

The Intersection of Mission and Margin

By Alexandra Normington, Director of Communications, Juniper Advisory

As healthcare has transformed from a nascent local patchwork of services to one of our country's leading industries, hospitals hold steadfast to their missions that have roots going back a century or more.

The precursors of many public and non-profit hospitals were almshouses or sanitariums created by municipalities or religious orders. These institutions treated the infirm and indigent and were funded largely by benevolent organizations, local public coffers, and personal donations. Patients paid whatever and however they could for care. In detailing their institution's history, hospitals fondly evoke early 20th-century fundraisers held by school children, women's auxiliary groups, and the like to purchase medical supplies and equipment.

Today, hospital care in the U.S. is a trillion-dollar industry. Mega-mergers among health systems are announced with increasing frequency. New access points are springing up outside the walls of hospitals. Municipal taxpayer funding for publicly sponsored systems and for non-profit tax exemptions is tenuous. Naming rights are negotiated with endowments for select organizations able to attract big donors. All of this falls against a backdrop of unstable government- and employer-based health coverage policies, declining reimbursement, and burdensome out-of-pocket costs for consumers.

Key Board Takeaways

To ensure the healthcare organization is fulfilling its mission and able to compete in today's complex industry, boards should:

- Regularly evaluate their hospital's mission to determine if it remains feasible for the hospital to achieve and relevant to its community.
- Discuss the questions posed in the article (around relevancy, fidelity, recognition, and sustainability) with a complete understanding of the hospital's performance, local and national dynamics impacting care delivery, and community health needs.
- Consider how a mutually beneficial partnership with a health system that has additional clinical and operational expertise, financial resources, and opportunities for scale could sustain the hospital's mission.

So much has changed, but the main tenets of every hospital's mission have remained the same: ensure access to compassionate, quality care and advancement of community health.

Yet, as any CEO will tell you, a modern charitable bent may earn a tax exemption, but it does not ensure the revenues necessary to keep a hospital's doors open. No margin, no mission. Without a functional hospital, charitable endeavors are moot. The need to fulfill a hospital's historic altruistic mission must be reconciled with the need for that hospital to successfully operate as a business in a complex and competitive industry. These drivers are not diametrically opposed; they are the reality of the American healthcare system.

Hospital boards and senior leaders are charged with preserving their

institution's mission by interpreting it with a contemporary lens and setting a course of action that will ensure the hospital's ability to serve its patients and stakeholders in the near- and long-term—from maximizing the deployment of resources to best serve the community and operate efficiently, to cultivating mission as a staff motivator, to proactively identifying and filling gaps as access to care and population health indicators fluctuate.

Either out of foresight or financial necessity, hospitals of all sizes are exploring partnership opportunities. A partnership can help a hospital advance care quality, shore up its administrative and clinical operations, and gain meaningful scale. Above all, the key area of alignment hospitals seek in a partner: mission.

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be value in a business combination with a larger, like-minded health system. Such organizations specialize in healthcare operations and are well positioned to ensure optimal stewardship of a hospital's mission and resources. What can cause stress, however, are concerns about dilution of local control or differences in ownership structure and implications for the mission.

In evaluating potential partnerships, the board must assess the feasibility of continuing as a standalone in an industry that increasingly rewards scale and systemization, as well as benefits and drawbacks of joining a larger organization, taking a hard look at which outcome truly aligns best with the hospital's mission.

The days of every neighborhood or small town having its own independent hospital have passed.

It may no longer be financially feasible nor clinically appropriate. It is incumbent on each hospital to forge its own future in the modern healthcare landscape on behalf of its community. The board and management team have a responsibility to routinely assess its mission and consider:

- **Relevancy:** Does the hospital's mission still reflect the needs of its community? What unique role does the hospital play in the regional health ecosystem?
- **Fidelity:** Is the hospital true to its mission? How is the hospital advancing its vision for its community? Is the organization prioritizing independence over mission?
- **Recognition:** Is mission top of mind for leaders and staff in their day-to-day work? Do patients and stakeholders perceive the hospital as a provider of mission-

driven care?

- **Sustainability:** Does the hospital have the resources and expertise necessary to uphold its mission now and in the future? If not, what are possible alternatives to preserve the hospital's mission?

These questions should be discussed with full understanding of the hospital's financial and operational performance, competitive landscape (including looming market entrants), regulatory factors, and community health needs.

A hospital's primary purpose is to care for its community, protecting life and livelihood, regardless of its size, ownership, or geography. Boards must continually evaluate the underpinning of their mission, how it relates to their service to the community today, and take a mission-forward approach to strategic decision making to ensure long-lasting fiscal and philanthropic sustainability.

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