

# Executives Beware: Five Questions Astute Boards Are Asking About Healthcare IT

*White Paper*



Business Advisors for the Healthcare Industry

**TERRY WILK, MBA, FCHIME**

Senior Vice President

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## **CONTACT**

For further information about Coker Group and how we can be of assistance, call 800-345-5829 x137 or visit [www.cokergroup.com](http://www.cokergroup.com).

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**Abstract:** As data, information, and its supporting technologies have appropriately permeated into every aspect of healthcare organizations, governance of an organization's use and management of its information resources, systems, technologies, and staff must become a critical and necessary component of every executive's and Board's agenda. Boards fulfill these oversight and governance roles by asking management--and themselves--tough questions about information technology (IT) that demand clear, straightforward answers.

This paper examines five key questions that today's astute Boards are asking senior management and other relevant parties regarding the use of IT throughout their organizations. The kinds of questions that Board members should be asking depend extensively on the organization, its use of IT, and the competitive environment in which it operates. The issues outlined in this paper should begin to prompt and sustain serious dialogue among executives, physicians, and Boards to help ensure that the organization is effectively governing its IT Assets.

**Key Words:** Healthcare Technology, HIT, Information Technology, Technology Strategy

## INTRODUCTION

The primary responsibility of executives and board members (Board) is to oversee the strategies, operations, and business activities of a healthcare organization. Executives and Boards must assure themselves that objectives are set and achieved, risks are managed appropriately, and the organization's resources are used responsibly. As data, information, and its supporting technologies have appropriately permeated into every aspect of an organization, governance of an organization's use and management of its information resources, systems, technologies, and staff must become a critical and necessary component of every executive's and Board's agenda. Boards fulfill these oversight and governance roles by asking management--and themselves--tough questions about information technology (IT) that demand clear, straightforward answers.

This white paper identifies five critical questions that today's perceptive Boards are asking the CEO, senior management, physicians, professional advisors, and themselves regarding the use of IT throughout the organizations for which they are responsible. The questions outlined here should prompt dialogue among executives, physicians, and Boards, which is precisely what effective governance is all about.

Before presenting the five questions in this paper, it is important to understand why the topic of IT should be on both the executive's and Board's agendas.

## WHY LEADERS SHOULD ASK QUESTIONS ABOUT HEALTHCARE INFORMATION TECHNOLOGY

As noted, IT has become an essential critical element in today's healthcare environment. On the surface, IT may appear to deal with matters that can be quite technical. However, executives and Boards must

not become lost in the technical details. Instead, they must consider the IT issues in the context of their strategic and operational business impact upon the organization and not as technical issues. Therefore, executives and Boards must understand and govern IT based on the *business implications* of its IT investments.

All healthcare organizations face significant IT-related opportunities, issues, and threats. Executives and Boards need to ask the right questions to help their organizations make the right decisions. With appropriate Board leadership and involvement, taking advantage of opportunities at the right time and proactively addressing key issues can provide an organization with significant competitive advantage (e.g., first to market with a new service, demonstrably better quality, and/or lower cost than a competitor). Likewise, lack of Board involvement by not recognizing and/or asking the right questions at the right time can manifest significant risk, uncertainty, and poor IT decision-making within the organization.

Following are several common business issues that healthcare organizations face today. These issues demand serious executive attention and Board oversight and governance over IT:

- **High ongoing IT capital and operating costs.** IT is often one of the top three or four highest cost areas within a healthcare organization. Sadly, many organizations do not have insight into the true cost of their IT systems and operation nor the value they deliver. Boards must help ensure that IT expenditures are appropriate *investments* in the business and that they add measurable value to the organization's strategic objectives.
- **Major IT system implementation, conversion, or outsourcing initiatives.** Major IT system implementation projects (i.e., business or clinical change initiatives) can have significant cost, operational, and public image impact on the short- or long-term success (or failure) of the organization. Boards must assure themselves that ownership and accountability for such projects rest with senior management and that timely and accurate status reporting and progress is occurring.
- **Leveraging emerging technologies.** New technological innovations promise substantial business opportunities for organizations that are positioned to capitalize on them and sustain an advantage. Boards have a significant role in challenging business strategies and understanding emerging technology investment opportunities. Boards need to satisfy themselves that the organization is assessing, recommending, adopting, and maintaining relevant technologies that achieve and sustain quantifiable business value.
- **Legal, regulatory, and operational compliance issues.** Organizations are facing a growing list of legal, regulatory, and operational compliance matters related to its IT systems including quality and financial reporting integrity, privacy and security, and other specific legislative requirements. Boards must be satisfied that management has appropriate measures in place to identify, manage, and fulfill these compliance requirements on an ongoing basis.
- **Business recovery and continuity.** It can be difficult, if not impossible, to conduct business if the IT systems are not available when needed. This issue transcends IT disaster recovery (critical and complex enough) as ensuring business continuity (ability to conduct business) during an IT

disaster requires careful pre-planning and collaboration between all aspects of the organization and IT. The Board plays a key role in asking the right questions to ensure appropriate IT disaster recovery and business continuity plans are in place and continually tested so they will work reliably.

Whatever a healthcare organization is facing, one of the most crucial questions it must answer is how it will transform itself to adapt to and adopt a quickly-developing “digital world?”

## FIVE KEY QUESTIONS

Today, many Boards are investing time and effort in learning more about the strategic importance and promise of IT. They are beginning to understand their role in governing data, information resources, systems, and staff (collectively “IT Assets”), and they are translating that understanding into asking their executives more pointed and penetrating questions about IT. These questions require that the executive team (not just the Chief Information Officer (CIO)) reflect more deeply upon, prepare for, and willingly engage in more thoughtful discussion among themselves and with their Boards.

Following are five of many insightful questions that effective Boards are asking executives to ensure that they have the appropriate resources, timely information, and knowledge to fulfill their roles in this regard.

### WHAT IS THE STRATEGIC IMPORTANCE OF IT TO THE ORGANIZATION?

First, executives and Boards must realize that not all organizations use their IT Assets in the same way, nor have they adopted IT at the same level. An organization must align its perspectives on the scope and role that its IT Assets play in the organization’s success. For example, is IT a necessary evil (grin and painfully bear it), an invisible utility (operating reliability to maintain the status quo) or an enabler of strategic and competitive differentiation (transform processes to enhance customer responsiveness)? Boards and executives must clarify their thinking about the importance of their organization’s IT Assets and act accordingly. Then they can determine what role their IT Assets must play in helping their organization achieve success.

A related question here is, “How will IT change the basis of competition in the healthcare industry and our market?” Customers are being conditioned to expect an ultraconvenient experience that is personalized in real time by e-commerce leaders such as Amazon, E-Bay, and Apple. Many organizations, including banks, airlines, and retailers, continue their “digital arms race” to differentiate themselves through IT-enabled convenience and service. Consequently, customer expectations are rising quickly while their tolerance for mediocre and poor service is rapidly falling. Therefore:

- How would executives and Boards rate themselves in the above context?
- Who in a provider organization is or should be responsible for tracking how IT is impacting the healthcare industry overall and in your service area specifically?
- How is technology being deployed by your competitors to achieve a differentiating advantage?
- Who are the emerging players and how are they using IT to gain a stronghold in your market?

Forward-thinking Boards are asking these and similar questions to stay ahead of the curve. Healthcare market leaders are harnessing IT such as social media and self-service applications to reinvent and improve the customer experience (patients, families, and medical staff), increase satisfaction levels, and capture profitable market share to sustain the organization.

#### WHAT ROLE SHOULD EXECUTIVES AND THE BOARD HAVE IN GOVERNING IT ASSETS?

Gartner, Inc., a leading IT research and advisory company, offers an interesting perspective on IT Governance and related concepts.<sup>1</sup>

- **IT Governance (ITG)** is defined as the processes that ensure the effective and efficient use of IT in enabling an organization to achieve its goals.
- **IT Demand Governance (ITDG)** is the process by which organizations decide what the IT department should work on by:
  - Ensuring the effective evaluation, selection, prioritization, and funding of competing IT investments;
  - Overseeing their implementation to extract measurable business benefits. ITDG is a business investment decision-making and oversight process, and it is a business management responsibility.
- **IT Supply-Side Governance (ITSG)** is concerned with determining how the IT department should do what it does by ensuring that the IT organization operates in an effective, efficient, and compliant fashion. This responsibility is primarily a CIO's.

Board members are representatives of the community (non-profit) or shareholders (for-profit) to give oversight and direction to executive management in the affairs of the organization. The Board's role is to evaluate strategic alternatives, provide guidance to executives, and monitor executive and organizational performance on behalf of the community or shareholders. As the strategic importance and value of its IT Assets increase, so should the Board's (and executives') role increase in IT governance, especially in the context of ITG and ITDG defined above, by incorporating its associated responsibilities into the Board's mandate.

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<sup>1</sup> [www.gartner.com/it-glossary/it-governance/](http://www.gartner.com/it-glossary/it-governance/). Accessed August 21, 2018.

While maintaining its overall responsibility, some Boards are delegating governance of the IT Assets to a Board-level IT subcommittee or another equivalent oversight group. This subcommittee or group usually meets monthly and keeps its finger on the pulse of all of the components within the IT Assets. More mature IT subcommittees are challenging the CEO, CIO, and other executives to optimize the return on current IT Assets while defining the business implications of new technologies upon new business models, products, and services that are emerging in the organization's marketplace (cloud computing, social media, hand-held, and other mobile devices).

Key related questions that Boards are asking executives include:

- How do we ensure the IT Asset strategy is aligned with the organization's overall strategy, and is this alignment appropriate given the strategic importance (or lack thereof) of its IT Assets?
- What role do the executives play in developing and implementing the IT Asset strategy?
- Do our IT Assets give the organization the agility needed to capitalize on and adapt to changing marketplace conditions?
- How well do executives and the Board understand the value of their IT Assets?
- How do we define and measure the value and contribution provided by the organization's IT Assets?
- How are emerging technologies and trends and their potential impact on the organization assessed and monitored?

#### WHAT COMPETENCIES DO EXECUTIVES AND THE BOARD NEED TO GOVERN IT EFFECTIVELY?

By itself, technology delivers no value. Value from IT comes from a combination of factors including a clear business strategy, the right technology properly implemented, quality data, efficient work processes, a culture that promotes IT, and the right IT competencies. Sad to say, but there is a shortage of IT-literate executives and Boards in the healthcare industry. Often, this illiteracy fosters incomplete analysis, delays, and poor decision-making, and results in organizations generally falling behind in their markets. Therefore, executives and Boards are beginning to ask some pointed competency-related questions including:

- Do we have a solid grasp of the state of the healthcare IT industry and emerging trends?
- How well do we understand our competitor's use of IT?
- Do we have the capabilities needed to drive full value from our existing IT systems?
- What is or should be an IT-literate executive and Board member?
- Do we have enough of these individuals in the organization to produce value?
- What is our plan to develop and upgrade these competencies?

The importance of having leaders who understand the organization's IT Assets and know the right questions to ask is no different than for other areas such as finance, quality, human resources, and legal matters. This understanding and knowledge become more critical as the IT Assets contribute more and

more to the organization's success. Therefore, shrewd executives and Boards are engaging in the following strategies:

- **Recruiting executives and Board members with proven skills and experience in information management and IT resources, technology, and systems.** Such requirements are being included in job descriptions and the candidate evaluation and selection process. These individuals must be capable of translating technical jargon and effectively communicating technical issues into business impacts and consequences.
- **Engaging an external advisory group/sounding board.** Such a group would facilitate discussions, advise, and assist leaders on matters related to information, systems, and technology and their implications upon the business.
- **Training and awareness sessions, workshops, etc.** Forward-thinking Boards incorporate IT-related sessions into their regular executive and Board education and development activities. Topics often included in presentations and discussions include awareness of current IT Assets and capabilities, emerging technologies, and business value, risks, and vulnerabilities.
- **Maintaining IT-related competencies as part of executive and Board member skills matrices and conducting periodic executive and Board skills and competency reviews.** Often, these competencies are reviewed through self-assessment or by an independent third-party advisor. The goal is to assess current competencies with those that are desired or required and to develop a plan to acquire or expand those competencies.

#### HOW AND WHEN ARE MATTERS RELATED TO IT REPORTED TO THE BOARD?

Historically, Boards placed IT on their agendas for two main reasons:

- When approval is needed to fund a significant technology-related capital or operating investment or expenditure;
- In reaction to crisis situations including competitor initiatives, security incidents, or major unexpected system downtime, project failures, or negative audit findings.

While these matters are important to bring before a Board, they do not provide the Board with timely, sufficient, and appropriate information to enable it to fulfill its expanded governance role. Today's Board needs to be proactive in defining its expectations regarding the nature, extent, timing, and frequency of receiving reports, proposals, etc., concerning the organization's IT Assets. Therefore, in addition to funding requests and explanations of IT problems and issues, Boards are establishing reporting requirements for:

- IT Asset strategies that describe expected and actual added-value
- Performance of and/or returns from the IT Assets
- Monitoring and managing the inherent risks within the IT Assets
- Results from ongoing IT security and compliance audits

- Accountability for IT Asset implementation and use from the C-Suite including the chief executive officer, chief financial officer, chief information officer, chief information security officer, chief nursing officer, chief medical officer, and chief compliance officer

#### HOW SHOULD THE BOARD LEVERAGE IT TO IMPROVE ITS VALUE TO THE ORGANIZATION?

Today's Boards realize that they are not just a recipient of information provided by the organization, but that they are an essential part of the governance and communications infrastructure. Therefore, they perform activities and create, transform, and use information. Accordingly, Board members should look for opportunities to leverage the IT Assets to improve their efficiency and effectiveness and bring added value to the organization.

Following are some ways that Boards are deploying and using IT today for this purpose:

- **Information portals and document management.** Board materials and information packages are distributed in a more secure, efficient, and cost-effective manner. These portals are also used to provide access to external information including key industry updates, legal and regulatory changes, and educational materials.
- **Dashboards and executive reporting.** Many executives receive key metrics and other high-level information dashboards to help them monitor financial and business operations and then intervene, as needed. Organizations are using these tools for Board reporting as well.
- **Mobile, Internet, and other communications technologies.** Today's smartphones, laptops, audio-video teleconferencing, and virtual meeting technologies, webcasting, blogs, collaboration tools, and other social networking tools are facilitating ongoing communications among Board members and executives.

#### CONCLUDING THOUGHTS

Many healthcare Boards are forced to react to something after it has gone wrong. They then ask senior management and themselves, "Why did this happen?" and "What questions should we have asked beforehand that might have prevented or lessened the severity of the situation?"

As previously noted, healthcare executives and board members are tasked to oversee the strategies, operations, and business activities of their organization. They must assure themselves that objectives are set and achieved, risks are managed appropriately, and the organization's resources are used responsibly. They see that data, information, and its supporting technologies have appropriately permeated into every aspect of the organization, and they must ensure that the organization's use and management of its IT Assets become a critical and necessary component of their respective agendas. Boards, especially, must fulfill their oversight and governance roles by asking management--and themselves--tough questions about the organization's IT Assets that demand clear, straightforward, and transparent answers.

This paper examined five key questions that today's astute Boards are asking senior management and other relevant parties regarding the use of IT throughout their organizations. The kinds of questions that Board members should be asking depend extensively on the organization, its use of IT, and the competitive environment in which it operates. The issues outlined should begin to prompt and sustain serious dialogue among executives, physicians, and Boards to help ensure that the organization is effectively governing its IT Assets.

Perhaps the ultimate strategic question for healthcare executives and Boards to ask and answer is how their organization will capture, process, store, securely access, and apply knowledge to make wise and agile decisions that benefit the organization and the community. Rather than having IT become a high-cost headache, executives and Boards can work together to ensure that their IT Asset governance enables the organization to achieve its high value strategic and operational objectives today and in the future.