials.
DIFFICULT DECISIONS

- Strict admission criteria
- Observation – too sick to go home, but don’t meet criteria for admission
- Increase in observation – less money for hospitals, more out-of-pocket for patients
- Two-midnight rule
ELECTRONIC HEALTH RECORDS

Pros
- Increase efficiency
- Improved care

Cons
- Expensive
- Penalties
- Security issues
WORKFORCE

- Engaging physicians – call coverage, to employ or not employ, burnout
- Nursing shortage and aging/retiring employees
- Increasing workplace violence
WHAT ABOUT NEARMC BOARD?

- Do board members fully understand their roles and responsibilities?
- Are board meetings strategic in nature?
- Do you assess your governance on a regular basis?
- Are you open to innovation?
- Do you speak with one voice?
- Are you comfortable that your hospital is providing the best care possible?
YOUR TURN