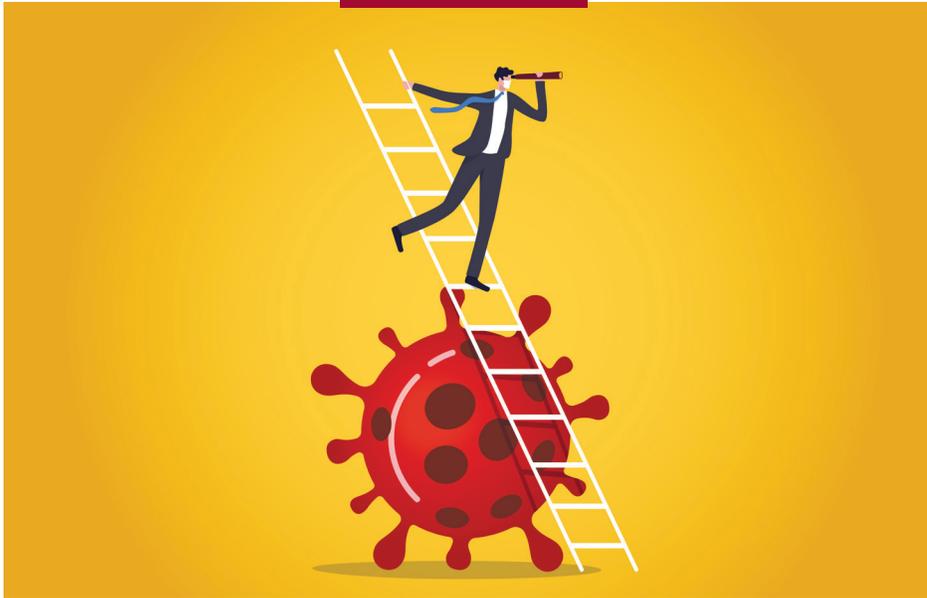


Trustee Insights

COVID-19



Revisiting Strategy Due to COVID-19

The board's imperative to help assess opportunities and challenges

BY PAMELA R. KNECHT

A health system board chair recently said, "The role of the board has never been more important." He stated that a critical role for the board at any time is to help senior management set strategic direction, but that this is especially the case during and after a crisis such as the COVID-19 pandemic. This comment is soundly based upon the legal, fiduciary duty of a board to help set mission and strategy, and as necessary, to revisit those decisions.

Most hospitals and health systems are still primarily focused on the immediate challenges of taking care of patients during what will most likely be additional waves of COVID-19. However, the best organizations and their boards have already begun to discuss both the operational and strategic implications of the pandemic. Many have decided to reframe the challenging situation as an opportunity to learn how to better serve their patients and communities.

Identifying Strategic Implications

In these unprecedented times, the health care sector could look to other fields for examples of how to become stronger because of an unanticipated event or trend. For example, Blockbuster no longer exists because it did not adapt to the changing environment. In contrast, Netflix realized its customers would rather stay in their homes and access movies via the internet than drive to the local store to pick up a DVD.

A health care-specific example of possible change comes from Steven J. Corwin, M.D., president and CEO of New-York Presbyterian. During a recent American College of Healthcare Executives webinar, he said that "consumers' expectations regarding convenience now include not going to a physician's office." And he commented that in the future, "40% of business should be done via telehealth for both safety and convenience."

Many other CEOs have concluded that the increased use of telehealth during the pandemic is here to stay. However, this observation should not be left there. The board and senior team should take the time to determine possible strategic implications of this trend for their hospital or system. Strategic questions to ask about increased telehealth include:

- What investment is required to support the increased use of telehealth (e.g., costs of information technology)?

- Will more telehealth require a change to our provider staffing model (e.g., different types of providers)?

- How will the move to more telehealth impact the current ambulatory strategy (e.g., fewer buildings)?

- What changes are needed to our long-term strategic, financial and capital plans to ensure alignment with this modification to our delivery model?

Other Strategic Opportunities and Challenges

The increased use of telehealth is not the only strategic opportunity or challenge arising from COVID-19. Some CEOs have commented that the pandemic has been “financially disastrous.” Volumes and revenues have declined steeply, largely due to the postponement of non-emergent procedures, and costs have increased substantially as hospitals rushed to get the supplies and staffing needed to treat COVID-19 patients.

In its May 2020 [National Hospital Flash Report](#), Kaufman Hall reported that “The damage has been swift, pushing the median hospital operating margin to negative 29%, down 326% below budget in April—hospitals’ first full month battling the effects of the COVID-19 pandemic.”

These dire financial results alone should cause health care leaders and their boards to make the time to determine the positive and other strategic implications of the pandemic for

Questions for the Board to Consider

Here are questions for the board to consider when updating the organization’s strategic plan due to a crisis like COVID-19:

Strategic Implications and Lessons Learned

- What do we think will be the main implications of and lessons learned from the pandemic for our organization?
- Which, if any, new methods should be retained and which should be jettisoned?

Assumptions

- What were the assumptions that formed the foundation of our strategic plan?
- Which of those original assumptions are still correct, which are no longer accurate, and what assumptions should we make now?

Mission and Core Values

- Does our mission statement still accurately describe what we believe to be our fundamental purpose?
- Do our core values set the appropriate behavioral expectations for all key stakeholders?

Vision and Strategies

- Is our long-term vision still appropriate?
- Which of our key strategies are still appropriate and which should be modified, deleted or added?

Success Metrics and Financial Plans

- What changes do we need to our measures of success?
- What financial and capital plan changes are needed now?

Monitoring and Updating Plans

- How will the board monitor management’s implementation of the new strategic plan?
- When and how will the strategic plan be updated again?

their organizations. In this way, the board also performs more of its core duties – oversight of finance, enterprise risk, quality, safety, satisfaction, compliance, community health, and management.

Some, but certainly not all, of the strategic questions that could be asked by the board and executives include the following:

FINANCIAL

- With non-emergent procedures delayed and unplanned COVID-19 expenses eroding cash, what are our new projections for revenues and expenses?
- What is our revised budget for the current fiscal year?
- What changes do we need to make to maintain or restore our financial position (e.g., staff reductions, deferral of planned capital spending)?
- Will there be a shift in our payer mix because of higher unemployment?
- How do we ensure sufficient financial strength to survive this and other crises (e.g., increased philanthropy)?

SERVICES

- What should be the future balance between inpatient and outpatient services?
- What, if any, services and/or locations should be combined or eliminated?
- How do we become better at understanding public health issues and needs?

OPERATIONAL

- How do we create more flexible

physical spaces (e.g., ability to convert to ICU beds)?

- How do we build a more reliable supply chain?
- What “work-around” processes did we create out of necessity during COVID-19 that should be retained?

The key to successfully revisiting the strategic plan after a crisis (or anytime) is robust, candid conversations among a well-functioning board and its executives.

SAFETY, QUALITY AND SATISFACTION

- How can we better ensure patient safety during a pandemic and in general?
- What is the overall health impact of a patient having had COVID-19, and how does that differ based on social and economic disparities?
- How can we improve our patient and family satisfaction/experience?

HUMAN RESOURCES

- What, if any, changes do we need to make to our human resources policies to ensure our people are well taken care of and provide help to those suffering from post-traumatic stress disorder?
- What, if any, changes are needed in the relationships with our physicians (e.g., employment)?
- What culture do we need to build or sustain to ensure our mission and values are at the center of our actions?

COMMUNITY AND OTHER PARTNERSHIPS

- How should we strengthen our ties to the communities we serve?
- What is the impact of COVID-19 on our fund development efforts, to support not only the hospital but also community organizations serving vulnerable populations?
 - What, if any, additional strategic partnerships or affiliations would be helpful in the future?

Revisiting the Strategic Plan

Simply discussing questions such as those listed here is not sufficient. A connection must be made between those issues and the organization’s strategic and financial plans.

All high-performing organizations update their strategic plans on a regular basis and whenever a significant external change has occurred. Certainly a global health crisis fits the criterion of a “triggering event” that requires revisiting the strategic plan.

It is imperative, therefore, that the board, executives and physician leaders make the time to have robust discussions about what changes may be needed to each component of the strategic plan. These discussions should be based on data about the current and future internal and external environments.

The key to successfully revisiting the strategic plan after a crisis (or anytime) is robust, candid conversations among a well-functioning board and its executives. The last

step in the strategic planning process should be an assessment of whether the work of the board and its committees needs to change to better support the revised strategic and financial plans. For example, some boards have added an enterprise risk committee to ensure more comprehensive oversight of potential risks such as a global pandemic. By asking how to align governance with the organization's strategy, the board fulfills one

more key fiduciary responsibility: ensuring governance effectiveness and efficiency.

A crisis such as COVID-19 can be the impetus for enhancing the way health care is delivered in this country. Brave board and executive teams will look honestly at the implications of the pandemic for their organizations. Ideally, together they will find the silver linings in what has been a trying time for the field and the world. In this way, the health

care sector may be able to lead the way for all into a brighter, healthier future.

Pamela R. Knecht (pknecht@accord-limited.com) is the president and CEO of ACCORD LIMITED.

Please note that the views of the author do not always reflect the views of the AHA.