

## Basic Responsibilities of a Board and Its Members

### MAIN RESPONSIBILITIES OF THE GOVERNING BOARD

All boards, regardless of their organization's focus, share the same traits:

- Board membership is as high as one can get and still be in the organization. It is the ultimate authority.
- Boards only have authority when they meet. Unless boards are in session in person, or have arranged to meet in a conference call, they don't have authority to act. If the board's bylaws allow, an executive committee may meet and act for the board, or the board can vote on issues by mail or email. It is important for the bylaws to detail what is considered a regular board meeting, what kind of special meetings may be called, how much advance notice is required, and any other parameters that must be met for a regular or special meeting to occur.
- No one individual has authority to act for the board. A board member may be given authority by the board to complete a purchase or carry out a specific task, but only the board as a whole has the authority to take any action.
- Boards are not like Congress or the courts. They need to speak with one voice. There should be much discussion, there may be disagreements, and opinions should be expressed. But, in the end, board members need to unite behind a majority decision.
- Time is a precious commodity. Boards need to use their time efficiently because they don't have much of it.

Although an ideal board functions as a team for the good of the organization, the very nature of a board may preclude the development of teamwork:

- **Directors are not full time.** Most independent directors have full-time jobs elsewhere, and their primary focus rests with that job, not the board.
- **There is only periodic interaction.** Board members meet together for relatively short periods of time, separated by weeks or months. This makes it difficult to build continuity or develop as a team.
- **Meeting time is limited.** Boards have a limited amount of time to spend on board activities or on any one issue. Because they are not in the organization's day-to-day information loop, board members may approach their work with limited knowledge or understanding of the nuances of particular issues.
- **Unclear authority relationships may exist.** Unlike a hierarchical management structure, board members all have equal authority, adding to the ambiguity under which a board functions.
- **Lack of clarity may exist about management versus governance.** Sometimes the distinctions between management's role and the governing board's role are not exactly clear, particularly to new board members. When the board gets involved in operations, it loses its governing effectiveness.

The board's work is done in board and committee meetings, making it absolutely essential for those meetings to be effective and productive—teamwork at its best, regardless of the factors that seem designed to prevent it.

## **The Board and the Organization's Mission, Vision, and Goals**

While some may feel it is obvious the board runs the show, that kind of simplistic approach ignores reality. Without a knowledge of and attention to the basic components of a board's reason for being, a board may inadvertently abdicate its responsibilities.

It is the board's responsibility to map the hospital's course through the establishment and periodic review of its mission, vision, and goals. As Lewis Carroll said, "If you don't know where you are going, any road will get you there." Without a clear understanding and agreement of what the organization wants to accomplish (its mission), how it wants to accomplish the mission (its goals), and where it wants to be in the future (its vision), a board can wander countless roads, never knowing when it has accomplished something of value or even what is valued. Strategic planning (discussed later in this chapter) is a function of the board that ties these three components together.

Once the mission, vision, and goals are established and a strategic plan is developed, the board will be able to reach its decisions. However, experience has shown that board members may not always be truly aware of the hospital's mission.

The simple act of putting the mission statement at the top of the agenda for every board and committee meeting can save time and unnecessary discussion. If board members can readily see the mission statement, their course of action will be more obvious. Some agenda items may even be dispensed with quickly if it is obvious they are not part of the mission.

To focus the entire organization on the mission statement, it should also be printed clearly on the back of all business cards and at the top of agendas for any hospital-related meetings of the board, employees, medical staff, or volunteers.

## **The Board and Executive Management Performance**

When dealing with the hospital's staff, the board should concentrate on the only employee who reports directly to them—the chief executive officer (CEO). Although the chief operating officer, chief financial officer, chief nursing officer, medical director, and any vice presidents are important in making the organization a success, the board does not supervise or evaluate these individuals. Many boards have difficulty staying focused on the CEO, particularly in smaller communities where everyone tends to know each other. However, it is important for that focus to remain clear.

The board does not evaluate anyone but the CEO, does not hire anyone but the CEO, does not set goals and objectives for anyone but the CEO, and does not replace anyone but the CEO. The board also needs to be assured there is management depth in the organization and that succession planning and management development activities are a priority for the CEO. No organization can afford to flounder during a transition from one CEO to another.

## **The Board Ensures the Quality of Patient Care**

The hospital or health system board can and should delegate the design, implementation, and measurement of the quality of care to administration and staff. However, the board is legally and ultimately responsible for ensuring quality care is available and provided to patients. As such, the board needs to be comfortable the systems are in place to make that assurance, and it needs to see indicators that allow a lay board member to understand the hospital's quality compared with the quality at similar organizations (benchmarking).

There are many quality-outcome indicators, including

- hospital-acquired infections,
- surgical wound infections,
- neonatal mortality,
- inpatient mortality,
- cesarean section rate,
- unplanned readmissions to the hospital,
- unplanned returns to the operating room,
- pressure ulcers (bed sores),
- patient falls,
- nurse hours per patient day,
- patient satisfaction with pain management, and
- overall patient satisfaction.

The board, through its quality committee, should develop dashboard indicators—the ratios, numbers, or percentages that measure activity—to alert it to unacceptable quality outcomes.

Effective boards raise the importance of quality care to equal or surpass financial matters. This sends a clear message to the administration, the medical staff, the nursing staff, and others about the board's priorities. These boards strive to run hospitals and health systems that benchmark well in all areas of quality measurement.

## **The Board Ensures the Organization's Financial Health**

Most board members feel more comfortable reviewing financial statements than quality indicators, but financial health and high quality are intertwined. An organization rarely achieves quality if its finances are not on solid footing. Oddly, in many instances, experienced businesspeople have a different view of what financial health means in a nonprofit hospital from what it means in the for-profit sector. Some nonprofit boards think nonprofit means not too much black ink, nor too much red ink, but “pink” ink—a kind of a break-even mentality.

For this reason, the use of the term “nonprofit” may do a disservice to hospitals and health systems because it frames the mind-set of the breakeven approach. A more accurate descriptor for “nonprofit” healthcare organizations would be “tax exempt.”

Regardless of the board's perspective, however, a 2009 survey of top issues confronting hospitals, completed by CEOs for the American College of Healthcare Executives (ACHE 2010), clearly shows financial challenges to be the number one issue facing hospitals and health systems.

All boards need to realize how important it is to have excess revenue over expense at least equal to the cost of capital. For example, if the board is to keep the hospital's equipment up to date or replace antiquated or inefficient buildings, it is imperative to have enough revenue/profit available to accomplish these things. As Dr. Leland Kaiser (2011), health administration faculty member from the University of Colorado Denver and nationally recognized futurist, has said, "It is virtuous to help the poor; it is not virtuous to be poor!" A hospital or health system is a business and must have excess revenue over expense to continue to provide quality care.

## **Hospital Boards Assume Some Responsibility for Their Community's Health**

Many hospitals and health systems are required to perform needs-assessment studies to address the health status of their communities. Board members should educate themselves about their community's rates of heart disease, cancer, teen pregnancy, and other issues. It is the board's role to determine how this should be done within the organization's resources. For example, in a city with high rates of diabetes, directors should look for ways in which the hospital can educate the community about the importance of healthy eating, exercise, and regular checkups.

## **The Board Must Assume Responsibility for Itself**

At a minimum, the board has a responsibility for taking care of itself, including

- establishing an effective orientation program for new members;
- conducting a self-assessment process every two to three years;
- creating a continuing education program for all members;
- subscribing to relevant periodicals, such as *Trustee*; and
- maintaining up-to-date job descriptions for all members and officers.

Job descriptions are perhaps the most important of these. If new board members receive current job descriptions from the board chair, they will be much less confused about the role of the board and their specific roles on that board.

## **STRATEGIC PLANNING**

In recent years, the importance of strategic planning has come to the forefront for boards of both private nonprofit and public companies. The National

Association of Corporate Directors’ (NACD 2010a) survey of leading issues among public boards found strategic planning ranked first, ahead of corporate performance and financial oversight. NACD’s (2010b) survey of nonprofit board members ranked strategic planning fifth out of 25 key issues. In today’s turbulent environment, this similar emphasis on the importance of strategic planning is likely not a coincidence.

In the nonprofit (tax-exempt) world, as more healthcare boards evaluate their duties, boards should be actively engaged with management to ensure the appropriate development, execution, and modification of the healthcare organization’s strategic plan, for several reasons:

- Healthcare reform and its many implications for hospitals, including how increased insurance coverage will affect demand for services
- Advances in medical technology
- Competition from a hospital’s medical staff
- Changing reimbursement patterns as hospitals receive less from Medicare and Medicaid
- Consolidation in the healthcare industry
- Stakeholder activism, as community members become more vocal in demanding new services or more locations from their hospital

Hospitals must respond to such changes with similar speed. Hospitals and healthcare organizations without a carefully thought-out strategic plan may steer the organization in a dangerous direction with no idea where they are going.

Appropriate development of a strategic plan does not mean the board has to determine the organization’s strategy or create a detailed strategic plan, as this is generally the responsibility of management.

Management’s Role in Strategic Planning	The Board’s Role in Strategic Planning
<ul style="list-style-type: none"><li>• Develop the organization’s strategy</li><li>• Obtain board approval for the plan</li><li>• Implement and communicate the strategy</li><li>• Routinely update the board on the plan’s execution</li><li>• Propose changes as needed</li></ul>	<ul style="list-style-type: none"><li>• Evaluate the strategy proposed by management</li><li>• Approve the strategy</li><li>• Monitor its implementation</li><li>• Challenge assumptions and analyses as necessary</li><li>• Encourage changes as events require</li></ul>

Management should also regularly send the board supplemental information about the organization's performance, especially trends and uncertainties that may affect the implementation of the approved strategy.

Simply put, management creates the organization's strategic plan, involving the full board in its development. With this understanding of the plan, the board will be able to intelligently approve it, monitor it, and suggest needed changes and adjustments. The board needs to review the strategic plan regularly to be comfortable with the hospital's long-term direction. The board needs to take a long-term view of the organization, its objectives, and the means to achieve them.

## **BASIC LEGAL DUTIES**

### **The Duty of Care**

The first basic legal responsibility of a board director is called *the duty of care*. This means the director must exercise appropriate diligence—doing what a reasonable person would do in the same situation with the same information—in making decisions for the organization and overseeing its management. The duty of care protects directors from liability for acting in the best interests of the organization, as long as there are rational bases for their decisions and no conflicts of interest.

To exercise the duty of care, a director can rely on information provided by others—including the organization's officers, employees, legal counsel, and committees—as long as she acts in good faith—that is, her actions are not knowingly inappropriate. In meeting their duty of care, directors must be willing to make the appropriate time commitment for regular attendance at meetings, must stay informed about the issues before the board, and must be prepared to ask the right questions during deliberations.

The board can be sure it meets the duty of care by routinely reviewing the organization's mission, vision, and goals. The board also needs to make sure its committees have updated charters that outline the duties and responsibilities of each committee. Additionally, the board should have continuing education sessions to ensure members understand or learn how to analyze the feasibility of projects being contemplated. The board should be knowledgeable about all reasonably available information related to proposals being reviewed and act with appropriate prudence and care.

## The Duty of Loyalty

The second legal responsibility of a board is *the duty of loyalty*. The duty of loyalty requires a director to act in the best interests of the organization and its stakeholders, not of himself, a relative, or another organization with which he is affiliated. A board member should not use his position for profit, gain, or other personal advantage. The following are some specific applications of the duty of loyalty:

- **Conflict of interest.** Each director should be aware of any interest she may have that may conflict with the best interests of the organization. For example, a board member may not enter into a contract with the hospital without full disclosure and approval from the rest of the board. (See Appendix 1 for a sample conflict of interest policy and Appendix 2 for a sample conflict of interest disclosure statement.)
- **Corporate opportunity.** The duty of loyalty requires that a director not accept a business opportunity related to the business of the hospital without making that opportunity available to the hospital first. To open a business in competition with the hospital would indeed be considered bad form. Whether such an opportunity should first be offered to the hospital depends on how that opportunity relates to the hospital's existing business, how the director became aware of the opportunity, and how much interest the hospital has in the opportunity. The board should also consider how reasonable it is for the hospital to expect the director to make that opportunity available.

To meet its duty of loyalty, the board should review its conflict of interest policy and conflict of interest disclosure statement every year. Additionally, the board (or a designated committee) should review the revised Form 990 before it is filed with the IRS. The revised Form 990 helps clarify who is considered an independent director and what is considered a conflict of interest.

In summary, to meet the duty of loyalty, the board must discharge its duties unselfishly, to benefit only the organization and not the directors personally.

## The Duty of Obedience

The third legal responsibility of a board is *the duty of obedience*, which requires directors to obey all laws and support the mission and bylaws of the organization. Exceeding their delegated authority violates the trust of the organization's supporters and, in a nonprofit organization, could jeopardize its tax-exempt status. Officers and directors of healthcare organizations can be named as



defendants in lawsuits filed against their organizations. And although some statutes provide a level of immunity to directors, and most organizations have directors and officers (D & O) insurance, directors should pay special attention to the limits of their authority within the organization. The board should not venture beyond those boundaries without the permission required by the hospital's operating documents.

The board helps meet its duty of obedience by not accepting proposals that are contrary to the organization's mission. The board (or designated committee) should routinely receive reports about the organization's corporate compliance program. Additionally, the board should assess community benefit performance and determine whether these activities warrant having tax-exempt status. Maintaining tax-exempt status depends on providing a certain amount of charity care each year. Board members should be aware of how the hospital is performing, especially as more state attorneys general are measuring compliance on this front. In summary, the board must ensure that the organization is obedient to its central purposes as stated in its articles of incorporation and its mission.

## **COMMITTEES**

Committees help the board perform its duties and meet its responsibilities. The rules regarding the type and number of committees a hospital or health system board should have are limited. However, the last thing a board should do is have too many committees, requiring members to attend more meetings than necessary. The board should appoint only those standing committees necessary to handle ongoing matters and ensure that the right members serve on them. Ad hoc committees can be formed to deal with short-term issues or a specific task, disbanding when that task is accomplished. All committees should help the process of governance and not address obvious management functions.

In addition to helping the board work efficiently, committees can play another useful role within the organization: a training ground for potential board members. Recruiting talented people to the board can be challenging, but appointing nondirector volunteers to committees is an excellent way to determine if someone would make a good board member in the future and to interest that individual in such service. However, no committee should ever be chaired by a non-board member.

In general, a healthcare organization needs the following standing committees to function effectively.

## Executive Committee

The executive committee enables a board to conduct urgent business when a regular meeting is not in session and the full board cannot readily be convened. The only caveat to having an executive committee is to not let it meet regularly. Generally speaking, if an executive committee has scheduled meetings, key decisions begin to be made solely by the executive committee, to be rubberstamped by the full board. The committee then evolves into a powerful group, leaving the rest of the board members feeling like second-class citizens.

The makeup of the executive committee should be stated in the bylaws and should include the officers of the board and other leaders, such as committee chairs. As the board's leader in residence, the CEO should be on the executive committee, except where prohibited by state statute, and should be a voting member. The CEO will obviously be excused when the committee evaluates her performance or compensation. The bylaws must clearly define the role and authority of the executive in relation to the full board.

Without such clarity, it is far too easy for the executive committee to morph into the organization's main decision-making body, with other board members losing interest and motivation or even resenting the executive committee members entirely.

### Key Functions of the Executive Committee

- Providing advice to the board chair on the appointment of committees and committee chairs
- Serving as a sounding board for the CEO
- Helping the chair develop the governance goals and objectives for the coming year
- Determining CEO compensation
- Directing the CEO evaluation process

## Audit Committee

In most healthcare organizations, the audit function has historically been overseen by the finance committee or one of its subcommittees. Although the Sarbanes-Oxley Act's (Public Law 107-204, July, 2002) new regulations originally applied to publicly traded companies only, many of these requirements are now being used to evaluate nonprofit organizations, such as hospitals and health systems. In response, many organizations have established an audit committee that reports directly to the board. Almost 94 percent of nonprofit organizations reported having both an audit and a finance committee (NACD 2010b).

Recent legislative changes—including new requirements for IRS Form 990, laws applying Sarbanes-Oxley requirements to nonprofit organizations, and healthcare reform legislation that is certain to affect hospital finances—have essentially mandated that hospitals have an audit committee separate from the finance committee. The functions of the committees are so different they cannot and should not be combined.

The audit committee should consist of independent, financially literate directors, with the chair being a financial expert as defined by Sarbanes-Oxley. Although the definition of “expert” is still fuzzy, the chair should have a demonstrated understanding of auditing procedures—a professional auditor or certified public accountant is the best bet for this committee. The audit committee does not need to meet as often as the finance committee, but its functions are important to the full board.

The primary purposes of an audit committee are to foster and oversee strong financial reporting and controls and to identify and manage risk—the array of forces that may have a negative impact on the organization’s financial condition. Hospitals and other healthcare organizations should consider appointing audit committees that report directly to the board and are responsible for the appointment, compensation, and oversight of the independent auditors who must report to the audit committee. Some specific functions of the audit committee include

- recommending the selection and compensation of the external auditors to the board,
- overseeing the hospital’s internal audit function for the board,
- reviewing and being responsible for financial reporting and controls,
- reviewing and assessing the organization’s business risk-management process,
- pre-approving any nonauditing functions proposed by the external auditors,
- reviewing and approving the code of ethical financial conduct,
- defining significant conflicts of interest and related-party transactions, and
- performing both the external and internal audit functions.

## **Finance Committee**

The finance committee helps the board maintain and improve the financial integrity of the organization. Specific functions of the finance committee include

- drafting finance policies for board review and adoption;
- developing key financial ratios to be used by the committee and specific ratios for the board;

- reviewing the draft budget, including revenues, expenses, and capital expenditures for the coming year, and recommending its adoption to the board; and
- completing a regular review of all board policies and decisions regarding finances.

## **Governance Committee**

The governance committee is charged with oversight of the board's composition, organization, work processes, and effectiveness. This committee oversees the evaluation of individual board members and the board as a whole. In addition, the governance committee evaluates itself every year. Individual board member assessments are a delicate matter requiring the utmost levels of tact, candor, and confidentiality. Like full-board evaluations, the focus of individual director evaluations should be on performance and not on personality. See appendixes 3 and 4 for a sample individual board member performance appraisal. Specific functions of the governance committee include

- clarifying the duties and responsibilities of the board and its members,
- evaluating board structure and composition,
- nominating members to the board,
- monitoring policies and practices of the board,
- planning the annual board retreat,
- designing the new-member orientation process,
- directing the board's continuing education and development activities,
- completing the board's self-assessment process,
- analyzing the results of the self-assessment process, and
- regularly reviewing all board policies and decisions regarding governance performance.

## **Planning Committee**

The planning committee, sometimes called the strategic planning committee, helps the board formulate policies; develop goals and objectives; and determine the organization's overall, big-picture strategic direction. Specific duties of the planning committee include

- developing and recommending the strategic plan for the organization;
- developing mechanisms to monitor that plan and recommend needed updates, additions, or amendments;

- occasionally completing an analysis of key stakeholders, which will include their interests and expectations, as well as a physician staffing plan; and
- reviewing proposals submitted by management for board recommendations.

## **Quality and Community Health Committee**

This committee's work assures the board that the organization is providing quality care and addressing the health of the community. At one time, this committee might have only involved itself in what went on inside the hospital's walls. However, in today's competitive environment, healthcare organizations should broaden their scope of involvement into the entire community; therefore, this committee must broaden its own scope accordingly. Additionally, part of healthcare reform legislation requires hospitals to complete regular community health needs-assessment studies.

With an expanded scope, the quality and community health committee must have equal footing with the audit and finance committees. When boards make it clear the quality and community health committee is vital, they send a message to the administration, the medical staff, and others that quality matters and must be taken seriously. Specific duties of the quality and community health committee include

- ensuring systems for measuring quality care in the hospital or health system are established, meaningful, and regularly reviewed;
- drafting policies regarding all aspects of quality for review and adoption by the board;
- identifying the community's health status and needs and recommending actions the hospital could take to improve;
- identifying potential collaborations with other community health providers to enhance community health status; and
- diligently reviewing medical staff recommendations regarding appointment, reappointment, and privilege delineation of physicians.

## **RESPONSIBILITIES OF INDIVIDUAL BOARD MEMBERS**

Board members frequently accept their roles with enthusiasm, tempered with hesitance about being the new kid on the block. Those who have been around a while can either become comfortable with their roles or become jaded and lax. Individual board members are responsible for fulfilling the duty of care, the duty of loyalty, and the duty of obedience. A sample job description is provided on page 19.

Ideally, individual board members will continually contribute to the advancement of the organization because they do the following:

- **Understand the organization.** Board members need to understand and believe in the organization's mission, vision, goals, objectives, and bylaws. Agreement with the mission is particularly important as it drives all decisions. If board members have the mission of the organization clearly in mind, most decisions will be easy to make.
- **Develop a broad knowledge of the healthcare industry.** Board members are not necessarily expected to be experts, but they need to develop a broad knowledge of the healthcare industry and trends. The CEO can be helpful in providing educational materials for this purpose. Members should also attend educational programs, read a few healthcare journals, and stay abreast of industry news. This is particularly important with the passage of the healthcare reform bill.
- **Acquire a working knowledge of committee subject matter.** Individual board members should acquire a fundamental knowledge about the functional areas related to their committee assignments. For example, a board member on the finance committee should seek out articles and materials related to finance committees of healthcare organizations. Again, the CEO can be helpful in giving board members materials to read and suggesting seminars to attend.
- **Prepare.** Before meetings, board members should read all provided materials so that they can deliberate intelligently during the meeting. Sometimes board members (particularly new ones) hesitate to ask questions or request information because they are intimidated by hospital jargon and medical terminology. A board member should never hesitate to ask questions or to indicate something he does not understand. Board members should remember that serving on a hospital board is not their usual day job, and they are not expected to know what management, physicians, or more seasoned board members know about hospital operations. That knowledge will come with experience and preparation.
- **Regularly attend meetings—on time.** Board members are expected to attend all board and committee meetings, arrive on time, and execute their assignments on time. In today's healthcare environment, a board cannot afford to have "letterhead" directors—people whose names appear on the organization's stationery but who do not attend meetings. These ornamental directors are essentially useless to the organization.
- **Make a positive contribution.** A board member must make a positive contribution to board discussions, always keeping in mind the best interests of the organization. This allows the board to reach sound conclusions and speak

with one voice; there should be no minority reports. Even if a vote was as close as 5 to 4, it is inappropriate for an individual board member to indicate to someone outside of the board that a decision was a bad one and she voted against it. The board must be clear that this is not acceptable behavior and must act to remove a repeat offender from the board to preserve its effectiveness, teamwork, and credibility in the community. In county and district hospitals where members come from varied sources, this enforcement can be difficult to accomplish, but the offending member must at least be counseled away from such destructive behavior.

- **Do not dominate meetings.** Board members who dominate discussions, ignore the agenda, or digress to their own interests create problems for the board and for the CEO. An effective board chair will not allow this to happen, and other board members can also help keep the meeting on track. Such behavior should be considered during the offending member's evaluation.
- **Avoid rumors and gossip.** Board members should ask the CEO or the board president about any rumors, gossip, or criticism of the hospital they encounter before drawing conclusions. This will allow the board and the CEO to work in tandem to handle incorrect information in an appropriate fashion.
- **Avoid conflict of interest.** In today's turbulent environment, board members cannot have or give even the appearance of having a conflict of interest.

As an example, consider a hospital board in a town with five banks. Bill is a board member and also president of the bank where the hospital deposits its money. The finance committee has recommended the hospital look at other banks to find a more competitive interest rate. The board chair says, "Bill, we're going to look at moving the hospital's money from your bank to another bank in town, so you better step out of the room and abstain from this discussion and vote because of your possible conflict of interest." Bill steps out of the room and after its discussion, the board decides to switch banks. The chair calls Bill back and says, "Well, Bill, we decided to move the hospital's money to XYZ bank. I hope you don't have a problem with that decision." What would be the likelihood of Bill being a cooperative, team-playing board member during the next few years? In another scenario, the rest of the board members could decide not to move the hospital's money out of loyalty to Bill rather than loyalty to the best interest of the hospital. This decision would also be inappropriate.

The best solution then is to avoid placing an individual on the board who could have, or could appear to have, a conflict of interest in the first place. Again, because district or county hospital board members must be elected or

appointed, those hospitals have a particular difficulty in accomplishing this and must be extremely sensitive in this area. (Appendix 1 provides a sample conflict of interest policy, and Appendix 2 provides a sample conflict of interest disclosure statement.)

- **Avoid interfering in hospital operations.** This topic is a pitfall for many board members. The board needs to look at the strategic direction of the organization from 30,000 feet, where its members can see where the organization is going without getting involved in the details of getting there. If board members are functioning at the 5,000-feet level, they have crossed the line from governance to management. Sometimes board members get involved in operations because the CEO has given them management information instead of governance information. For example, governance information might include strategic planning specifics, information about possible mergers or major service changes, the overall financial picture, or financial and quality dashboard indicators. Management information would include such details as the color or design of a remodeled lobby, reviewing the points in a managed care contract, or the financial records of individual department spending. If the board receives governance information, it might just govern; but it will certainly try to manage if it receives detailed management information.
- **Maintain hospital confidentiality.** Board members who share confidential information with outside parties present a real problem for the hospital and for the CEO. Certain board deliberations are most appropriately left in the boardroom, with publicity properly directed to final board action and not the discussions that led to that action. Board members should remember to check with the board chair or the CEO if they have questions about how much and what type of information can be shared. It is the board's duty to keep confidential information inside the boardroom.
- **Be a partner to the CEO.** Even though the board is responsible for hiring and evaluating the CEO, directors should act like partners and advisers to the CEO rather than supervisors. The organization has a much better chance of success if the board and the CEO are functioning as a team; there will also be a greater satisfaction level for both and a greater benefit to the organization if this teamwork exists. Board members must be honest and candid with the CEO. Discussing key issues behind the CEO's back leads to an unhealthy relationship.
- **Serve as a mentor/consultant.** Any individual board member should be available to serve as a consultant or sounding board to the CEO and others in the organization. Seasoned board members can also be helpful to new members as they learn their role in the organization and on the board.



- **Be alert for new opportunities.** As hospitals are increasingly expected to assume some responsibility for their community's health, board members are in key positions to identify areas of need the hospital might fill. Of course, by virtue of their occupations and positions, some board members have better opportunities for this than others, but all should be alert to this responsibility.
- **Interpret the hospital to the community.** The individual board member should be a representative of the hospital, interpreting it and its functions to the community. Though they must always remember the need to keep certain information confidential, and the need for the board to speak with one voice, board members can be extremely influential in gathering support for the hospital and its programs.

As a side note, many hospitals lose or ignore their retired board members, but these individuals can also be helpful if they continue their positive relationship with the organization. With a little effort on the hospital's part, retired board members can stay informed and appropriately involved, and they can do wonders for the hospital in the community.

## RESPONSIBILITIES OF THE BOARD CHAIR

Eight basic responsibilities of a board chair are described below, and a sample job description for a board chair is provided at the end of this chapter. Each chair brings unique strengths and weaknesses to the role but should ensure these responsibilities are carried out. The board chair

1. **Serves as a counselor to the CEO.** The chair counsels the CEO on governance matters and board–CEO relations. There is possibly no more important function the chair fulfills. The chair and the CEO must work together as a team, with the chair serving as a sounding board and marshaling board support for the CEO. The chair can also help the CEO clarify her goals and objectives for the coming year.
2. **Presides over all meetings of the board and executive committee.** The board chair should be able to run focused, creative, effective, and efficient board meetings. A chair who does not know how to preside over a meeting wastes everyone's time and energy. If the chair does not possess these skills, he should learn them—fast.
3. **Designates board committees.** With the advice and consent of the executive committee, the chair designates board committees and committee chairs. The

executive committee provides a good check for the chair's selections. Additionally, the chair should mentor and advise the committee chairs.

4. **Serves as an ex officio member of all committees.** The chair is not necessarily expected to attend all board committee meetings, but she should be kept up to date on committee activities.
5. **Serves as the board's representative.** The chair represents the board to the community at large and to key stakeholder groups.
6. **Specifies annual objectives, work plans, and meeting agendas.** With assistance provided by the executive committee and the CEO, the chair develops annual objectives for the board, determining its priorities in relation to its own functions. The chair will develop the board's work plan and formulate agendas (with the CEO) for all board meetings.
7. **Serves as a mentor.** The chair serves as a role model and mentor for future chairs and other board members. Working through others (particularly the CEO), the chair is responsible for recruitment, orientation, and development of all board members, including the evaluation of board members (which may actively involve the governance committee).
8. **Assumes other responsibilities and tasks as directed by the board.** The chair may perform other functions as requested by the board. But it is the chair's responsibility to ensure the board stays focused on those things that fit the mission, vision, and goals of the organization and that it follows established policy and procedure to keep people on task. No one has more influence on the board's success, so it is important for the board and the chair to be in sync. The board does not want a personality-driven chair who may steer the organization in the wrong strategic direction. To ensure consistency from one board chair to the next, the chair must not lead the board off into an area of personal interest. The chair functions as an instrument of the board, not the other way around.

## **JOB DESCRIPTIONS**

A common cause of ineffective governance is confusion among board members about their roles and responsibilities. In addition, there is often confusion about a hospital board's role in relation to a health system board's role and the authority limit levels of each (see page 21). Having job descriptions for officers and directors may be one of the most important ways to improve a board's performance.

The most fundamental characteristic of excellent governance is that all board members have a shared understanding of their jobs. Boards are not all alike, and they have a different mix of skills and personalities. Each board should answer for

itself a basic question: What is the job of board members of *this* hospital? Board member job descriptions can serve several important purposes, such as

- **Orientation.** A good job description explains the roles and responsibilities of the new board member, which helps the new board member to become oriented more quickly.
- **Recruitment.** Job descriptions help the governance committee concentrate on finding new board members with the set of skills the board needs at that time. Potential new board members will know exactly what will be expected of them.
- **Self-assessment.** Good job descriptions can help the governance committee develop an effective self-assessment program for the board or individual members.
- **Managing multiple boards.** Many hospitals are part of health systems that have more than one board. Uncertainty about when each board has the authority to act can be reduced with good job descriptions. Also, clear delineation of each board's roles and responsibilities will reduce the conflict among multiple boards.
- **Separating governance and management.** Clear job descriptions (for the board and CEO) can explain the differences between governance and management responsibilities. Confusion about governance functions and management functions can lead to friction between the board and staff.

Sample basic job descriptions for a board chair, board vice chair, and an individual board member of a hospital or health system are provided. However, each organization will undoubtedly wish to customize its own documents.

## **SAMPLE JOB DESCRIPTION: CHAIR OF THE BOARD**

**Function:** The chair, in addition to serving as a member of the board and executive committee, represents the highest level of the board and works cooperatively with the organization's CEO. The chair is responsible for ensuring the integrity and effectiveness of the board's governance role and processes.

The chair of the board presides at all meetings of the board of directors and the executive committee; oversees implementation of corporate (if applicable) and local policies; and manages the actions and directions of the board in accordance with its bylaws, mission, vision, and goals.

*(continued)*

The chair represents the board within the hospital and the hospital in the community.

### **Responsibilities**

- Serves as counselor/adviser to the CEO on matters of governance and board relations
- Directs the board and facilitates meetings of the board and executive committee
- Calls special meetings of the board when necessary
- Designates board committee memberships and chairs of board committees, with the advice and consent of the executive committee
- Serves as ex-officio member of all board committees—standing and ad hoc
- With the CEO and executive committee, formulates annual objectives for the board, determines the board's priorities, and creates a work plan for the year
- With the CEO, formulates board meeting agendas
- Sets an example for and mentors other board members and committee chairs
- Ensures that board members focus discussions on the goals of the organization
- Delegates or executes the policies established by the board
- Working with the executive committee, monitors the performance of the CEO, including annual performance and salary reviews
- Working with the governance committee, completes a regular evaluation of individual board members and the board as a whole
- Works closely with the vice chair to develop and implement officer transition plans
- Aids in the recruitment and orientation of new board members
- If the hospital board is part of a health system that has other boards, including a parent board, is responsible for knowing specifically what duties and authority have been delegated to his board
- Assumes other responsibilities and tasks as directed by the board

## **SAMPLE JOB DESCRIPTION: VICE CHAIR OF THE BOARD**

Function: The vice chair of the board, in addition to serving as a member of the board and executive committee, fulfills the duties of the chair in the event of her absence or disability and performs other duties as may be assigned by the board or the chair.

### **Responsibilities**

- Performs the duties of the chair in her absence
- Serves on the executive committee
- May chair at least one major committee

- Helps the chair monitor the implementation of board-established policies
- With the other officers, monitors the performance of the CEO
- With the other officers and the governance committee, conducts regular performance evaluations of individual board members and the board as a whole
- Works closely with the chair to develop and implement officer transition plans

## **SAMPLE JOB DESCRIPTION: BOARD MEMBER**

Function: A board member participates in the governance of the hospital or health system, including the establishment and implementation of board policies, in accordance with its bylaws, mission, vision, and goals.

### **Responsibilities**

- Prepares for and attends all annual, regular, and special board meetings; reads all agenda materials in advance of such meetings
- Participates in the affairs of the board in accordance with the organization's mission, vision, and goals
- Fulfills the duty of care, the duty of loyalty, and the duty of obedience
- Understands and upholds the organization's code of ethics; avoids potential personal and professional conflicts of interest
- Is not accountable to any special group or interest, and acts and makes decisions that are in the best interest of the hospital as a whole
- Establishes corporate policy
- Employs the organization's top management
- Helps establish evaluation criteria for the CEO; monitors and applies the criteria to stimulate, support, reward, and, when necessary or desirable, change top management
- Avoids interfering in hospital operations (understands the difference between governance and management)
- Reviews results achieved by management in keeping with the hospital's mission and goals
- Develops and recommends strategic directions and financial plans for the hospital
- Approves annual budgets
- Keeps all board deliberations confidential
- Participates in board orientation and continuing education
- Participates in the board self-appraisals

*(continued)*

- Serves on board committees and gains knowledge about their functions
- May chair a board committee
- Elects officers at annual board meetings
- Represents the hospital to the community
- Is knowledgeable about the stakeholders to whom the hospital is accountable
- Participates in fundraising activities
- If the hospital is part of a health system, is responsible for understanding the board's limits of authority

## ONLINE RESOURCES FOR BOARD GOVERNANCE INFORMATION

For the board member who has some time to learn about the healthcare industry, how boards should function, and best practices of governance, the following web-sites are worth reviewing:

1. **BoardSource ([www.boardsource.org](http://www.boardsource.org))**. BoardSource is a resource for practical information, tools and best practices, training, and leadership development for board members of nonprofit organizations worldwide. Through its educational programs and services, BoardSource works to help organizations fulfill their missions by building strong and effective nonprofit boards.
2. **Center for Healthcare Governance ([www.americangovernance.com](http://www.americangovernance.com))**. Backed by the knowledge and resources of the American Hospital Association, the Center for Healthcare Governance provides state-of-the-art education, research, publications, services, tools, and other governance resources to help boards achieve and maintain consistency and excellence throughout their governance program.
3. **Corporate Directors Forum ([www.directorsforum.com](http://www.directorsforum.com))**. The Corporate Directors Forum is dedicated to promoting high standards of professionalism in corporate board directorship. It forges alliances among leadership in industry, academia, and government to generate corporate stakeholder values, while fostering high standards of ethics, diversity, and social responsibility. It also provides board-focused peer networking, best practices directorship education, governance advocacy leadership, director mentoring, and board recruitment resources.
4. **The Corporate Library ([www.thecorporatelibrary.com](http://www.thecorporatelibrary.com))**. The Corporate Library is intended to serve as a central repository for research, study, and criti-

cal thinking about the nature of the modern corporation, with a special focus on governance and the relationship between management and the board of directors. Most general content on the site is open to visitors at no cost; however, advanced research relating to specific companies and certain other advanced features are restricted to subscribers only.

5. **The Governance Institute ([www.governanceinstitute.com](http://www.governanceinstitute.com)).** The Governance Institute provides an education and development subscription service designed exclusively for health system and hospital boards. Benefits include on-demand research services, access to the institute's governance information clearinghouse, copies of research reports and white papers, copies of the bimonthly Board Room Press for all directors, and educational videos on key healthcare issues.
6. **National Association of Corporate Directors ([www.nacdonline.org](http://www.nacdonline.org)).** Founded in 1977, the National Association of Corporate Directors (NACD) is an educational, publishing, and consulting organization focused on board leadership. In addition, it is a membership association for boards, directors, director-candidates, and board advisors. NACD promotes professional board standards, creates forums for peer interaction, enhances director effectiveness, asserts the policy interests of directors, conducts research, and educates boards and directors concerning traditional and cutting-edge issues.

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