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Who's accountable when hospitals fail

By Edward M. Hindin

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St. Vincent's hospital's slide into bankruptcy is part of a depressingly common round of hospital closings that has hit hospitals like St. Vincent's—ones that care for many patients with no ability to pay—particularly hard. Executives, consulting firms, strategists, real estate experts, turnaround specialists and the like all attempted to create a sustainable future for St. Vincent's. Despite a bold (and ultimately dismantled) merger with Catholic Medical Centers, a long and contentious real estate development plan, repeated operational improvement efforts and substantial fundraising initiatives, the actions to save St. Vincent's failed.

Many of the postmortems will chalk these hospital failures up to the struggling economy, cuts in health care funding and the generally unsure nature of hospital economics. So the executives and senior management move on and the turnaround consultants leave. The hospital has closed, local residents—some with unique needs—will struggle to find health care elsewhere, and thousands of employees and physicians have lost their jobs.

Most observers would think that's the end of the story. Based on my experience, however, that means we aren't asking the right questions.

The hospital business environment will continue to increase in complexity and difficulty, and more hospitals will close. Executives, senior managers and their consultants are free to take their services elsewhere with little consequence to their professional reputations. It's incumbent on the hospital's board, however constituted, to recognize and accept their accountability. Their role is not a passive one. They have the legal and moral responsibility for safeguarding their organization's assets and viability. They may have to look at alternatives that are not the preferred choices of their professional managers and consultants.

It's a tough job. Trustees are responsible for hiring and firing their chief executive, setting strategic direction, and ensuring financial viability and that the quality of care meets required standards.

I've met countless trustees during my nearly 40-year career. Most have been responsible and attentive. In the case of St. Vincent's, I have no reason to suggest that the trustees were not honorable stewards. But when a hospital

struggles or fails, we have to consider whether the trustees have the tools, expertise and objective advice they need to carry out their responsibilities. Do they defer to more senior trustees, or to their executives and consultants? When big risky moves are planned, how well prepared are trustees to carry out their most important work? Have they sought the advice of objective third parties, outside of the hospital's executive team?

In this case, we are too late. But before the next hospital goes down, let's go ahead and have the debate. In the face of the inevitable increase in the business challenges hospitals face, we must be certain that trustees are up to the job. After all, that is their fiduciary responsibility.

As a society, we provide hospitals with substantial support in the form of tax exemptions, subsidized borrowing and revenue, and other assistance. The public has the right to insist that governing bodies are up to the challenge they have accepted.

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