Cornerstone’s Transformation:
Governance Challenges

Grace Terrell, MD MMM
Cornerstone Health Care, PA
President/CEO
CHESS
President/CEO
Mission:
To be your medical home

Vision:
To be the model for physician-led health care in America

Values:
As a physician owned and directed company, we are committed to ensuring that patient care is efficient, effective, equitable, patient centered, safe, and timely
First, a little theory…

“…humans erect institutions and establish norms of cooperation and reciprocity in order to achieve predictability, stability, and low costs for social interactions. This is in turn essential for engaging in exploitive activities, that is, to raise overall welfare through cooperation and interaction. But with stability comes rigidity. Institutions are path dependent, sticky, and products of circumstances and power struggles present at the time of construction. Norms and networks of cooperation are slow changing and have a tendency to grow stronger with increased actor homogeneity…the trade-off between exploration and exploitation in governance systems is rooted in a much more fundamental tension between the dual needs for institutional stability and change.”

Adaptive Capacity and Different Types of Complex Change

- **Flexible** (e.g. network-based)
- **Robust**
- **Rigid** (e.g. state-dominated)
- **Fragile**

**Rate of change**
- Fast
- Slow

**Predictability**
- High
- Low

*CORNERSTONE HEALTH CARE*
## The evolution of Cornerstone:

<table>
<thead>
<tr>
<th>1995</th>
<th>2015</th>
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<tbody>
<tr>
<td>221 Employees</td>
<td>1,850 Employees</td>
</tr>
<tr>
<td>16 Locations</td>
<td>89 Locations</td>
</tr>
<tr>
<td>8 Specialties</td>
<td>34 Specialties and Ancillary Services</td>
</tr>
<tr>
<td>42 Shareholder Physicians</td>
<td>230 Physicians</td>
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<tr>
<td>2 “Mid-levels”</td>
<td>186 Shareholder Physicians</td>
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<tr>
<td></td>
<td>129 Advanced Practice Providers</td>
</tr>
<tr>
<td></td>
<td>21 Practices with Extended Hours</td>
</tr>
<tr>
<td></td>
<td>29 Primary Care Practices Recognized by NCQA as PCMH Level 3</td>
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<tr>
<td><strong>All on staff at High Point Regional Hospital</strong></td>
<td><strong>10 year history on single EHR</strong></td>
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<td>Developed Cornerstone Health Enablement Strategic Solutions (CHESS) now with investments by Wake Forest Baptist Health and Labcorp</td>
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<td></td>
<td>Developing Clinically Integrated Network with WFBH</td>
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<td>All contracts are in value-based arrangements</td>
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<tr>
<td></td>
<td>Physicians on staff at 15 different hospitals and 6 health systems</td>
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Our governance structure started pretty simply:

- All shareholders had one vote:
  - Elected Board
  - Reserved authority to
    - Bring in new shareholders
    - Sell the company (3/4 majority)
    - Change the income distribution formula (3/4 majority)
    - Approve capital purchases over $100,000 (2/3 majority)
    - Terminate shareholder (2/3 majority)
The Board of Directors otherwise governed the company.

- 12 member board with staggered three-year terms
- At least 50% primary care physicians (ob-gyn, internal medicine, family medicine, and pediatrics)
- Chairman of board elected annually
- President selected from board and elected bi-annually
Things were pretty simple back then…

- The original by-laws only designated two committees:
  - Finance
  - Operations
- And there were only three employees in central administration
  - Executive Director
  - CFO
  - COO
Over time, Cornerstone’s governance and infrastructure have evolved to meet the needs of a more complex organization.

- Shareholders:
  - Only approve mergers that would impact ownership by >20%
  - Capital purchases over $200,000
  - Voting is based upon quorum at meeting rather than total number of shareholders
The Board of Directors has become more strategic in its approach over time.

- **Board:**
  - 6 PCPs
  - 6 specialist, but ob–gyn now specialist
  - 1 Medicare beneficiary
  - President is no longer elected to the board but appointed by the board and only votes in a tie
  - WFBH has observer at board
  - Executive Committee adjudicates many non–strategic matters
Committees are crucial to the development of Cornerstone policy.

Current Committees

- Compensation Committee
- Conflict of Interest Committee
- Finance Committee
- Human Resources Committee
- Nominating Committee
- Practice Standards Committee
- PEAK Committee
- Quality Committee
- Utilization Review Committee

Task Forces, Meetings, and Ad Hoc Working Groups

- Clinical Service Lines
- EMR Task Force
- HIT
- Labcorp Committee
- Office Managers Meeting
- Voice of the Patient Advisory Council
Our current committee structure is inclusive of a large number of stakeholders but ultimately serves advisory roles to the board.

- Chaired by Board Members
- Only voting members of finance and HR committees are physician shareholders
- Other committees contain non-shareholder physicians and advance practice providers
- Management team serves as advisory members
The transformation of Cornerstone has led to increasing complexity in our governance requirements.

- Dec 2010: CHC goes live on Humedica MinedShare
- July 2011: Service Line Monthly Meetings
- Jan 2012: CHC & Oliver Wyman Redesign
- March 2011: PCA Program Conceived
- April 2012: Personalized Cancer Care w/embedded Primary Care
- July 2012: MSSP ACO Personalized Primary Care Program
- October 2011: Shareholder Vote to move to PFV
- November 2011: Service Line Monthly Meetings
- January 2013: Care Outreach & Lifecare Clinics
- February 2013: Transitions of Care
- April 2013: Launch of CHESS
- March 2012: VBR: Negotiating Contracts
- April 2012: Personalized Cardiac Care Program
- July 2012: Personalized Primary Care Program
- October 2013: Shareholder Vote to move to PFV
- January 2014: 13 CHC practices earn 2011 PCMH Recognition
- February 2013: Care Outreach & Lifecare Clinics
- January 2014: Transitions of Care
- April 2013: Launch of CHESS
- May 2013: Care Outreach & Lifecare Clinics
- September 2013: Transitions of Care
- January 2015: Cornerstone goes Full-Risk

- March 2011: PCA Program Conceived
- October 2011: Shareholder Vote to move to PFV
- Weekly Care Pathway Redesign meetings
- March 2012: Personalized Cardiac Care Program
- Optum & Teradata Tech partners
- Catawba Medical Center signs contract with CHESS
- Cornerstone Breast Clinic Opens
- Catawba Valley Medical Center signs contract with CHESS
- COPD Model launched
- Wake Forest Baptist Health
- LabCorp Partnership
- November 2013: Strategic partnership with WFBMC & CHESS
- December 2014: Gainshares paid out
- August 2013: Cornerstone Breast Clinic Opens
- Catawba Valley Medical Center signs contract with CHESS
- COPD Model launched
- Wake Forest Baptist Health
- LabCorp Partnership
- November 2013: Strategic partnership with WFBMC & CHESS
- December 2014: Gainshares paid out
- August 2013: Cornerstone Breast Clinic Opens
CHESS is a Limited Liability Corporation with its own Board of Managers.

- 5 – 9 Board Members
- 5 Appointed by Cornerstone, 2 by WFBH
- 3 Year Terms
CHESS committees have representatives from Cornerstone, Labcorp, and Wake Forest Baptist Health.

- Finance Committee/Compensation Committee
- IT Committee
- Clinical Operations/Quality Committee
- Executive Committee
CHESS has also created a MSSP ACO with its own governance.

Consists of representatives from Cornerstone, Catawba Valley Medical Center, High Point Regional Health, and Wake Forest Baptist Health.
There are challenges with restructuring due to complexity.

- CHESS/Cornerstone leadership role ambiguity
- Communication challenges associated with complexity
- Multiple levels of governance
- New stakeholders with different strategic priorities
Lessons learned:

“Between the idea and the reality falls the shadow”

T.S. Eliot

The Dark Night of the Innovator
What would we do differently?

Hindsight