

# Trust

TEX S HE LTHC ET USTEEES

ull t n

## Future Technology, Genomics and Trustees

**B**reakthroughs in medical science have the capacity to change the course of human disease.

Already, cloning and genetic breakthroughs are making headlines worldwide. Yet that is only the tip of the iceberg.

The science and art of medicine are poised to undergo dramatic upheaval as the relative number and frequency of new technology innovations approach light speed. Trustees will play a critical role in the hospital's incorporation of future technology and genomics.

### The Future

Scientists are predicting an ability to eradicate some major diseases during the next several decades, and to develop vaccinations for many others. Without a doubt, medical breakthroughs that extend a person's life span are bound to reveal new causes of death, which previously were hidden by early death.

According to William Dwyer, divisional vice president of strategic marketing for Abbott Laboratories, hospitals will experience the greatest impact in the short term from new drug development. Recent



innovations in the speed and scope of drug discovery will have profound effects on the number and quality of future pharmaceutical compounds available to modern medicine.

"Some conditions, previously treated with surgery, will be treated medically. Certain diseases that previously resulted in death, AIDS being one example, will become diseases we live with," Dwyer says. "Cancer also will be affected by new drug and vaccine development."

...continued on page 2

## contents

G is for Governance:  
Register Now for THT's  
Spring Forum 2003

4

THT Orientation and  
Refresher to Focus  
on Board Basics

5

King's Daughters  
Hospital Receives  
Governance Award

5

Six Sigma: Can  
Manufacturing Quality  
Measures Work in  
Health Care?

6

Foundation of Trust:  
Why all Hospitals  
Should Have a Code  
of Ethics

8

Trustees Profiles

10

## Trustee Bulletin

The *Trustee Bulletin* is produced by the Texas Healthcare Trustees in cooperation with the Texas Hospital Association.

*Chairman*  
Texas Healthcare Trustees  
**W.W. Aston**

*Chairman-elect*  
**Henderson Garrett**

*President/CEO and Editor*  
**Mary Walker, RN, Ph.D., FAAN**

*Manager, Trustee Relations*  
**Emily Whaley**

*Contributors*  
**Diana Smith**  
**Barbara Wray**

*Editorial Staff*  
**Jill Pendleton**

*Graphic Design*  
**Barbara Battista**

The *Trustee Bulletin* is published bimonthly by the Texas Healthcare Trustees, P.O. Box 15587, Austin, TX 78761-5587. The *Trustee Bulletin* is a membership benefit to board members and administrators of Texas Healthcare Trustees member institutions. Subscriptions are available to non-members for \$150 per year. For membership or subscription information, contact Emily Whaley, 512/465-1562 or, in Texas, 800/252-9403.

...continued from page 1

## CAUSES OF DEATH

1900	1940	2000
1. Pneumonia/Flu	1. Heart Disease	1. Heart Disease
2. Tuberculosis	2. Cancer	2. Cancer
3. Diarrhea/ Enteritis	3. Stroke	3. Stroke
4. Heart Disease	4. Nephritis	4. Chronic Resp. Illness
5. Stroke	5. Pneumonia/Flu	5. Accidents

Source: Wall Street Journal Almanac, 1998.

© 2001 Abbott HealthSystems Division. Reprinted with permission.

He adds, "Innovative approaches to drug manufacturing are expected as the science of cloning merges with newly understood approaches to transgenic production of important human blood components, anti-infectives and other medicinal products. Transplant and implant procedures will be done more commonly in community hospitals and, with a longer lifespan, the demand for these is likely to increase. Work is moving forward to alter, genetically, important major organs in animals (such as the pig) to fulfill this need for humans," Dwyer reports.

### Surprising Implications for Hospitals

What does this mean for hospitals? In perhaps as soon as 15 to 20 years, the Human Genome Project will affect

hospitals in many ways – primarily in diagnostics, gene therapy and gene-based drugs. The Human Genome Project started in 1990 to map the components of

human DNA, and that map nearly is complete.

Provocative findings in science are leading to dazzling possibilities for the future of technology. For example, a human cell measures about 1,000 nanometers wide. Scientists believe that we will be able to build "nanomachines" that will flow throughout the body and provide various

services at the sub-cellular level.

Then, the possibilities may seem endless, including:

- Molecular-scaled machines that can assemble and match needed fibrinogen to open wounds and aid in healing;
- Devices that can swim through the bloodstream targeting plaque and destroying it; and
- Viruses that are targeted by genetically tagged nanomachines that are on search and destroy missions.

Though off in the distant future, the quantum leap this type of science could bring to technology inspires dreamers and scientists alike.

### Trustees Need to Ask

- Are the master facility plans flexible enough to allow for changes in how health care is delivered in our community?
- If our hospital is not going to become a gene therapy center, with whom will the facility align to ensure that people in the community are served?
- Has the hospital recruited the right faculty or staff to take advantage of changes in medical science?

## HUMAN GENOME PROJECT

- \$3 Billion Budget  
Draft June 26, 2000
- 30,000 — 100,000 Genes
- 3 Billion Genetic Sequences
- >1,000 SNP Genetic Diseases

© 2001 Abbott HealthSystems Division. Reprinted with permission.

- Is our hospital meeting its general responsibility to become more knowledgeable about changes in medical science?

Genomics, which encompasses gene-based drugs and earlier diagnostics for screening and predicting, eventually will bring longevity and the ability to extend productive periods of life into the 90s and beyond. Vaccines against diseases such as diabetes will become a reality, and this has implications for hospitals, according to Dwyer.

For example, diabetes currently complicates the ability to deal with the acute illness of an elderly patient if the ravages of the chronic disease have taken effect. Imagine the ramifications for the next generation when a vaccine is available. In this scenario, one single vaccine may increase outpatient treatment and reduce overnight stays.

With the completion of mapping the human DNA, more will be understood about a person's probability for a certain disease, explains Dwyer. "We can start doing gene therapy early in life to overcome the possibility of that disease or change diet and lifestyle early enough to avoid the worst part of that disease."

<b>U.S. DRUG DEVELOPMENT Projects in Progress (1999)</b>	
<u>NUMBER</u>	<u>DISEASE</u>
316	Cancer
113	AIDS
87	Heart & Stroke
28	Arthritis
27	Osteoporosis
25	Depression/Schizophrenia
21	Diabetes
17	Alzheimer's Disease

Source: PhRMA "1999 Industry Profile" TECHNOLOGY FUTURES REPORT™

© 2001 Abbott HealthSystems Division. Reprinted with permission.

---

**"If the board is silent, someone else will influence the community's ethical standards in terms of the use of new technologies."**

**— William M. Dwyer**

---

### Trustee Leadership

Communities and trustees alike will face weighty decisions with the advent of new technology, particularly regarding genomics. In some cases, the developmental steps involved in producing these breakthroughs may offend the sensibilities. Will the genetic altering of life at its very beginning to avoid a future disease be valued, as much as the remedial treatment of chronic conditions throughout life now is valued?

Trustees need to ask:

- How will this technology affect our organization?
- What are our ethical responsibilities? Science is neutral, but its use has moral and ethical tones.
- How will the desire for care be balanced with the affordability of care?

People in the community will look to the hospital or health care system board as it starts to develop a position on this new technology. If the board is silent, someone else will influence the community's ethical standards in terms of the use of new technologies.

For more information, contact William M. Dwyer, divisional vice president of strategic marketing for Abbott Laboratories, 847/937-4576, [bill.dwyer@abbott.com](mailto:bill.dwyer@abbott.com)

# G is for Governance: Register Now for THT's Spring Forum 2003

**H**ospitals must be prepared to deal with unprecedented occurrences – from legislative mandates to bioterrorism. Take the mystery out of governance and discover how to provide leadership when it counts.

Join your fellow colleagues at THT's exciting Spring Forum March 7 and 8 in Dallas. The Forum, located in the Doubletree Hotel Lincoln Centre, will feature top-notch speakers, must-attend sessions and valuable clues to success in today's health care environment.

The THT Spring Forum is co-sponsored by the American Hospital Association, the Arkansas Hospital Association, the Louisiana Hospital Association and the Oklahoma Hospital Association.

Thursday's agenda begins with an important Trustee Orientation and Refresher. The presenters include Kevin Reed, J.D., and Fletcher Brown, J.D, shareholders with Davis & Wilkerson, P.C. in Austin; along with Tom Watson, partner with BKD in Little Rock, Ark.

On Friday, the THT Forum kicks off with widely noted experts who will present:

- **The Case of the Sleepless Health Care Leaders.** Back by popular demand, Connie Curran, president and chief executive officer of Virtual Executive in Chicago, Ill., will investigate the top three issues that cause sleepless nights for health care leaders: the bottom line, winning the talent war and re-gaining public trust.
- **E is for Ethics – and for Everyone.** Nationally known health policy expert and ethics analyst Emily Friedman will explore recent American corporate ethics failures and how health care organizations can avoid their own potential ethics minefields. Find out how to establish clear-cut rules for doing the right thing and to re-establish public trust.
- **Dr. Generation X.** Jennifer Moody, vice president of strategic services for American Medical Consulting in Irving, will explain how today's new generation of physicians is affecting physician practice patterns and recruitment efforts. Join her to find out the role of trustees in the dilemma created when younger physicians join an established medical staff.
- **Disaster and Bioterrorism Preparedness: Leadership's Role.** This important session led by Bill Rasco, FACHE, president and CEO of the Greater San Antonio Hospital Council, will focus on the role of the hospital during times of disaster readiness and recovery. Discover strategies for evaluating and improving your own disaster readiness plans.
- **Six Sigma: Increasing Effectiveness in a Service Culture.** Learn how Valley Baptist Medical Center in Harlingen has applied a quality methodology used successfully by the manufacturing industry for decades. This session is for trustees interested in a flexible system for achieving, sustaining and maximizing business prosperity.
- **Designing a Safe Hospital.** Discover how one rural hospital, St. Joseph's Community Hospital of West Bend, Wis., is designing a facility from the ground up that will increase patient safety and promote a safety-oriented organizational culture.
- **Unlocking the Door to Strategic Governance.** Larry Walker, principal of The Walker Company in Lake Oswego, Ore., comes to the THT Forum to discuss how "thinking strategically" can help health care boards that continuously are tested by governance challenges. Learn how to improve board skills, creativity and leadership.
- **Federal and State Legislative Update.** The Forum concludes with the inside story of "hot" health care issues being debated on the state and federal levels. Learn what's happening with Medicaid and trauma funding, HIPAA, prompt pay, liability/tort reform, workforce, patient safety issues and more.



The THT Spring Forum promises an exciting slate of speakers on topics you don't want to miss. For more information or to register for the Forum, call 512/465-1562, or in Texas, 800/252-9403.

# THT Orientation and Refresher to Focus on Board Basics

**T**oday's health care environment can be a slippery slope if you lack the basics of health care governance. New and veteran trustees alike can learn important information in the THT Orientation and Refresher on March 6. Held just prior to the THT Spring Forum, the Orientation and Refresher is a must for new trustees to learn about the issues and responsibilities facing today's hospital and health system trustees. The basics of finance, liability, quality, management performance and medical staff credentialing will be covered by leading experts on health system and hospital governance.

Kevin Reed, J.D., and Fletcher Brown, J.D., shareholders with Davis & Wilkerson, P.C. in Austin; and Tom Watson, partner with BKD in Little Rock, Ark., will be the featured speakers. All three bring extensive experience and innovative ideas to the Orientation and Refresher.

All trustees are encouraged to attend this full-day event and learn insights from these thought-provoking speakers. Make plans to attend this important orientation. The day-long event is \$100 for THT, Arkansas, Louisiana and Oklahoma Hospital association members and \$150 for non-members. The THT's *Guidebook for Hospital and Health System Governance* is included in the registration fee. For more information, call 512/465-1562, or in Texas, 800/252-9403.

## King's Daughters Hospital Receives Governance Award

**K**ing's Daughters Hospital in Temple has received a prestigious award designed to recognize excellence in health care governance. Presented by the Texas Healthcare Trustees Foundation's Texas Academy of Governance, the award honors those organizations that achieve knowledge and skills in governance, and strive to keep that knowledge current through education and the practice of effective governance. The honor was presented to the King's Daughters Board of Directors during its Nov. 20 meeting.

"The role of governance in any organization is crucial to its success, and King's Daughters is a prime example of that," noted Vernon Garrett Jr., president of the Texas Healthcare Trustees Foundation. "King's Daughters Hospital and its trustees exemplify the most important qualities of trusteeship – community stewardship, leadership, dedication to effective governance, collaboration, vision, commitment and service."

Tucker Bonner, president and chief executive officer of King's Daughters, said the hospital is greatly honored by this recognition. "Our board members serve the entire community through their volunteer service to the hospital. They are continuously focused on the caring and commitment that have characterized King's Daughters Hospital for 106 years. Their leadership enables us to continue to pursue our mission to serve the health care needs of Temple and the surrounding area."

The Texas Academy of Governance is a unique statewide initiative designed to encourage, recognize and reward best standards of health care governance throughout the state. Academy recognition indicates a commitment to excellence in governance for hospitals, health systems and their governing board members. To be considered for the award, hospitals and health systems must demonstrate commitment to criteria set by the Texas Academy of Governance. Those criteria include:

- Commitment to board education;
- Community accountability;
- Evaluation of performance;
- Commitment to quality and patient safety;
- Commitment to compliance with applicable regulations and laws; and
- An established planning process.

For more information about the Texas Academy of Governance and its recognition program, contact Teri Brooks, director of the Texas Academy of Governance, at 512/465-1021.



Tucker Bonner, president and CEO of King's Daughters Hospital, right, and Dr. Ralph Wilson Jr., chairman of the board, show off their new Academy of Governance Award.

# SIX SIGMA: Can Manufacturing Quality Measures Work in Health Care?

What if you could ensure that your hospital had three or four medication errors for every million transactions? What if your surgeries started on time almost 100 percent of the time? How about billing or coding errors? What would the reputation of your hospital be if you were not to wish for, but actually achieve these levels of performance?

Quality improvement questions like these have been scrutinized and evaluated by a number of other industries, particularly manufacturing, over the past two decades. Many have achieved astonishing success. Motorola decreased its defect levels by a factor of 200; Allied Signal reduced the time to introduce products by 16 percent; and General Electric achieved annual savings of \$6.6 billion.

How? By introducing a disciplined, data-driven approach to eliminating, not just reducing, process variation. This approach, now taking root in health care, is known in various industries as Six Sigma. Statistically speaking, a Six Sigma level of performance is achieved when a process produces only 3.4 defects per million transactions.

## What is Six Sigma?

Six Sigma is a results-focused quality methodology that targets the root causes of quality and efficiency problems. The approach has been used notably in the

manufacturing, retailing and hospitality industries, offering health care valuable case studies for change. Here's how it works.

Sigma is the Greek letter that represents standard deviation, or the amount of variation within a given process. The higher the Sigma level, the lower the number of defects. Achieving a Six Sigma level of quality equates to only 3.4 defects out of one million opportunities, or nearly error-free performance.

Sigma	Defects per Million Opportunities
1	690,000
2	308,537
3	66,807
4	6,210
5	233
6	3.4

“Most organizations that have implemented Six Sigma do so by rolling it out like a program, much like Total Quality Management or Continuous Quality Improvement, ISO 9000 or achieving the Malcolm Baldrige Award,” says David A. Thomsen, director of quality improvement at St. David's Healthcare System in Austin and a noted quality improvement speaker. “With Six Sigma, organizations identify a champion, train several people as experts, known as Black Belts, and then identify three or four major projects that would yield significant benefits to the organization.” Similar to other quality programs, Six Sigma uses a specific model for improvement. This model, called DMAIC, describes the various phases of a Six Sigma project. These phases are:

- Design
- Measure
- Analyze
- Improve
- Control

## SIX SIGMA IN ACTION

Learn how Valley Baptist Medical Center in Harlingen successfully adopted Six Sigma and what results were accomplished in just one year. Don't miss this presentation at the THT Spring Forum on March 7 by Wes Lepard, board chair, and James Springfield, president and CEO, of Valley Baptist Health System; and Chris Hansen, M.D., vice president of medical affairs at Valley Baptist Medical Center.

“Certified Six Sigma Black Belt experts have demonstrated, as a part of their certification, several projects with an annual savings of between \$200,000 and \$500,000 each,” says Thomsen. “Comparing this to typical quality improvement projects, these savings are significant and are due to the rigor and discipline brought by these experts,” he emphasizes.

Of course, Six Sigma, like other initiatives within organizations, needs a culture that supports the effort from the top leadership on down. If the culture of the organization is one that grabs on to the latest management fad, then that organization inevitably will see Six Sigma in the same light. But for those organizations that have developed a culture and a passion for excellence, introducing Six Sigma to an organization has the potential to accelerate its success.

### Valley Baptist's Smart Solution

One hospital in Texas has embraced the Six Sigma concept and is showing significant improvements after only one year. Valley Baptist Medical Center in Harlingen began using Six Sigma in 2002. According to Board Chairman Wes Lepard, board members, administration and staff have embraced the approach to “improve quality, reduce operating expenses, increase productivity and apply new strategies for better outcomes.”

Lepard uses Six Sigma at his own company, Magnolia Manufacturing Corp., which has interests in the Rio Grande Valley and Mexico. “I was with General Motors for years and saw firsthand the results of a measurement system based on standard deviation. I saw what it could do for the U.S. automotive industry. It allowed us to deliver the quality people wanted, not only in products, but in service, and it allowed us to catch up with foreign competitors.”

Today, Lepard's manufacturing company uses the Six Sigma approach and has several employees who are Black Belts.



By implementing Six Sigma, Valley Baptist Medical Center has improved operating room scheduling, saving as much as two hours per day.

## Questions for Trustees Considering Six Sigma

### Hospital board members considering Six Sigma should ask:

- Could Six Sigma benefit the organization? Become knowledgeable about Six Sigma through books, articles or a presentation to your organization.
- Were past quality programs successful? What did the staff and physicians think about them?
- What are the opportunities for improvement within your organization? Are there one or two major processes that could be improved in a significant way to differentiate your organization from the competition? Would these improvements lead to higher patient, physician and staff loyalty?
- Based on the above considerations, what would be the best way to implement this disciplined approach in your organization?
- Would the culture support it? If not, do not be afraid to say “no.” Think about outsourcing some of the major projects to experts.
- Are expectations reasonable? Everyone has a learning curve and the first projects may not yield the results, but look at what has been learned as investments in future

“As an old quality control person and Deming devotee, I have pushed for these kinds of process control methods in health care for a long time. At Valley Baptist, it is a wonderful program, and we have had great success with people accepting and implementing its strategies.”

Valley Baptist Medical Center brought in an outside trainer and trained “everyone from the janitor on up,” says Lepard. Different multi-disciplinary teams then selected a few areas for improvement, analyzed data and went to work. Already, operating room scheduling has improved dramatically, saving as much as two hours per day.

“I'm a firm believer in Six Sigma and believe all hospitals could benefit from this type of program,” Lepard adds.

...continued on page 8

## How Six Sigma Can Help Hospitals

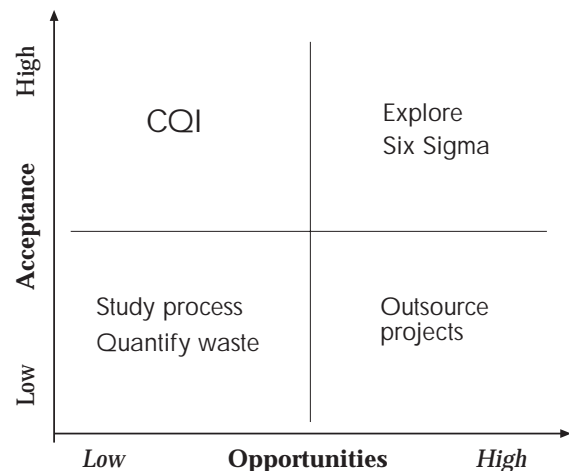
St. David's Thomsen concurs. "I believe that hospitals should embrace Six Sigma in some fashion depending on the organization," says Thomsen. "There is a lot of waste in processes in health care. Waste occurs whenever a process fails to meet the expectations of the person receiving the service, so whether it is a wrong medication, a re-scheduled surgery, delays that occur due to poor communication or coordination or re-billing, the original work is all wasted. This type of waste or re-work can account for as much as 40 percent of your operating costs within the hospital."

Thompson adds, "With today's increased focus on the health care industry, we need to take responsibility to drive down the cost of care. In addition, when the process is improved by eliminating these types of costs, the staff and physician satisfaction actually increases."

Thomsen suggests that Six Sigma can be beneficial even for facilities that already have successful quality initiatives. Six Sigma can complement current resources and staff, he says.

"For those organizations that have not had a lot of success with programmatic implementation in the past, the approach may be to outsource a few projects or introduce the methodologies used in Six

## Decision Grid



Sigma covertly. Training for Six Sigma experts is a sizeable financial investment, so you must consider the opportunities for gain and the acceptance within your organization. Six Sigma can be viewed as another 'flavor of the month' if that is what the organization is focused on, but if the board and leadership assess their organization and implement this disciplined approach in a manner that fits, they will have a greater chance of success."

Dave Thomsen is the director of Quality and Business Development at St. David's Medical Center in Austin, 512/404-8234. He has shared his experience and insights in a variety of settings on topics that include quality, systems theory, organizational learning and Six Sigma.

## Foundation of Trust: Why All Hospitals Should Have a Code of Ethics

Webster's dictionary defines "trust" as "reliance on the integrity, strength, ability, surety, etc., of a person or thing; confidence." Members of the community, medical professionals, hospital staff and patients place their confidence in the hospital board and depend on its members to uphold their fiduciary responsibility – individually and collectively.

Fiduciary responsibility for hospital board members means upholding three important duties: duty of care, duty of loyalty and duty of obedience. A written Code of Ethics helps focus the board on its responsibility to conduct the organization's business in a certain manner, and serves as a tool for clarification when facing difficult decisions, explains Fletcher Brown, J.D., shareholder with Davis & Wilkerson, P.C. in Austin.

### Put it in Writing

And while most Texas hospitals currently have an ethics or conflict of interest policy, today's climate presents the opportunity to revisit this document and its application. "Responsibility for monitoring the hospital's Code of Ethics rests with the board," emphasizes Brown. "Effectively carrying out this duty may be the single most important strategy for avoiding an Enron situation."

## New Governance Guidelines

The New York Stock Exchange recently adopted new corporate governance guidelines, and while certain elements pertain only to public corporations, Brown says that some others warrant closer examination by hospital trustees, including:

- Boards should consider holding an executive session, without management, to evaluate management performance and also to provide the opportunity for more open board level discussions;
- The audit committee should function independently of the board in overseeing independent auditors, except public hospitals where this is not possible;

- A retiring chief executive officer should avoid service on the board and, at the very least, observe a “cooling-off” period before assuming a board position; and
- Boards carefully should review the quality and consistency of its Code of Ethics and Conflict of Interest statements.

The following model Code of Ethics is designed to serve as a guideline and tool for discussion. Trustees will want to seek legal consultation to address the specific needs of their hospital.

For more information, contact Fletcher Brown, J.D., shareholder with Davis & Wilkerson, P.C. in Austin at 512/482-0614.

## MODEL CODE OF ETHICS

This model Code of Ethics is meant to serve as a guideline for ethical behavior in the hospital setting. This model Code of Ethics is not intended to supercede or controvert existing federal or state laws regarding tax exemption, nepotism, or conflicts of interest, but rather, is designed to provide a guideline of the various duties placed on trustees. This model Code of Ethics is not intended and should not be used as a substitute for legal consultation.

### **DUTY OF CARE: Requires a board member to be careful and prudent in managing the organization's affairs.**

- A trustee should be informed and exercise independent judgment on all decisions regarding the hospital. In areas requiring special knowledge or skill, a trustee should seek the advice of experts.
- A trustee should attend meetings of the board regularly and should be present for the entire meeting.
- A trustee should act in reliance on information and reports received from regular sources that the trustee reasonably regards as trustworthy.

### **DUTY OF LOYALTY: Requires a board member to place the hospital's interests ahead of personal interests or the interests of business associates, friends and relatives.**

- A trustee should be conscious of the potential for conflicts of interest and act with candor and care in dealing with such situations.
- A trustee should be aware that conflicts of interest are not illegal or unethical inherently; it is the manner in which the trustee and the board disclose and address a conflict that determines the propriety of the situation.
- A trustee should be sensitive to any interest he or she may have in a decision to be made by the Board and, as far as possible, recognize and disclose such interest prior to the discussion or presentation of such a matter before the board.
- A trustee should, when he or she has an interest in a transaction being considered by the board, disclose the conflict before the board discusses or takes action on the matter. A trustee with a potential conflict should consider abstaining from discussing and voting on matters involving the potential conflict.
- A trustee should not, in the regular course of business, disclose information about the hospital's legitimate activities unless they already are known by the public or are of public record.
- A trustee should refrain from doing

business with the hospital, purchasing assets or providing goods and services.

- A trustee should not circumvent the board by going directly to the chief executive officer concerning important matters. When a trustee desires the CEO to make certain decisions or take specific actions, these matters should go through the board as a whole. Trustees should follow the chain of command.
- A trustee should not use his or her position to solicit favors concerning the employment of friends or relatives, or protecting friends and relatives from employee disciplinary action.
- A trustee should direct concerned employees to follow the chain of command and take any hospital operational matters to the hospital CEO. There may be exceptions, such as if the trustworthiness of the CEO is in question. However, as a routine, employees should be referred to the hospital CEO for resolution of problems.

### **DUTY OF OBEDIENCE: Requires the trustee to act in accordance with the organization's mission as expressed in its Articles of Incorporation and Bylaws.**

- A trustee should be conscious of the fact that while he or she has considerable leeway and protection from liability in deciding the best means and overall strategy to achieve the organization's objectives, he or she ultimately is responsible for ensuring that the organization substantially holds to its purposes as identified in the entity's organizational documents.

Source: Fletcher Brown, J.D., shareholder with Davis & Wilkerson, P.C. in Austin.

# Texas Governance: People and Places



Ben Martinez

**Hospital/Health System:** Ballinger Memorial Hospital, Ballinger

**Facility Description:** Ballinger Memorial Hospital is a rural hospital that is licensed for 25 beds. Previously an acute-care facility, it was certified as a critical access facility in 2000. The patient care mix comprises 60 percent Medicare, 10 percent Medicaid, 20 percent other insurance and 10 percent private pay.

**Length of service:** Elected to the position 14 years ago, Ben Martinez serves as hospital director for Ballinger Memorial Hospital.

**Occupation:** Martinez is vice president of data processing for First National Bank in Ballinger.

**Board Involvement:** "I started as an advisory director in April 1988, prior to the hospital becoming a hospital district. In October 1988, the City of Ballinger assumed ownership of the facility. Because I had been serving in the advisory capacity, I was asked to join the board and was appointed by the city council. Ballinger Memorial Hospital became a

hospital district in January 1990. I ran for the position of hospital director and was elected, and have been re-elected in subsequent elections."

**Most satisfying:** "I enjoy the fact that we work together toward a common and critical goal of maintaining health care for our community."

**Most challenging:** "The biggest challenge rural hospitals face is the constant bureaucratic barrage of legislative changes, which in most cases bring cuts in funding. If we had not been able to convert from acute-care to critical access care, we would most likely be out of business today. The legislation enacted by the Balanced Budget Act of 1997 was not favorable to rural hospitals and required such facilities to make major changes in order to survive."

**Proudest moment:** "My proudest moment is that we have been able to stay open by keeping our balance sheet in the black. We have experienced many years during which we had to request lines of credit until we could receive new tax revenues from our hospital district. Our tax revenue rate is capped at 25 cents per hundred dollars valuation and with all the rising costs in health care, this revenue did not suffice in meeting our financial needs. As a board, our greatest accomplishment has been meeting the ongoing challenge of keeping the doors open."

**Biggest surprise:** "Many people think medical facilities are making huge profits and that health care

will always be available. This is so far from reality in rural communities. The economic effect on the community of closing a hospital is very great and many people do not give this adequate thought."

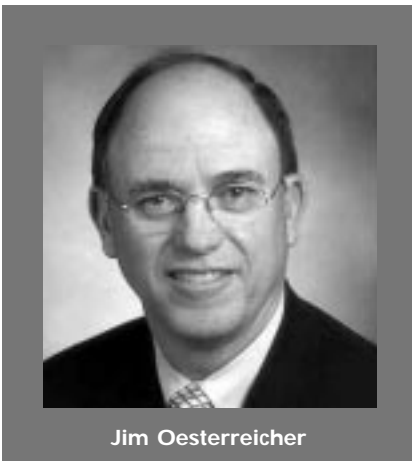
**Important lesson:** "I have learned that if you have a desire to maintain good medical care for your community, it can be achieved if you have quality employees and supportive board members to provide guidance in this endeavor."

**Advice for new trustees:** "Always keep an open line of communication with hospital management, and do not attempt to micromanage the daily operations. You have to allow your administrator to make decisions that he or she may deem necessary. The board of directors should set the policy for future growth and then allow hospital management to administer it."

**Hometown:** "I have been a resident of Ballinger for most of my life. I graduated from Southwest Texas State University in 1971, and after working in San Angelo for a few years, I returned to Ballinger in 1978 and purchased a meat processing business. I sold the business in 1997 and went to work with First National Bank in Ballinger, where I still am employed."

**Family:** "I have been married to my wife Anita for 30 years and have one daughter and two wonderful granddaughters."

**Hobbies:** Playing golf and tinkering with computers.



**Hospital/Health System:**

Arlington-based Texas Health Resources was formed in August 1997 through the merger of Harris Methodist Health System in Fort Worth, Presbyterian Healthcare System in Dallas and Arlington Memorial Hospital Foundation, Inc.

**Facility description:** THR is the largest fully integrated nonprofit health care system in Texas and spans 29 counties in North Texas. With more than 3,300 physicians on staff and 14,000 employees, the organization consists of 2,700 licensed beds in 13 acute-care hospitals, one long-term acute-care hospital and two psychiatric/addiction centers. Other services include a 500-resident retirement village, senior medical centers, helicopter ambulance service and wound care centers. THR also was the first health system to receive the Excellence in Governance Award from the Texas Academy of Governance.

**Length of service:** Jim Oesterreicher is chairman of the board and has served in numerous capacities for 12 years, including trustee for Presbyterian Hospital of Plano, Presbyterian Healthcare System and THR. He also has chaired the audit committee and ad hoc governance committee for THR.

**Occupation:** Oesterreicher retired from his position as chairman and chief executive officer for the J.C. Penney Company Inc. in September 2000. In addition to his position with THR, he is a board member for the Circle Ten Council of the Boy Scouts of America, Texas Utilities, Brinker International and the Dial Corporation and has been involved with the American Society of Corporate Executives, Dallas Roundtable and the Domestic Strategy Group of the Aspen Institute.

**Introduction to public service:**

“During his lifetime, the founder of J.C. Penney Company, James Cash Penney, constantly talked about the importance of community involvement. His expectations led to my association with several organizations. Early in my career, I was involved with Goodwill Industries and later with Boy Scouts of America, the National March of Dimes Birth Defects Foundation and the Spina Bifida Association of America.”

**Most satisfying:** “I enjoy being able to apply my business experience to hospital board leadership. Learning the intricacies of a nonprofit organization as well as the interrelationships of the board, hospital management, physicians and other health care providers was the biggest difference. I have met some terrific people in my years of board service and appreciate working with dedicated physicians, hospital and business leaders who are giving of their time and talents to the mission of THR.”

**Most challenging:** “Getting to where we are now required numerous mergers and some divestitures. These challenges were addressed by dedicated board members, professional management and outside counsel working together and challenging each other on every transaction.”

**Proudest moment:** “Seeing our system grow from two hospitals to a system of 13 leading hospitals in North Texas, which became THR – now the market share leader in the four-county Metroplex of Collin, Dallas, Denton and Tarrant counties. More than one out of five people seeking inpatient services in the Metroplex chooses a THR hospital. THR concurrently has the critical mass in this dynamic environment to be a change agent, designing future health care delivery rather than reacting to impending change.”

**Advice for new trustees:** “Be passionate about the mission. Hospital systems need the input and challenges from a board. New board members bring fresh insight into the board room. Learn, participate and enjoy the camaraderie of fellow board members, members of management and physicians. The complexity of issues requires a commitment to learning. Don’t be afraid to ask questions on what you don’t understand.”

**Hometown:** A resident of Plano for 14 years, Oesterreicher was born in Chesaning, Mich., and graduated from Michigan State University with a bachelor’s degree in marketing and retailing.

**Family:** Oesterreicher and his wife, Pat, their three sons, Scott, Tom and David, and 3-year-old twin granddaughters live in Texas.

**Hobbies:** Golf, bridge, reading, travel and spending time with his granddaughters.



# Community Health Corporation

A N A F F I L I A T E O F V H A S O U T H W E S T , I N C .

## Caring For Our Communities

Through Partnership and Shared Vision

Community Health Corporation offers a host of services to help community-based hospitals preserve their public/not-for-profit status while improving operations and quality of care:

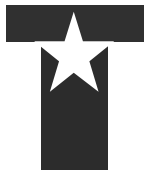
- Board/Community Education
- Consultation
- Managerial Support
- Lease
- Purchase
- Participation in Joint Ventures
- Access to Capital

To learn more about the benefits of CHC, contact:

Michael D. Williams  
President and CEO  
Community Health Corporation  
7160 Dallas Parkway  
Suite 600  
Plano, TX 75024  
(469) 366-2190  
(469) 366-2184 Fax  
E-mail: [mwilliams@vha.com](mailto:mwilliams@vha.com)

This month's issue of the *Trustee Bulletin* is sponsored by Community Health Corporation

T · E · X · S  
H E L T H C E  
T R U S T E E S



P.O. Box 15587  
Austin, TX 78761-5587

Address Service Requested

PRSR STD  
US POSTAGE  
P A I D  
AUSTIN, TX  
PERMIT # 1802