

# The Board's Evolving Role in Quality Oversight

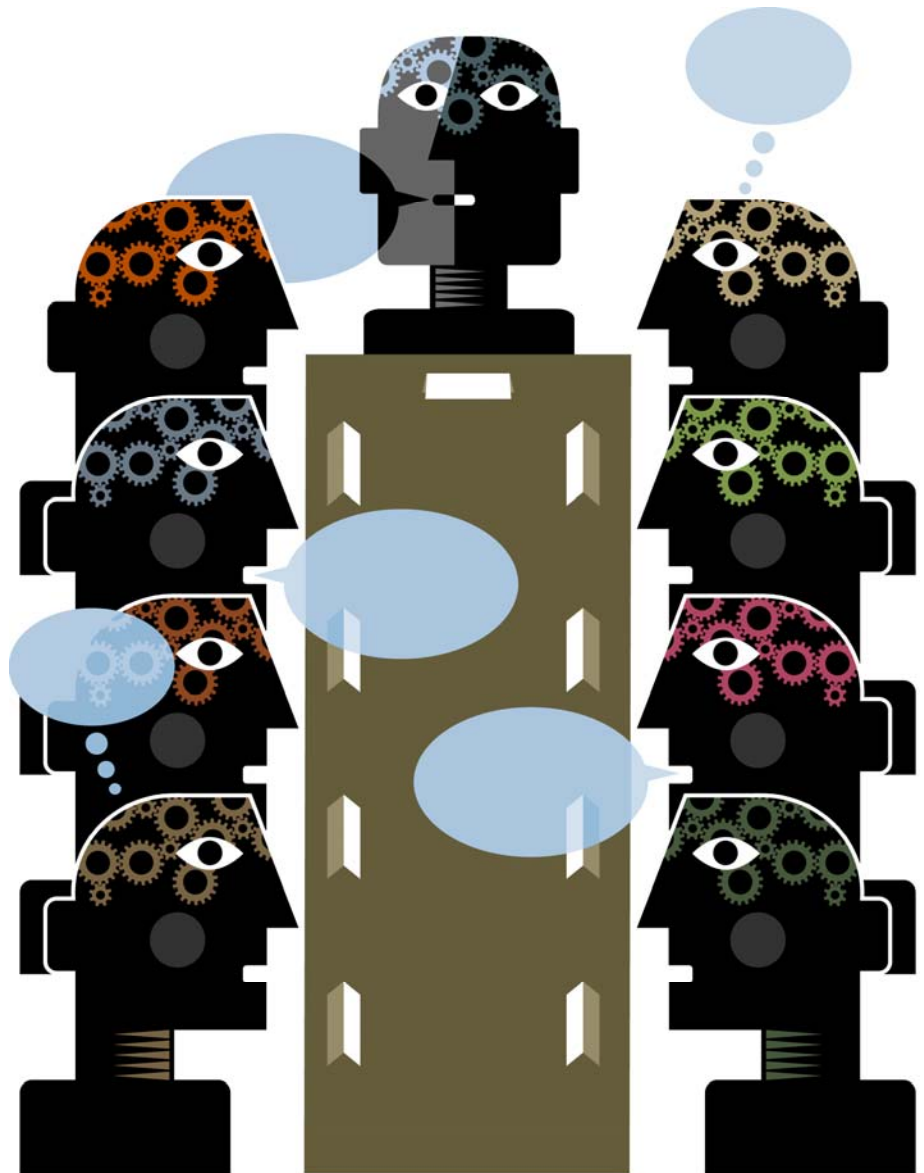
## Where to begin and why it matters

By Erica M. Osborne, MPH and Karma Bass, MPH, FACHE

The United States' healthcare delivery system is undergoing an unprecedented transformation. The implementation of the Affordable Care Act, the increasing focus on value, along with the introduction of new health technologies and the empowered consumer have brought about a fundamental shift in how care is delivered and paid for in this country.

In light of this shift, as well as continued challenges to their missions, non-profit hospitals and healthcare systems across the country are looking to transform their organizations. Among the many areas of change, organizations are increasingly focusing their attention on quality and patient safety. In response to the intensified focus on quality measurement and reporting across the healthcare industry, CEOs and board leadership teams together are striving to determine how best to leverage board assets in quality oversight and where to draw the distinction between governance and management. While the role of the board varies, appropriately, among organizations, most agree that boards need to engage differently around the oversight of quality and patient safety.

Because governance involves exercising accountability by setting policy and overseeing implementation, boards should start by focusing on what they can do and how they can adapt to a new, more engaged, and transparent governance model.



### Defining Healthcare Quality

In order to have a meaningful conversation about quality of care and patient safety in the boardroom, it is imperative to first and foremost define what is meant by “quality.” Boards pursuing the journey to enhance their effectiveness in quality oversight would be well served to spend time at a retreat or quality committee meeting discussing precisely what is meant by “quality and patient safety” in their organizations.

In 2001, the Institute of Medicine published *Crossing the Quality Chasm: A New Health System for the 21st Century*. In this seminal publication, a six-pronged definition of healthcare quality was put forth that is generally considered to be the most complete and widely accepted. (See next page.) Regardless of the definition one chooses to apply, organizational leaders must carve out time to discuss and confirm a common understanding of what quality is for their particular organization.

## Quality in Healthcare, Defined

According to the Institute of Medicine, quality in healthcare is defined as care which is:

**Safe** and avoids inflicting injuries to patients from the care that is intended to help them.

**Effective** by providing services based on scientific knowledge to all who could benefit and refraining from providing services to those not likely to benefit, thus avoiding underuse and overuse, respectively.

**Patient-centered** by providing care that is respectful of and responsive to individual patient preferences, needs, and values and ensuring that patient values guide all clinical decisions.

**Timely** and reduces waits and sometimes harmful delays for both those who receive and those who give care.

**Efficient** by avoiding waste of equipment, supplies, ideas, and energy.

**Equitable** by providing care that does not vary in quality because of personal characteristics such as gender, ethnicity, geographic location, and socioeconomic status.<sup>1</sup>

### It's a Journey, Not a Destination

As with any effort at improvement, enhancing a board's effectiveness in being accountable for and knowledgeable about the safety and quality of patient care should be viewed as an ongoing process. The key to any successful journey involves knowing where you are starting from and building a map of where you want to go. While there are an increasing number of practices around quality oversight there are few universally-recognized "best practices" to follow. Therefore, each board should consider its current practices around quality and safety and determine the best process for fulfilling its oversight responsibilities given its individual circumstances.

Boards and board members are encouraged to engage in education, training, and conversation among colleagues. The best environment for quality improvement is one of honest inquiry and data-driven dialogue.

Success in this arena will require boards to become comfortable with uncertainty. The board will never know everything there is to know about patient quality and safety in their organizations. However,

smart boards can stay engaged, ask good questions, and support the staff as they work on this critically important effort. Furthermore, the fact that many board members are not clinicians or possess health care expertise can be an advantage; healthcare is incredibly complex and at times those who work in it may fail to see the forest for the trees. Like the little child in the parable of the Emperor's New Clothes, board members can ask the seemingly obvious questions and, at times, help reorient an organization's focus.

### Making the Case

Historically, quality oversight was delegated to the management or clinical staff and not considered to be the purview of the board. Directors often did not consider this a significant aspect of their governance role. "We aren't clinicians," they would often say, and "our focus is the mission and advocacy."

This, however, is changing in response to legal and regulatory requirements and increasing pressure from purchasers and payers to

demonstrate improved quality of care. Health care organizations across the country are seeing a movement in which the board is playing a greater role in overseeing the quality and safety of care provided. This shift is being driven in large part because the environment in which non-profit boards operate has become increasingly challenging. Perceptions of the duties of the board have changed, and non-profit healthcare organizations are being scrutinized more closely than ever before. With a large number of federal and state agencies, the courts and other stakeholders' increasing willingness to second-guess board decisions, directors need to have a clear understanding of their legal responsibilities particularly as they relate to quality and safety oversight.

### Legal & Regulatory Imperatives

With pay-for-performance and greater consumer scrutiny of care, healthcare organizations are being asked to be even more publicly accountable for their patient's care, especially if something goes wrong. Case law examples, changes in state statutes and accreditation standards by accrediting bodies throughout the sector have placed quality and patient safety clearly in the board's area of responsibility. Boards who have historically entrusted the oversight of quality and safety to the organization's executives and clinicians now find that they must also demonstrate accountability for and knowledge about the safety and quality of patient care.

### The Moral Imperative

Along with the legal and regulatory imperatives, there is also a moral imperative to be considered. Governing boards of non-profit healthcare organizations hold the resources of their organization in trust for the community they serve and therefore are responsible for ensuring that their organization provides safe, effective, and appropriate care to all patients. Boards can accomplish this by planning for the delivery of necessary services and providing the appropriate level of resources and support needed to fulfill its commitment to improved organizational performance. Leadership, through its behavior and expectations for action, can also foster a culture that promotes safety and quality and emphasizes open communication and transparency.<sup>2</sup>

<sup>1</sup> *Crossing the Quality Chasm: A New Health System for the 21st Century*, Institute of Medicine, National Academy Press, 2001.

<sup>2</sup> *Schyve, Paul. Leadership in Healthcare Organizations. San Diego: The Governance Institute, Winter 2009.*

It's been said that anything that has the potential to harm the organization or its patients should be a concern of the board. Thus, effective boards are staying informed and seeking continuous training on this important issue.

### Emerging Financial Imperative

As public and private payers increasingly link reimbursement to quality outcomes, the business case for quality oversight is no longer hypothetical. On the public side, the Centers for Medicare and Medicaid have implemented the value-based purchasing program attaching increasing amounts of reimbursement to clinical performance measures and rewarding high performing providers. Private insurers have also committed to moving away from fee-for-service payments and transitioning into value-based agreements. The movement to pay for performance rather than volume of services provided is intended to put financial pressure on healthcare providers to produce safe, efficient, high quality services. Those organizations that do not perform well on quality measures will see reimbursement reduced. With the growing concerns about the quality and cost of healthcare in this country, governing boards are being called upon to set the direction for their organizations and create an environment where clinicians, management, and the board work together to promote behavioral change at the individual and organizational level.<sup>3</sup>

### Fiduciary Responsibilities

Oversight of quality and patient safety is now widely recognized as a primary fiduciary duty of the healthcare governing board. Board members are required to carry out the fundamental duty of oversight with sufficient care, loyalty, and obedience. Boards may falter in many areas without drawing attention, but failure to fulfill these primary duties can lead to action by a number of groups, including the state attorneys general, federal regulators, or members of the public. It is therefore important that directors exercise diligence to meet these obligations, take the appropriate steps in exercising their fiduciary responsibilities, and avoid self-dealing. In fact, board members can shield themselves from personal liability for board actions even if something goes wrong by attending to their fiduciary duties closely and carefully documenting their decisions.

Boards have clear fiduciary responsibilities in this area for a variety of reasons. The most obvious is that the promotion of safe, high quality care is the healthcare industry's reason for being and is critical to maintaining the reputation of the individual organizations providing that care. In addition, the increased emphasis on

regulatory enforcement is requiring that boards provide sufficient oversight of care for compliance purposes. A new focus on value and the relationship between quality, cost, and outcomes also impacts the responsibilities of the directors. These issues are so central to the business of delivering healthcare today that they demand the attention of the governing board.

The legal underpinnings of a board's fiduciary duties of care and obedience lend additional weight. The duty of care requires that members provide oversight of operational activities, ensure an effective compliance/risk management program exists, and exercise the proper amount of care when making decisions or taking action. Directors are expected to be aware of what is happening in the organization and make reasonable inquiries into those aspects that are unclear or they have concerns about. By ensuring that a reporting system is in place that provides reasonable up-to-date information, board members are able to keep a finger on the pulse of the organization. By conducting the appropriate level of due diligence and asking prudent questions, board members demonstrate that the decisions they make and the actions they take are informed and in the best interest of the organization.

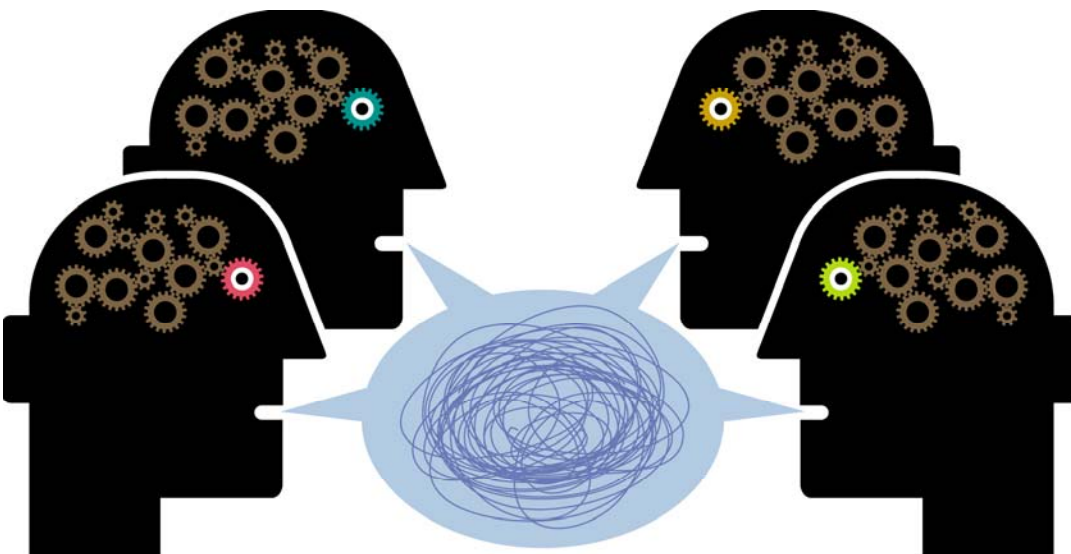
When evaluating whether the board has met its fiduciary obligations, the courts, regulators and state attorneys general do not require perfection. Board members are not expected to know everything about a subject and are permitted to rely on the advice of management and outside experts. So long as it can be shown that the board conducted an appropriate level of due diligence to support an informed decision and that it acted in the best interest of the organization, the board has done its job.<sup>4</sup>

### Ways Boards Can Engage

There are a variety of ways that boards can engage in quality oversight. Although there are an increasing number of practices around quality oversight there are few universally-recognized "best practices" to follow, each board should consider its current practices around quality and safety and select the practices it feels will best support its oversight of quality.

<sup>3</sup> *Transforming Care Delivery to Focus on Patient Outcomes: Why Boards Matter*. Christine Izui AHA Center for Healthcare Governance, 2012.

<sup>4</sup> *U.S. OIG. Corporate Responsibility and Health Care Quality: A Resource for Health Care Boards of Directors*. By Arianne N. Callender, Douglas A. Hastings, Michael C. Hemsley, Lewis Morris, and Michael W. Peregrine. U.S. Dept of Health and Human Services, 2007.



With the landscape of healthcare quality measurement and reporting shifting dramatically, hospital and healthcare organization boards are well-served to re-examine the ways in which they oversee the quality of care, service and safety provided in their organizations. We hope this briefing has provided food for thought.

While it is not necessarily a comfortable topic for boards, quality and safety are central to what healthcare organizations do and therefore must be the purview of the board. We encourage boards to start with a conversation and keep talking. As the Chinese philosopher Lau Tsu said, **The journey of a thousand miles begins with a single step.**

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## Ideas to Engage Your Board in Quality Oversight

- ◆ Define healthcare quality for the organization in partnership with the CEO and staff
- ◆ Support a culture that promotes safety and quality
- ◆ Ensure materials shown to prospective board members outline the board's responsibility for quality
- ◆ Incorporate an overview and discussion of the board's role in quality and safety oversight into new board member orientation
- ◆ Include the quality and safety oversight responsibilities in the board member job description
- ◆ Identify quality as a strategic pillar for the organization
- ◆ Set annual goals for the organization's performance on quality and patient safety
- ◆ Ensure that regular written and verbal reports are made to the full board on quality metrics, safety performance metrics, and any legal action or regulatory agency inquiry regarding patient care
- ◆ Require corrective action in response to under-performance on the quality and patient safety goals
- ◆ Incorporate board training on the organization's quality performance metrics at least once a year
- ◆ Call out the quality, risk management, and safety-related spending included in the annual budget
- ◆ Look for new board members who are willing to raise constructive questions and challenge ideas without losing collegiality which is particularly important for quality oversight
- ◆ Consider incorporating at least two quality and/or patient safety metrics in the organization's consolidated performance dashboard
- ◆ Include patient stories—without identifying them by name—as part of the quality report that is given to the board to humanize the statistics and data

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