The Community Centered Board
Building Connections, Strengthening Value

Public trust and confidence are critical to sustaining competitive success, building a broad and cohesive base of hospital advocates, and ensuring widespread support for the hospital’s important mission and vision.

Hospital trustees face a broad array of complex challenges in their continual quest to meet the critical health care needs of the communities they serve. Too often, trustees become so consumed with organizational issues and challenges that they lose sight of the need to consistently and forcefully connect in meaningful ways with their communities.

With growing scrutiny of the “community benefit” provided by hospitals, hospital boards have a unique opportunity to ensure that their organizations consistently engage in meaningful ways with a broad range of community stakeholders.

The Challenge
Most hospital boards in America have a long list of issues on their agenda at every meeting. They grapple with issues such as trying to expand services in the face of inadequate payments; competitive challenges; understanding how to be successful despite the complex array of state and federal regulations that often slow down their ability to meet their community’s needs; and issues of quality and patient safety, among others.

Unfortunately, too often boards of trustees relegate issues of community service and community health to the governance back burner. These important issues simply get crowded out by what are perceived to be more urgent and critical priorities, or they are seen as “public relations” efforts rather than being a critical part of the hospital’s “organizational DNA.”

Boards of trustees too frequently assume that public awareness, trust and confidence problems are not an issue for their hospital unless they hear otherwise. This ignores the fact that issues of community confidence and trust often bubble below the surface, and may not be apparent to board members in the course of their engagement with the people they work with and know in the community. To ensure community centeredness is at the forefront, board members should be asking questions such as:

- What is our “community?”
- Do people in our community see the hospital as being community centered?
- Can we describe our community partnerships and their value and results?
- What are we doing to ensure that the entire organization embraces its community accountability?
- Who do we partner with to help us achieve our community-based mission?
- Is community health a part of our strategic agenda? How much are we investing in it? What kind of returns are we getting?
- What is the individual community advocacy role of every trustee?

What’s Driving the Issue?
A number of factors are making the issue of community focus and community connections a necessary and valuable strategy for hospitals to aggressively pursue today. Communities, states and the federal government are increasingly challenged to find the financial resources to adequately fund many important public service programs.

Unfortunately, the tens of billions of dollars in tax exemptions afforded to not-for-profit hospitals are tempting pools of potential cash to some, who question whether hospitals earn or deserve their...
Michael Moore’s new film, *Sicko*, is a documentary that compares America’s health care system to that of other nations, and exposes a host of Health Maintenance Organization (HMO) “horror stories.” *Sicko* explores a host of problems the health care industry is struggling with, including the number of uninsured in the U.S.

One reviewer said “the film is not just an inoculative needle prick about the ills of the American health care system, it is a far more invasive undertaking that delicately picks apart all the wrongs and injustices predicated by the inherent greed and capitalistic lust that underlies social policy in the United States. Using average American citizens as his surgical tool, he dissects the systematic political artifice to find insurance companies that rob the sick and dying, politicians that cheat the elderly, a lack of social concern for future generations, blatant imperialism, murder, and disrespect for those who have sacrificed when the U.S. government failed to care for other people.”

The reviewer also states that “while *Sicko* does not offer any solutions to the problems posed in the film, it does make one feel angry and confrontational enough to go out and demand some answers and solutions from the powers-that-be.” This new film, with all the hype it’s already received and will likely continue to receive, unfortunately may cause further problems of trust in the American health care system.

But the reality of this film is that it’s here, and the fact that people will be talking about it and reading about it makes it even more important for hospitals to continuously send the right message in the right way about what’s right with health care in their communities.

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**Becoming a Community Centered Board**

The American Hospital Association (AHA) has developed an initiative called “Community Connections”. One aspect of this initiative includes “advice from the front lines”, case examples of the experiences of some of the nation’s health care leaders, to enable hospitals to learn how hospital leaders are engaging and connecting with their communities, what benefits and challenges they experienced as they made a concerted effort to connect with diverse segments of the population, and what insights and advice they have for their colleagues.

Rich Umbdenstock, the current president of the AHA, says that “solving community-based health care problems can’t be done with only one point of view. We need to probe the variety of views that exist in our communities, and put the learning to work to better serve diverse and evolving needs.”

That, in essence, is the heart of what being a community centered board is all about. It’s about hospitals really knowing their community, a community that extends well beyond the people they work with, socialize with, and interact with on a daily basis.

It’s about truly connecting with people, understanding what they think, why they think what they think, and putting that community intelligence to work to build a better, deeper and more comprehensive understanding of real community perceptions and needs. That’s a mandate that requires board leadership and resolve.

**Under the Microscope**

It’s no secret that hospitals and their boards of trustees are under a huge microscope of scrutiny today. They have been challenged by plaintiffs’ attorneys in federal and state class-action lawsuits for allegedly overbilling the uninsured, employing heavy-handed collection practices and failing to live up to their tax-exempt status.

Hospitals have also been in the crosshairs of the Internal Revenue Service and the Senate Finance Committee for their executive compensation practices. In addition, hospitals are continually examined by the federal government for potential violations of fraud and abuse regulations.
One of those guidelines is Schedule H, which is to be completed by all hospitals or other organizations that provide medical care. The IRS also released schedules on executive compensation, related organizations, asset transfers/termination of exempt entity, tax-exempt bonds and governance.

Hospitals are unfairly blamed by businesses and payers for being the primary culprit behind dramatically rising health care costs, and hospitals are too often branded as being fragmented, disjointed, uncoordinated, cumbersome, confusing, bureaucratic, and slow.

As the press continues to report anecdotal examples of poor health care quality and safety slip-ups, public skepticism and concern continue to mount. And because hospitals are big and expensive and hard to understand, they are targeted as “big business”, and sometimes suffer from the negative image associated with high-profile corporate wrongdoing.

**IRS Scrutiny.** The IRS has become increasingly interested in a broad scope of not-for-profit tax-exempt hospital activities, including governance. The compliance check questionnaire that was sent to hundreds of hospitals throughout the nation a year ago had one small section with questions about hospitals’ board of directors. The questionnaire covered only four areas: board size, the professional background of each board member, meeting frequency, and meeting attendance.

In addition, early this year the IRS released voluntary guidelines on good governance among tax-exempt organizations. Those very brief guidelines covered board responsibilities including mission, ethics, due diligence, fiduciary responsibilities, transparency, finance and compensation, among others. The heads-up for boards is that the IRS is increasingly interested in who governs, how they govern, and what the community benefit results of such governance are.

**Proposed New IRS Form 990.** In June 2007, the IRS released its long-promised draft revision of the Form 990. The new form includes 15 specific schedules that organizations must complete depending upon the types of activities they engage in. One of those guidelines is Schedule H, which is to be completed by all hospitals or other organizations that provide medical care. The IRS also released schedules on executive compensation, related organizations, asset transfers/termination of exempt entity, tax-exempt bonds and governance.

Hospital trustees should be aware that the proposed form asks for a variety of governance related information, including information about board size, the number of independent board members, trustee loans and compensation, trustee family relationships with employees, business relationships with other persons and organizations, governance service with other organizations doing business with the hospital, changes to governing documents, conflict of interest policies, meeting documentation, financial audit, and transparency.

The IRS plans to implement the new Form 990 and schedules for the tax year 2008.

**Increased Scrutiny of Community Benefit.** A critical question that must be addressed has to do with community benefit—what it is, how hospitals can provide it, how hospitals can measure it, and how hospitals report it.

There are those in government and elsewhere who doubt that hospitals’ community contribution is equal to or greater than the tax-exempt benefit they receive. For example, when Representative Bill Thomas was chair of the U.S. House Ways and Means Committee he stated that “Congress must look at what taxpayers are getting in return for the tens of billions of dollars per year hospitals receive in tax subsidies because of their charitable status.”

The Senate Finance Committee and the Internal Revenue Service have also continued to step up their efforts to challenge whether hospitals’ community benefit programs and services are adequate to support their tax exempt status. This issue will not go away. In fact, if anything the scrutiny of hospitals’ community benefit and value contribution will increase in the coming years. This is one of the principal reasons why creating wide community connections and growing deep community roots is so important.

**Getting Schooled in Governance.** The May 28, 2007 issue of *Modern Healthcare* included an article entitled “Getting Schooled in Governance.” The story talks about a first-in-the-nation law recently passed by the New Jersey legislature to require hospital trustees to receive “certified” training through a one-day class, with a special leadership curriculum.
The law, sponsored by a hospital trustee Assemblyman, and cosponsored by another hospital trustee legislator, requires all members of hospital boards of trustees in the state to complete a training program approved by the Commissioner of Health and Senior Services designed to clarify the roles and duties of a hospital trustee.

The educational program is prescribed to be at least one day in length, and the curriculum for the training will be determined by the commissioner, who will also determine who will provide the training, the timeframe within which the training is to be completed, and the documentation that will be used to certify the training. This represents the first time a state will mandate a specified governance education curriculum.

The New Jersey Commissioner of Health stated in the article that he had his “own ideas of what board members need to know.” He went on to say “I think trustee leadership is crucial to the survival of the hospitals … the maintenance of high quality medical care has to start at the top.”

**The Trust-Building Continuum**

Board members should never think that the responsibility for building community confidence and credibility is someone else’s job. The board sets expectations, establishes the leadership culture, and sets in motion the leadership that powers the organization and its culture of community connections, community service, and community health improvement.

The board provides the power, the purpose, and the potential to build community confidence and trust by connecting the values, interests, and objectives of the hospital with a variety of partners and stakeholders whose interests are aligned with the hospital, and who can leverage the hospital’s ability to achieve its mission and vision.

Through its community collaborations the hospital builds awareness and understanding. It creates colleagues and champions for the community connections cause. And it forges the opportunity for a broad-based dialogue about the issues and challenges that matter most to the community.

Through its connections and collaborations the hospital is able to communicate its story widely, in a compelling and “sticky” manner that builds allies and advocates, and that increases community confidence and commitment.

**The Connection Reality**

Many hospitals and boards believe they already know what their community thinks and needs. Hospital trustees have seen the surveys, and talked with their friends, neighbors and business associates, and those experiences and exchanges shape their belief about the community’s confidence in and loyalty to the hospital.

The reality, however, is that most hospital leaders don’t really understand their communities nearly as well as they think they do. They understand thin slices of community perception based on their own personal interactions. They understand demographic trends based on market surveys. They understand patient perceptions based on patient satisfaction survey results. And they understand community needs primarily on the basis of interpretations of market data.

Compounding this is the fact that most people in the community don’t understand the role of hospital plays beyond providing clinical care. They don’t understand charity care and bad debt. They don’t understand service subsidies resulting from payment inadequacies. And most have no notion whatsoever of the total value of the hospital’s community benefit. This lack of understanding by the community has the potential to diminish support for the hospital when hospitals need it most.

On the positive side, however, a continuum of community connections and community centeredness can build the strength hospitals will need to deal with the challenges of the future.

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**Questions Trustees Should Ask**

It is the board’s job to ask the penetrating questions that will yield insights into the quality of the hospital’s community connections efforts. Board members should ask:

- How are we meeting our mission in terms of the community benefits we provide?
- How specifically have we planned to benefit our community?
- Have we budgeted for community benefit this year, and if so how did we arrive at the budget amount?
- What programs do we include in our definition of community benefit, and how did they meet the needs of the people we serve?
- How are we quantifying our community benefit programs?
- How are we demonstrating the effectiveness of our community benefit efforts?
- Are we forcefully and articulately telling our community benefit story to our community, policymakers, and regulators?
- Does the community benefit story demonstrate that we earn the tax benefits we receive?
- How are we holding management accountable for providing community benefit?

*Source: Defining and Measuring Community Benefit, Trustee Magazine, October 2006.*
can only be imagined today. It is likely that the challenges will be more, not fewer, and that the need for comprehensive community connections will escalate, not diminish.

**What Community Connections Really Means for Hospital Boards.** Trustees are in a unique position as community representatives and advocates to work to ensure the hospital has tight community connections, listen to community needs and challenges, and build community understanding and awareness about the issues and challenges the hospital faces—challenges that the community likely doesn’t fully understand or appreciate.

In order to capitalize on that opportunity, the board needs to truly understand what the community wants and needs, and what it thinks and believes. Once that understanding has been achieved, the board needs to be committed to driving responses to the needs, interests, and concerns of what some call the “communities within the community”, the many different stakeholders and constituents that, taken together, form the total fabric of the community.

But the job doesn’t stop there. The board also needs to ensure that the hospital is committed to measuring and evaluating its performance in meeting community needs and delivering the benefit and value the community expects.

Once that value has been clearly defined, it should be communicated widely in ways that are meaningful to various community constituencies. A one-size message does not work. Different constituencies have different needs and different confidence “trigger points.”

People throughout the community need to be informed and engaged in meaningful discussions about the role and value of the hospital, and the benefit it provides that is unique to them and their needs. It’s only through this kind of customized community connection that the hospital will be able to build a broad body of advocates in every corner of the community to support what Dick Davidson, the former president of the AHA called hospitals’ “rightful place as valued and vital community resources that merit broad public support.”

**Major Objectives of Community Connections.** A strong, vibrant and sustainable community connections initiative has the potential to counter the kind of vulnerabilities discussed earlier: questions about community benefit, tax exempt status, billing and collections, and the threat of corporate campaigns by labor unions, among others.

The initiative should be undertaken with a goal of reaffirming the hospital’s place as a mission-driven, community centered health care leader committed to community service and improving community health. It should result in a rich array of powerful and compelling stories of community service and community commitment that can be shared with lawmakers, influencers, the media and others as clear evidence of the hospital’s critical role and value as a community asset.

But community connections is more than just a public relations effort. In order to be effective for the long term it must be “hardwired” into the organization’s culture, becoming embedded over time in the hospital’s DNA. That, again, is where board leadership comes in.

And, the community connections efforts that exemplify the community centered board should contribute to shaping public attitudes and building community level understanding of, and support for the need for fundamental change in the way health care is financed.

**Community Benefit: Creatively and Consistently Conveying the Value Message**

Making the community connection is only one aspect of being a community centered board. Creatively and consistently conveying the value message is accomplished through a community benefit report that defines and communicates the true benefit and value...
The Benefit Equation

\[ B = \frac{I}{R} + IVB \]

Where:
- \( B \) = Benefit
- \( I \) = Investment (all)
- \( R \) = Results
- \( IVB \) = Intangible Value and Benefits

In the benefit equation, benefit equals the investment made by a hospital in all community benefit-related activities over the results achieved, added to the intangible value and benefits created.

The most challenging part of the benefit equation is to define two key elements: results and intangible value and benefits. These two ingredients of the equation are critical to making it truly meaningful to people. The hospital will have to be creative and imaginative in drawing assumptions about the results of its programs, as well as the intangible value created by them. But this is where the real meaning lies. Anyone can report the numbers of people served, number of classes held, etc. Discerning the results of those efforts, and then projecting those results out over a long period of time is the challenge.

Many organizations begin their community connections effort with their employees and physicians, a natural and accessible constituency. Finding out what employees and physicians hear, think and perceive will provide the organization with a good starting point for connecting with a variety of others, including patients and families, the broad general public, community advocacy groups, religious organizations, educational institutions, local and state policymakers, the media, businesses, and payers and the financial community.

Avenues for Building Community Centeredness. There are a number of methods for connecting with the wide range of influencers and stakeholders. The methods a hospital uses will likely be determined by the size of one’s community, the scope of the initiative, and the resources available.

The avenues for building community centeredness include:

- Surveys, interviews and focus groups;
- A broad and meaningful community needs assessment, which is also an expectation in the proposed new Form 990;
- Task forces to explore various aspects of community need and perceptions;
- Traditional advertising and public relations;
- Presentations to community groups and clubs by hospital executives and trustees, community summit meetings to explore public needs and ideas; and
- The development of specific healthy community initiatives that may be undertaken in partnership with other motivated community organizations.

The key is to tie all of these activities together to ensure that they achieve the board’s goal of connecting with the community in meaningful ways, and build a sense of community centeredness that drives leadership decision-making.

The Value Equation

\[ V = \frac{R+P}{E} \]

Where:
- \( V \) = Value
- \( R \) = Relevance (mission and purpose)
- \( P \) = Performance
- \( E \) = Expectations

In the value equation, value equals relevance—the mission and vision of the organization—coupled with performance in achieving the mission and vision, over the expectations that the community has, or should have, of the hospital as the community’s most critical asset.
in moving forward with the hospital’s efforts:

1. Engage family, friends, colleagues and neighbors in conversations about their perceptions of health care needs, and the hospital’s responsiveness;
2. Promote your hospital’s community programs, and the economic and community benefit contributions that enhance your community’s quality of life;
3. Establish community partnerships to maximize benefit and carry out a broad community health improvement agenda;
4. Assess various stakeholders’ needs and interests when developing your vision and strategic plan, and form community relationships to leverage your success;

5. Meet regularly with your community partners to discuss and assess progress in meeting current and emerging community needs;
6. Communicate your efforts and results widely through a comprehensive, meaningful and personal community benefit report;
7. Collaborate with other organizations for legislation and regulation to address pressing community health issues;
8. Regularly assess the clarity and “stickiness” of your community benefit stories; and
9. Include a focus on building community confidence and trust as part of the CEOs performance.

Sources and Additional Information

1. Reality Check: Public Perceptions of Health Care and Hospitals, AHA
One source. Many solutions.

The business of health care is changing—rapidly, dramatically, daily. Hospitals and health systems need fast, flexible, forward-looking solutions to the challenges that determine their future. The Walker Company offers a range of services that can improve governance effectiveness, sharpen organizational intelligence, and enhance strategic competitiveness to help you keep pace with today’s turbulent change.

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