

# Arkansas Trustee

For Arkansas Hospital Governing Board Members

Winter 2023

## BOARDROOM BASICS

### 2023 Environmental Assessment: Leveraging Opportunities and Building Resilience

Hospitals and health systems across the country are facing complex workforce challenges, rising costs of drugs and supplies, and minimal or negative operating margins.

According to a new AHA report, 2022 will likely be recorded as the most financially difficult year for hospitals and health systems since the start of the COVID-19 pandemic.

**U**nderstanding key drivers influencing the health care environment is critical for boards as they plan for 2023 and beyond. While the economic outlook remains challenging, hospitals and health systems have the benefit of many changes already implemented throughout the pandemic that have the potential to create better care delivery models for patients and families.

This issue is dedicated to current and emerging trends occurring in health care. Forward-looking boards can leverage opportunities for improvement and build more resilient organizations by combining their knowledge about these broader industry trends with organization-specific experiences, successes, and challenges.

#### Financial Pressures Will Continue

Since the beginning of the pandemic, many hospitals have operated on razor-thin margins or been operating in the red. According to a recent report from the American Hospital Association (AHA), more than one-third of hospitals are operating with negative margins. Hospitals' financial challenges are primarily attributed to a combination of historically high volumes during the pandemic combined with revenue losses and increasing expenses. One

study shows an increase in costs of 20 percent between 2019 and 2021 for drugs, labor, and supplies.<sup>1</sup>

These negative trends are not expected to change in 2023. In fact, experts predict that the combination of an economic downturn and changing consumer behaviors could increase hospital bankruptcies by as much as one-third in 2023.<sup>2</sup>

**All Hospitals Are Impacted.** Both urban and rural hospitals are impacted. Recent data shows that in 2022 there were 28 percent more Chapter 11 bankruptcy filings for large health care organizations compared to 2021. In addition, more than 30 percent of rural hospitals are currently at risk of closure.<sup>2</sup>

Hospitals that remain open are not immune to its impacts. The significance of the financial pressures has the potential to impact capital

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## President's Notebook

In early 2023, our hospitals continue to face backlash from the COVID pandemic, which is adding to an already-daunting financial crisis. Hospital staff are leaving the field in massive numbers due to burnout, causing hospitals to employ high-cost contract labor and their staffing budgets to skyrocket. Material and supply costs are up, the cost of medication is up, and inflation affects every part of hospital operations. For months, we've been sounding the alarm that payment reform and other financial help for our hospitals is needed.

We're glad to report that limited reform has been enacted. At the federal level, the Centers for Medicare & Medicaid Services (CMS), after engagement with the American Hospital Association, raised both Medicare inpatient and outpatient payment rates. Importantly, it has agreed to use more recent data in its future calculations, which should more accurately reflect the effects of inflation and rising costs hospitals are experiencing today. But much more reform is needed.

At the state level, we are engaging, as always, with members of the legislature and their staffs. We're sponsoring a series of three in-person Advocacy Days at the Capitol, where attendees deliver hospital-specific information to their legislators one-on-one. Our final Advocacy Day is set for March 15, and we hope you will join us. Please contact Executive Vice President Jodiane Tritt ([jtritt@arkhospitals.org](mailto:jtritt@arkhospitals.org)) for more information.

So far, Arkansas hospitals are keeping their doors open despite extreme challenges resulting from a perfect storm caused by the pandemic, supply chain disruptions, inflation, staffing shortages, and rising costs.

We hope 2023 brings a turnaround in our hospitals' financial challenges. We'll continue to advocate – and ask you to add your voice – as policy makers seek ways to ease hospitals' acute financial burden.

Sincerely,



Bo Ryall, President and CEO  
Arkansas Hospital Association

### Adopting a Plan for Board Continuing Education

*Feature Article from Jefferson Regional, Pine Bluff*

A recent article in Becker's Hospital Review reported the result of a recent study on hospital boards. The headline title, while not surprising, might be concerning. The title was "*Most board members at the nation's top hospitals have no healthcare background.*" The reporting included a note that less than 15% of board members overseeing the nation's top hospitals have a professional background in healthcare.

For Arkansas hospital boards, it is very likely that the situation is similar for your board. While a healthcare background is not a requirement for service, a good understanding of healthcare delivery is helpful to be an effective member. One manner of encouraging that understanding is to have an ongoing Educational Plan for board members.

Jefferson Regional is an example of a board that contains many community members who do not have a healthcare background yet consider those members very valuable. Indeed, Brian Thomas, CEO at Jefferson, noted this "The basis for a strong hospital starts with a strong board of directors. Having a well-informed board that understands the ever-changing complexities of how today's hospitals operate and survive is vital for success. Ultimately, today's board members are volunteers from each community that sacrificially give their time to provide leadership, guidance and stability for our hospitals. Keeping board members up-to-speed with current issues & trends in the hospital industry is only becoming more important – especially in today's environment. Education and knowledge are absolutely necessary for board members to effectively carry out their service. In our hospital, there is no doubt that our board of directors play a major role in helping to guide and shape the path of our success."

To assist members in meeting that need, Jefferson adopted a plan with the expectation of 5 hours annually of continuing education, in the same fashion that doctors, attorneys, CPAs and other professionals are required to follow. The plan includes this important provision:

*Continuous education will be provided for all members of the Board of Directors, as well as non-Board Members serving on Board Committees on matters of importance to the organization and/or Board, regarding healthcare trends; and on specialized topics to develop and/or improve competencies needed for effective hospital leadership.*

One manner in which the hospital can provided this education is through meetings provided by the Arkansas Association of Hospital Trustees (AAHT). Indeed, that is the primary purpose of this organization. Drew Atkinson, a Jefferson Regional board member, joined the AAHT board some years ago hoping to help push the educational opportunities available, in great part due to his recognition that he could be more valuable to Jefferson with better healthcare knowledge, going beyond his finance background.

While the covid pandemic curtailed certain events, please be watching for regional and statewide events that AAHT will be promoting in coming days.

As an AAHT member, you should receive Arkansas Hospitals magazine via mail; however, an electronic copy is available at [https://www.arkhospitals.org/Online/Newsroom/Arkansas\\_Hospitals\\_Magazine/Online/News/Magazine.aspx?hkey=e6b3052a-bf9f-434b-8694-7c4ff60bd45c](https://www.arkhospitals.org/Online/Newsroom/Arkansas_Hospitals_Magazine/Online/News/Magazine.aspx?hkey=e6b3052a-bf9f-434b-8694-7c4ff60bd45c).

project investments, updates to medical equipment and infrastructure, workforce challenges related to salaries and the workplace environment, and real and perceived impacts on quality of care and the overall patient experience.

**Payment Models Will Continue to Provide Opportunities.** Value-based payment models continued to grow before the pandemic, encouraging holistic care rather than traditional fee-for-service payments. While participation in accountable care organizations (ACOs) and medical homes declined during the pandemic, in 2020 over 40 percent of U.S. health care payments were tied to alternative payment models.<sup>1</sup>

Hospitals and health systems will increasingly have opportunities to impact reimbursement by changing the way care is delivered, including emphasizing community and home-based care, addressing social determinants of health and health equity, strengthening communication and shared decision-making between patients and providers, and seeking innovative solutions for collaboration, workplace flows, and new technology.<sup>1</sup>

### Workforce Challenges Will Remain at the Forefront

While the COVID-19 pandemic exacerbated financial challenges for hospitals and health systems, the impact on the workforce was arguably even more detrimental. Health care providers are burned out. Hospital staff turnover rates and average RN vacancy rates have increased, with notable increases from 2020 to 2022.<sup>1</sup>

**A Combination of Factors.** Hospital leaders have identified “staffing shortages” and “personnel shortages” as their greatest concern going into 2023.<sup>2,3</sup> The already prominent nursing shortage is predicted to increase, in addition to concerns about physicians and other licensed professionals.

The intensification of workforce challenges is due to a combination of factors, but provider burnout, workplace violence, and pipeline shortages remain at the forefront.

- **Provider burnout:** There is a growing crisis of caregiver burnout in all professional areas. In addition, while the past three years has raised awareness about the importance of mental health, the acceptance has not carried over to many health professions. According to one study, 8 in 10 physicians believe there is a stigma surrounding mental health and seeking mental health care among physicians.<sup>1</sup>
- **Workplace violence:** Violence in health care settings includes physical or verbal abuse, cyberbullying, and hospital shootings. In 2022, 72 percent of nurse leaders witnessed one or more incidents of bullying, 24 percent of emergency physicians reported being assaulted multiple times a week, and more than 5,200 nurses reported being assaulted just in the second quarter.<sup>1,4</sup>

### Top CEO Concerns

CEOs identified workforce as the number one priority in the American College of Healthcare Executives' annual survey of issues confronting hospitals. *This is the first time since 2004 that financial challenges was not listed as the top priority.* Top challenges include:<sup>7</sup>

1. Personnel shortages
2. Financial challenges
3. Patient safety and quality
4. Behavioral health/addiction issues

The primary source of violence or bullying is typically patients and family members.

- **Shortages in the pipeline:** For years, workforce shortages have been attributed to a combination of an aging, retiring workforce and a shortage of new nursing students and graduates. This trend continued in 2022, with nursing schools reporting an increase in denials of qualified nursing applicants due to lack of clinical sites, faculty shortages, and resource constraints.<sup>1</sup>



**The Impact is Significant.** Workforce shortages have major implications on quality and patient safety, patient satisfaction, and ultimately overall organizational success. One recent study reported that workforce shortages in 2022 resulted in increased patient lengths of stay.<sup>3</sup> In addition, one of the largest impacts of workforce shortages is the increase in contract labor. The use of agency nurses is expensive, and studies have repeatedly shown links between the use of contract nurses and a decline in workforce satisfaction and quality of patient care.

**Creative Solutions.** While hospitals are reporting increases in salaries and sign-on bonuses, that won't be enough. Hospitals and health systems must be creative to solve current workforce demands. For example, when asked about physician burnout in a 2022 study, the top cause of burnout was "too many bureaucratic tasks."<sup>1</sup> Organizations must focus on improving the workplace environment by authentically supporting employees, addressing burnout and staff safety issues, offering remote and hybrid schedules, and leveraging technology to streamline workflows.

**Patient Safety Will Be Re-Emphasized**

During the height of the COVID-19 pandemic, many regulatory agencies eased reporting requirements for patient safety. As the pandemic moves into a more endemic phase, hospitals and health systems will need to reevaluate their current safety

measures and determine if forward progress has stalled out or slipped.

**Some Patient Safety Measures Declined During the Pandemic.** While hospitals and health systems have made substantial progress in quality and patient safety and reducing healthcare associated infections (HAIs), before the pandemic the Office of Inspector General still reported that 25 percent of Medicare patients experienced patient harm during hospital stays (based on data in October 2018). After the pandemic began, HAIs increased in both 2020 and 2021.<sup>3</sup> This increase is not surprising given the extreme circumstances—

hospitals were facing overwhelming patient demand and higher patient acuity levels combined with shortages of staff, resources, and equipment.

From 2019 to 2021, preliminary reports show notable increases in key HAIs, including:<sup>1</sup>

- 60% increase in ventilator-associated events (VAE)
- 48% increase in central line-associated bloodstream infections (CLABSI)
- 45% increase in methicillin-resistant *Staphylococcus aureus* (MRSA)
- More than 13% increase in catheter-associated urinary tract infections (CAUTI)

**Transparency Continues to Grow.** Measuring and reporting of patient safety metrics continues to grow. The Centers for Medicare and Medicaid Services (CMS) has recently announced it will add back in the Patient Safety for Selected Indicators Composite (PSI 90) to its value-based purchasing program. PSI 90 includes ten measurements for preventable errors and will be publicly available. The Joint Commission's 2023 National

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Patient Safety Goals continue to emphasize patient safety, including a focus on preventing infections, preventing mistakes, identifying patient safety risks, and improving communication.

**New Efforts to Improve Safety.** Addressing workforce shortages, investing in technology, and sharing and implementing best practices are all critical factors to improving patient safety. In addition to efforts already underway, the Department of Health and Human Services (HHS) plans to launch the National Healthcare System Action Alliance to Advance Patient Safety (The Action Alliance) in 2023, which will begin with a learning community that gathers evidence-based approaches for improving patient and health care worker safety.<sup>5</sup>

**Behavioral Health Demand Will Continue to Grow**

In January 2023, 32 percent of U.S. adults reported symptoms of anxiety

disorder or depressive disorder. While reports of anxiety and depression were as high as 40 percent during the height of the pandemic, the numbers remain high compared to before the pandemic. In 2019, 10.8 percent of adults reported symptoms of anxiety disorder or depressive disorder.<sup>10</sup>

Mental health challenges are growing for youth as well, with nearly 32 percent of high school students reporting poor mental health in 2021. 2021 also marked record highs of drug overdose deaths in the U.S.<sup>1</sup>

Hospitals have an opportunity to re-think how behavioral health care is provided, particularly with a lens of addressing social determinants of health that can influence physical, mental, and social health to improve overall well-being. According to AHA's annual survey, hospitals report increasingly integrating routine behavioral health services into inpatient care, emergency services, and primary care.<sup>1</sup>

***Mental Health Provider Shortages are More Severe.*** While workforce shortages exist across a variety of caregiver types and specialties, the shortage of mental health professionals is

pronounced. Current data shows that more than half of counties have no psychiatrists, and 70 percent of counties have no child psychiatrists. In addition, HHS estimates that 157 million people are impacted by mental

health professional shortages, with only 28 percent of behavioral health needs being met in shortage areas. Telehealth is a critical resource for expanding access to behavioral health and has increased significantly since the beginning of the pandemic.<sup>1</sup>

### **Rural Providers Will Face Ongoing Pressure**

Approximately 20 percent of the U.S. population lives in rural areas, but rural hospitals represent 35 percent of all community hospitals.<sup>1</sup> Rural hospitals face unique challenges, including low

reimbursement, more severe workforce shortages, and low patient volumes. In addition, rural communities statistically have populations that are older, sicker, and poorer compared to the rest of the nation.<sup>1</sup>

### ***Rural Hospital Closures Have a Big Impact.***

Rural hospitals have been hit particularly hard by the pandemic, many of which were already struggling prior to COVID-19. Between 2010 and 2021, 136 rural hospitals closed. 2020 reported the highest number of closures in one year in over a decade, with 19 rural hospitals closing.<sup>1</sup>



When a rural hospital closes:

- **Provider shortages are further exacerbated** because existing providers often have to leave the area to find work. Although rural communities already face shortages, studies show that the number of clinicians available is even lower in rural areas where a hospital has closed compared to other rural communities.<sup>8</sup>
- **Patients must drive an estimated 20 miles further** to access emergency or other inpatient care.<sup>8</sup>
- **Increased mortality rates** can occur at neighboring hospitals accommodating growing patient volumes.<sup>9</sup>
- **Community health outcomes decline.** In one study, Medicare beneficiaries experienced higher rates of the ten most common chronic illnesses than those who did not experience hospital closures.<sup>8</sup>
- **The economic impact can be catastrophic** because hospitals are often the largest employer in their community.<sup>9</sup>

**Rural Emergency Hospital (REH)**

**Designation.** The 2021 Consolidated Appropriations Act established a new provider type called Rural Emergency Hospital (REH) to address concerns about rural hospital closures. REHs provide emergency care and outpatient care, but do not exceed an average patient stay of 24 hours. The REH designation became effective January 1, 2023, and critical access hospitals and rural hospitals with less than 50 beds have the option to convert to an REH.

**Where Patients Access Care Will Continue to Shift**

Patients increasingly prefer virtual care and care outside of the four walls of the hospital, a shift that was accelerated by the pandemic. Experts foresee that 27 percent of evaluation and management visits will occur virtually by 2032, and more than half of hospital CEOs predict that half of all ambulatory care will either be delivered virtually or at home by 2028 (10 percent report its already happening and another 48 percent predict it is likely).<sup>1</sup>

**Remote Monitoring.** Remote patient monitoring (RPM) tools allow health care providers to monitor patients from a distance to improve care, reduce hospitalizations, and decrease readmissions. Because six in ten Americans currently live with at least one chronic disease, the potential demand and applications for RPM are just beginning.

Examples of RPM include wearables (such as watches), blood pressure monitors, heart monitors, pulse

oximeters, blood glucose meters, and scales that measure body weight and fat. Like telehealth, home monitoring has the potential to remove barriers to care impacted by social determinants of health such as transportation, cost, and ability to attend appointments during working hours. Remote monitoring can also ease the burden of provider shortages and reduce the response time between concerning measurements or symptoms and clinical intervention.

Experts predict significant growth in RPM, with one estimate expecting a growth from \$53.6 billion in 2022 to a projected \$175.2 billion by 2027.<sup>2</sup>

**Home care.** Remote patient monitoring is just one of the reasons that care at home is expected to continue to expand its reach. Examples of care at home include telehealth, dialysis or other regular treatments self-administered at home, remote monitoring, and care managers and providers visiting patients in-home rather than the other way around. Based on a survey of physicians predominantly caring for Medicare patients, McKinsey & Company estimates that up to 25 percent of the total cost of care for Medicare fee-for-service and Medicare Advantage patients could shift to the home by 2025. That's between three and four times the amount of care being provided at home in 2022 for the same population.<sup>6</sup>

Despite the initial allure of providing or receiving care at home, it's not always the right solution. Home care doesn't work for all home environments, may require additional family support, and can lead to social

**Changes in Patient Care**

- Increase in virtual care
- More remote monitoring
- Expansion of care at home
- Growth in retail care
- Increased reliance on urgent care
- Market segmentation for specific populations or ethnic groups
- Increased consumer expectations
- Hyper-personalized care
- More reliance on electronic health records
- Broader applications for innovative technologies that improve patient safety and predict patient needs

isolation for patients. Hospitals and health systems must be part of the conversation about how to balance clinical requirements, expertise, and holistic patient needs to determine when a home is the right place for care.

**Retail Health.** Retail health clinics have changed the way patients and families interact with the health care system. Retail care grew by over 20 percent from 2019 to 2020, in part because of the need for local COVID-19 testing sites.<sup>2</sup> Convenient and low cost retail clinics such as MinuteClinics, Target Clinics, Walmart Care Clinics and others are expected to continue growing in the coming years. In 2022, the U.S. retail clinic market was valued at \$3.49 billion<sup>2</sup>, and experts predict continued growth from existing clinics as well as emerging companies like Amazon Clinic's virtual care model, Google Health, and Apple's AC Wellness.

**Urgent Care.** Urgent care centers treat non-emergency conditions but provide more comprehensive care than retail health clinics. Like telehealth and retail health, urgent care clinics grew rapidly in the past few years in part because of the pandemic. Since

2019, patient volume at urgent care centers has increased 60 percent.

The market is expected to reach \$48 billion this year, a 21 percent increase from the market size in 2019.<sup>11</sup>

Urgent care centers are convenient, cheaper than emergency care, and help alleviate some of the backlog from primary care physician shortages. At the same time, there are concerns that frequent urgent care visits result in fragmented and disjointed care. In addition, urgent care centers do not have to provide care to everyone, are often staffed by physician assistants and nurse practitioners rather than physicians, and may overprescribe antibiotics. Despite the challenges, urgent care centers are a key community resource that can save costs and fulfill consumer expectations for quick appointments and on-demand services.<sup>11</sup>

### **Technology Will Allow More Personalization**

Nearly half of patients (49%) reported attending at least one virtual medical appointment last year, and surveys indicate that many consumers plan to

keep using virtual and hybrid options in the future.<sup>1</sup> Virtual appointments are one of many growing ways that technology is allowing health care to become more personalized and meet increasing consumer expectations.

**Virtual appointments are one of many growing ways that technology is allowing health care to become more personalized and meet increasing consumer expectations.**

Healthcare offers its “el Unico” option for the Hispanic community, while other organizations offer products for the LGBTQ+ population or target Asian or Latino populations.<sup>12</sup>

**Increased Consumer Expectations.** Patients will continue to demand a more personalized touch to health care and expect organizations to treat them as a customer. This means empowering patients to manage and monitor their own health and offering convenient communication strategies such as the ability to schedule appointments online, check in online before arriving for appointments, update health care information remotely, and

communicate directly with providers through a patient portal.

**Hyper-Personalized Care.** The AHA describes new opportunities for hospitals to offer “hyper-personalized care,” which looks at consumer data to care for patients as an individual and provides a longitudinal view of consumers. Hyper-personalized care can range from catering communications based on language and location preferences to customizing care using patient data and artificial intelligence to create personalized care plans and predictive care interventions.<sup>1</sup>

**Electronic Health Records.** The usage of electronic health records (EHRs) continues to rise, with hospitals reporting notable increases in patients using EHRs to schedule appointments online, request refills for prescriptions, pay bills, and submit patient-generated data such as blood glucose or weight.<sup>1</sup> One recent study found that patients with active portal accounts had shorter hospital stays than patients without, across all age groups.<sup>1</sup>

**Innovative Technologies.** When it comes to technology and automation, health care continues to lag behind other industries. According to a



Kauffman Hall report, only 16 percent of health system leaders report making “significant” investments in automation technology. Even so, technology is changing the way care is delivered. Some examples include:<sup>3</sup>

- **Improving patient safety**, such as room cleaning robots that sanitize hospital rooms or ultraviolet light technology that decreases HAIs.
- **Artificial intelligence (AI)** that helps providers adopt consistent evidence-based practices that remove bias and may help predict needs and potential surges in health care.
- **Building new clinician skills** and expertise using virtual reality and digital simulations.
- **Gathering information about broader trends**, such as contact tracing using real-time locating systems (RTLS) rather than reviewing medical records, or tracking the presence of COVID in wastewater samples using the National Wastewater Surveillance System.

## Increased Reliance on Technology Means More Cybersecurity Risks

Cybersecurity attacks have been on the rise in health care for years. They put patients at risk and have the potential to result in patient harm, workplace stress, hospital fines and penalties, and ultimately inflict serious consequences on an organization’s community trust and reputation. The risk of cybersecurity attacks, including ransomware attacks, continues to grow as health care delivery increasingly relies on technology and connected devices.

In 2020, 27 million medical records were breached. In 2021, the number of records breached increased to 43 million. Nearly all (95%) of thefts or compromises of protected health information are attributed to external hacks.<sup>1</sup>

The cost of data breaches is higher for health care organizations than any other industry. In March 2022, the average cost of one health care data breach was \$10.10 million.<sup>1</sup>

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## The Board’s Role: Using Trends for Strategic Thinking

The board is responsible for strategic thinking and leadership. While it’s important for board members to understand industry trends and challenges, boards must also be careful to avoid getting bogged down in the details. Remember:

- **Board members don’t need to know everything there is to know in order to make intelligent decisions and wise choices about the future.** Trustees must have assurance that senior leaders are asking the right questions and utilizing the appropriate tools to ensure an evidence-based, outcomes-focused process.
- **Trustees will never know everything they’d like to know to be totally confident in every decision they make.** What board members do need is assurance that they have sufficient information to ask strategic questions, engage in robust dialogue, and make informed decisions.
- **Boards must create and nurture a culture that welcomes and embraces change.** New thinking and innovative ideas start with board leadership and the board’s willingness to challenge conventional wisdom.
- **Strong boards inspire executive leaders.** Senior leaders supported by the board are confident in bringing together employees, the medical staff, and others within the hospital or health system to focus on a unified purpose with shared goals.