

Learn From Challenges Facing Healthcare Boards

SPEAKER KEY TAKEAWAY CONSIDERATIONS

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Panelists: **Craig Cordola**, President and Chief Executive Officer, Ascension Texas
Senior Vice President, Ascension Health

Cathy Eddy, Founder, Health Plan Alliance
Former Director, Presbyterian Health Plan and Health First Board of Trustees

John Hawkins, Senior Vice President of Government Relations, Texas Hospital Association

Moderator: **Darnell Dent**, President and Chief Executive Officer, FirstCare Health Plans
NACD Texas TriCities Chapter, Texas Association of Community-Based Health Plans, Chair, Texas
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- The Affordable Care Act signed into law in March 2010 prompted tremendous change in the health care industry; and, the current administration, despite intentions to do so, has failed to repeal and replace the legislation. Despite this, the 2018 Tax Reform Bill shows elements of repeal and will impact healthcare organizations by:
 - Eliminating the individual mandate which requires all individuals to secure qualifying health coverage or face a tax penalty. This change will likely result in more uninsured individuals.
 - Increasing the federal deficit which places more pressure on federal spending for programs such as healthcare (i.e. Medicare).
 - Current healthcare spending in the US is about 17% of total Gross Domestic Product which is almost two times what other developed nations are spending. Additionally, the US underperforms compared to other nations when it comes to healthcare outcomes like mortality, safety, and efficiency. Individuals and families are also spending more out-of-pocket on healthcare than ever before with increases in premium and deductible expense outpacing any increase in earnings or even inflation.
 - Payment reform, cost structure pressures, outpatient care models, and a rise in market consolidations/mergers/acquisitions have healthcare organizations at an inflection point in the industry. The pressure to maintain sustainable margins while transforming from fee-for-service to value-based care models and delivering on value in terms of high quality, safe care at affordable rates is daunting.
 - Healthcare is shifting away from hospitals and in to outpatient or ambulatory care settings which places a burden on organizations dependent upon inpatient-dominant payment systems with a substantial fixed cost structure. Salaries, wages, and benefits make up about half of total expenses followed by supplies and pharmaceuticals.
 - Tight margins (3-5% is considered “healthy”) in a capital-constrained environment where “brick and mortar”, ambulatory expansion, and facility upgrades to accommodate new technologies and innovation will challenge all healthcare leaders to prioritize investments and seek alternative funding like philanthropy or other community partnerships.
 - It is imperative for boards to keep up to date on legislative and regulatory issues impacting their organizations:
 - “The array of regulations that govern health care can seem overwhelming to people who work in the industry. Almost every aspect of the field is overseen by one regulatory body or another, and sometimes by several. Health care professionals may feel that they spend more time complying with rules that direct their work than actually doing the work itself” (*Why Is Health Care Regulation So Complex?* By Robert I. Field, JD, MPH, PhD)
 - Board members can be champions for their organization and can have considerable influence in the community, particularly with elected officials and regulators.

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TEXAS TRICITIES CHAPTER



- Advocacy is a broad term that covers a wide range of legal and other activities that can include much more than just legislative lobbying.
- While all lobbying is advocacy, not all advocacy is lobbying. Advocacy is any activity that speaks in favor of, recommends, argues for a cause, supports or defends, or pleads on behalf of others. It includes public education, regulatory work, litigation and work before administrative bodies. (Source: *Alliance for Justice*)
- Members of exceptional boards extend the reach of the organization by actively using their own reputations and networks to secure access. They bring social and political capital to the organization, thereby enhancing its reputation and capacity. Serving as the community face of the organization, they advocate on behalf of the organization in appropriate public contexts. (Source: *Twelve Principles of Governance that Power Exceptional Boards, BoardSource*)
- By joining a board, an individual is making a commitment to support and strengthen that organization by providing her or his leadership, expertise and influence – including external relationships – that will enable the organization’s mission to flourish.
- Board members spend considerable time focusing on internal items, such as accountability and finances, but board members must also accept the expectation that they will spend time advancing the organization’s mission by serving as an advocate.
- Focus on evidence-based advocacy – use specific examples of the impact of legislation/regulation on your organization.
- Board members with competencies in other industry areas can help lead innovation.
 - *Innovating in a Highly Regulated Industry Like Health Care. By Naomi Fried (JUNE 12, 2017)*
 - **Build relationships proactively with internal regulatory and legal folks.** Seek out—don’t avoid – the staff responsible for legal, regulatory, and compliance within your organization. Innovators sometimes think they are better off steering clear of these gatekeepers and guardians for as long as possible. That’s a big mistake. You can’t avoid working with these folks, and if you don’t find them, they will come and find you.
 - **Find a champion within your legal or regulatory departments who is interested in innovation.** Recruiting a legal or regulation expert who will champion innovation lends internal credibility to your project and can help you navigate not just your organization, but also your industry.
 - **Tackle “folk law” head on.** In regulated industries, there are clearly industry rules that need to be followed and laws to be aware of. However, there are also often gray areas where the law is unclear. Innovation frequently occurs in that uncharted territory, where regulations may not be well-defined. In the absence of clear laws and regulations, people tend to rely on “folk law.”