

Building an Exceptional Board: Effective Practices for Health Care Governance

*Report of the Blue Ribbon Panel
on Health Care Governance*

PUBLISHED BY



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February 2007

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Funded by Russell Reynolds Associates and
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* Denotes hospital or health services organization board member.

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Introduction

Health care is in crisis, challenging health care organizations to navigate a sea full of pressures and paradoxes. The issues are diverse and complex: the imperative to improve quality of care and patient safety, declining revenues and rising expenses, an increasing appetite for capital as the costs to obtain it rise, capacity strained as service demand increases, a rising uninsured population, increasing legislative and regulatory scrutiny of issues such as tax-exemption and community benefit, an aging population using more health care resources, and more competition between hospitals and physicians, to name a few. The confluence and intensity of these issues are creating greater concern than ever before and contributing to a loss of public and other stakeholder trust in our health care institutions.

There has been considerable evidence in recent years that Americans are not receiving health care of the quality and safety that they deserve. Studies such as *To Err is Human, Crossing the Quality Chasm*, and other research, not only indicate a shortfall in these areas, but call for a fundamental redesign of the health care system to improve them. Research also indicates that individuals, employers, and government are paying more than they should for care that falls below standards consistent with the best scientific evidence (Fisher, Wennberg, et al. 2003, among others). Hospitals, and therefore the boards that are accountable for their performance under the law, bear some—

At a Glance

The range and depth of challenges facing health care organizations signal an industry in crisis. Governing boards must raise the bar on their performance and accountability to fulfill their most fundamental responsibility: to earn and maintain the public's trust in and commitment to the health care organizations they govern.

The Health Research and Educational Trust (HRET), with funding from Russell Reynolds Associates and the Center for Healthcare Governance, convened a Blue Ribbon Panel to examine critical issues facing health care boards and practices that lead to exceptional governance.

The panel focused its efforts on five areas it determined were critical to effective governance:

- Being an Accountable Board: Earning and Maintaining the Public's Trust
- Building and Sustaining a Proactive and Interactive Board Culture
- Laying a Foundation for Effective Decision-Making: Board Meetings and Information for Governing
- Focusing the Board on Key Governance Priorities
- Clarifying Authority and Responsibility: The Buck Stops Where?

This report includes the panel's recommendations in each of these areas, as well as sample tools and resources to implement them. It is intended to foster broader dialogue and sharing, among health care organizations and their boards, of perspectives and resources to further strengthen and improve health care governance.

though surely not all—the responsibility for the shortfall in the quality, safety, and efficiency in the health care sector.

The recent public company failures that spearheaded the Sarbanes-Oxley legislation and other mandates for governance reform are now finding their way into the not-for-profit sector as well. These failures strongly signal that loss of public trust goes beyond organizations and institutions to include the boards that govern them. Given this recent experience, unless boards take seriously the call to improve their performance and accountability to those on whose behalf they govern—whether stockholders or stakeholders—history will cast them as part of the problem, rather than the solution.

Boards of health care organizations are called upon to perform many tasks that range from the short-term and tactical to the long-term, strategic, and mission-driven. But everything these boards do stems from a core responsibility: *to earn and maintain the public's trust in and commitment to the health care organization.*

Whether public or private, for-profit, or not-for-profit, part of a system or independent, all health care organizations must have the trust of their many publics to survive and achieve their individual missions. And it is the governing board of a health care organization that is ultimately accountable for maintaining the public's trust, whether its members are appointed, elected, self-perpetuating, volunteer, or paid. Every other responsibility that a board has flows from this fundamental accountability and is best understood in this context.

Now is the time for boards, management, and clinical leadership to communicate a clear sense of urgency for change, to strengthen the connection between hospitals and their communities, and to rise to the challenge of transforming health care to overcome the many obstacles facing our hospitals and health care systems. While all health care leaders should heed the call, it is the board of each institution that must take the initiative and lead by example, first transforming itself and holding itself to a higher standard of performance and accountability by engaging in practices that foster exceptional governance. Why? Not only because it's the right thing to do now, but because there is increasing evidence that suggests good governance is linked to more effective health care organization performance, as well. (For references on this growing body of research, please see the section in *Selected Governance Resources: Selected Articles and Reports That Address Linkages Between Various Attributes of Governance and Organizational Performance.*)

While crisis is unsettling and disturbing, it can also lead to new thinking and insights that can help transcend traditional behavior and boundaries and create new approaches that increase value and effectiveness. In their recent book *Governance as Leadership*, Richard P. Chait, William P. Ryan, and Barbara E. Taylor talk about the need for new approaches to governance and call for boards and organizations to address how to make the work of the board meaningful and consequential. They ask all boards to consider what makes trusteeship meaningful, why it is a valuable and productive use of a board member's time, and how boards can add real value to the organization.

Like governance in other sectors, health care governance itself is clearly at a crossroads. As boards and their work shift from an historical expectation of and primary focus on honorific behavior, compliance, and monitoring toward a value-added orientation, their focus is migrating beyond an emphasis on structure and tasks toward strategic and collaborative leadership. At such a critical juncture, several fundamental—and uncomfortable—questions emerge that must be addressed to facilitate governance transformation. These questions include:

1. Are boards, as they exist and operate today, truly necessary for future success in health care or are they unnecessary and actually impediments to organizational success? Why?
2. Health care governance has not added maximum value for health care organizations and their stakeholders. Why has this been the case?
3. If boards are to play an important future role, what changes to their structure, function, processes and culture are necessary?
4. What barriers impede board effectiveness?

In the fall of 2005, the Health Research and Educational Trust (HRET), with funding from Russell Reynolds Associates and the Center for Healthcare Governance, convened a Blue Ribbon Panel on Health Care Governance to examine these tough questions and identify those critical practices that distinguish nonprofit health care boards that are adding value to their organizations and making the best use of board members' time and talents.

The Blue Ribbon Panel included chief executives and board members of hospitals and health care systems, governance researchers and consultants, and others with expertise in leadership and boards. A complete list of panel members is on page 2 of this report.

Over several months panel members examined the purpose and function of boards as well as the critical issues facing them. While the panel members acknowledged that there are a wide range of issues facing boards, they organized their work around five issues that they determined were critical to effective governance:

- **Being an Accountable Board: Earning and Maintaining the Public's Trust**
- **Building and Sustaining a Proactive and Interactive Board Culture**
- **Laying a Foundation for Effective Decision-Making: Board Meetings and Information for Governing**
- **Focusing the Board on Key Governance Priorities**
- **Clarifying Authority and Responsibility: The Buck Stops Where?**

The panel then considered how boards do their work and how they are structured and supported to accomplish it and focused on providing examples of high-leverage practices that both hospital and system boards have found successful in raising the bar on their performance. The panel also endorsed additional stretch practices that boards can engage in to further refine their performance. While the panel's work focused primarily on boards of nonprofit health care

organizations, many of the recommendations and practices included in this report can apply to other types of boards as well.

How to Use This Report

This report contains the panel's findings and recommendations for helping boards move from good to exceptional governance. Because several themes, such as the board-CEO relationship, cut across many aspects of governance, readers will find them addressed in more than one section of this report. Whenever possible, tools are provided from actual organizations to guide readers in how to implement these recommendations. The report is not meant to be a one-size-fits-all road map or an exhaustive compendium of best practices, but rather a set of carefully chosen recommendations and practices that have been tested by boards and proven to be effective. The recommendations and practices included in this report range from some that exemplify basic governance blocking and tackling to others that offer boards the opportunity to stretch toward new or more sophisticated levels of performance. All are worthy of being included here because they contribute to more effective governance. It is the panel's belief that boards that understand their purpose and function and that have the resources they need to govern well on behalf of their organization's stakeholders, will be able to focus on the right issues at the right time in the right way. And

boards that accomplish that objective are exceptional indeed.

This report can be used in a variety of ways: as a primer for new board members; as a resource for incoming board leaders, such as new board or committee chairs; or as a reference for specific board committees, such as the governance, nominating, or executive committees. It could also be used as background reading for a board meeting discussion or board retreat educational session on how boards can improve their overall governance performance and contributions. The panel hopes that the discussion that this report stimulates will result in promoting change and a commitment to an ongoing process of governance improvement.

Boards that review the panel's work will inevitably find themselves at different stages when they compare their own performance against the practices contained here. They also will need to consider how certain practices should be tailored to meet the requirements of different types of boards. That is not only to be expected but also speaks to the value of this report, which is to serve as a touchstone for all boards who seek to better understand and continuously improve their performance and value to the organizations and communities they serve.

Being an Accountable Board: Earning and Maintaining the Public's Trust

“The purpose of a board is to represent and balance shareholder or stakeholder interests. Standing in for those to whom the organization belongs, boards must decide and act as their constituents would if they had the time, energy, experience, and knowledge to do so on their own behalf.”
(Pointer and Orlikoff, 1999)

If the purpose of a board is to govern on behalf of an organization's shareholders or stakeholders, then the first task boards must undertake is to identify these “owners” and understand what they need most from the organization. In the case of organizations with shareholders, the answer is straightforward—the owners are those who have an equity interest in the enterprise. In this case, one of the board's primary obligations is to maximize the return that shareholders receive on their investments.

In the case of stakeholders, the answer to both *who* they are and *what* the board's obligations are to them is often less clear. Hospitals and health systems typically have many stakeholders with multiple needs and concerns that often conflict. In an era of governance reform that challenges all boards to raise the bar on their performance and accountability, knowing to whom the board is accountable and what the board is accountable for is more important than ever to good governance. Although the Sarbanes-Oxley Act targets the boards of public companies, the panel acknowledged that this legislation's provisions and the regulations and

other reforms flowing from it are seen as the new standard for all boards. The panel encouraged health care organization boards to adhere to the practices outlined in these governance reform initiatives.

Throughout its discussions, the panel considered the variety of stakeholders and constituents that health care organizations have: patients; patients' families; employees; medical staff; payers; federal, state, and local governmental units and officials; community and neighborhood groups; church-affiliated organizations; health-related agencies and services; donors, bond holders, bond insurers, rating agencies, and others. Even this brief list suggests that no organization can meet the needs of all of its constituents and stakeholders all of the time and must focus on those who matter most. Helping the organization to identify key stakeholders—understand their needs, and develop, prioritize, and monitor compliance with quantifiable standards of quality, cost effectiveness, access to care, and other stakeholder concerns—is a key board responsibility and accountability.

One way boards can gain a better understanding of who their hospital or health system's stakeholders are, as well as their key needs and concerns, is to conduct a formal stakeholder analysis (see Figure 1, *Understanding Key Stakeholders on page 11*). This process moves governance accountability from concept to reality. It connects boards with representatives of stakeholder groups and provides

first-hand feedback about what they need and expect from their health care organization and how they will be evaluating its effectiveness. It also provides boards with a greater level of clarity about which issues and priorities the board and the organization should focus on, the criteria which should guide board policy- and decision-making and how the board should evaluate both the organization's and its own performance.

The panel focused its suggestions on two board practices: (1) understanding traditional and emerging stakeholders and constituents and (2) promoting transparency in reporting to stakeholders about the organization's performance.

The panel identified proven approaches that support effective governance in these areas. Additional tools that can help implement specific suggestions are included in the Appendix of Tools and Resources in this report.

Understanding Traditional and Emerging Stakeholders and Constituents

- In identifying key stakeholders, be especially attentive to meeting the needs of underserved populations in the community.
- Build into the board's ongoing activities periodic review of the organization's current stakeholders as well as processes for identifying new stakeholders. Also build into this periodic review an examination of the needs of all stakeholders and how the organization should prioritize and address them. **See Tools A and B in Appendix: Board-Stakeholder Checklist and Developing and Using a Balanced Scorecard for Governing.**

- Ensure that the organization establishes a working environment that allows it to attract and retain the best employees and maintain productive partnerships with physicians. **See Tools C and D in Appendix: Physician Compact and Becoming an Employer of Choice: A Key Strategy for Success.**
- Be mindful of the importance of the board's relationship with the organization's CEO and put in place formal processes to discharge key governance responsibilities, such as CEO recruitment, evaluation, compensation, and succession planning.
- Participate in advocacy efforts on behalf of the organization's stakeholders.
- Board members should be the voice of the organization's stakeholders.

Promoting Transparency in Performance Reporting

- Publish quarterly financial reports for financial stakeholders, including rating agencies and investor groups.
- Send internal monthly financial reports to medical staff and department heads.
- Publicly report clinical quality and patient safety outcomes and the results of patient satisfaction surveys.
- Quantify the level of benefit the organization provides to the community each year and publicly report this information.

Figure 1: Understanding Key Stakeholders

The purpose of most boards is to govern on behalf of the organization's stakeholders. To accomplish this, the board needs to identify who those stakeholders are and what they most want and expect from the organization. One way for boards to better understand stakeholders is to conduct an analysis, either at a board retreat or in a focused working session involving board members, executives, and clinical leaders. Three key questions can guide this analysis:

1. *Who are our stakeholders?* Among a health care organization's many stakeholders, some are internal, such as employees. Some are external—patients, strategic partners, legislative and regulatory bodies. And some fall into both groups, such as employed physicians and independent physicians who are members of the medical staff.

Ultimately, it will be critical for the board to identify and focus on the organization's most important stakeholders—no organization can successfully be all things to all stakeholders. Boards should try to keep the list to fewer than a dozen.

To make the identification process more productive, sharing background information, with board members and other organizational leaders participating in the stakeholder analysis, about various groups and their degree of interest in and dependence on the organization can help participants identify and prioritize key stakeholders. Reviewing this information with participants prior to conducting the analysis can also help them begin to see which stakeholders may have common interests.

2. *What do key stakeholders want and expect from the organization?* Some boards find it helpful to put themselves in the shoes of the organization's, key stakeholders and discuss what they think those stakeholders would most likely want from the organization. Of course, such speculation must be complemented by real stakeholder feedback. Invite representatives from key stakeholder groups to provide input about their expectations—through surveys, interviews, or in person, and then zero in on their most important wants and needs. The board and other leaders must understand which expectations stakeholders will use to judge how well the organization is performing on their behalf.
3. *What is the relative importance of each stakeholder?* All stakeholders are not equal. Their interests and needs frequently diverge. As part of a stakeholder analysis, participants need to put stakeholders and their needs and interests in rank order to provide a consistent framework for decision-making. Clear and pre-established priorities that help boards focus consistently on the needs of the stakeholders who matter most provide a foundation for effective governance.

Source: Pointer, D.D., Totten, M.K. and Orlikoff, J.E. "The Balanced Scorecard: A Tool for Maximizing Board Performance." *Trustee Workbook*. Trustee, April 2005.

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Building and Sustaining a Proactive and Interactive Board Culture

Great boards are robust, effective social systems. David A. Nadler says in his work on building better boards (*HBR*, May 2004) the key to better governance “lies in the working relationships between boards and managers, the social dynamics of board interaction and in the competence, integrity, and constructive involvement of individual directors.” In other words, the culture of the board—the norms and values that boards hold and the way board members work together in that context—has a lot to do with effective governance. As a recent study published by HRET (*Governance in High-Performing Organizations: A Comparative Study of Governing Boards in Not-For-Profit Hospitals*, 2005) confirms, board culture in high-performing hospitals is distinctly more interactive and proactive as compared to the boards of mid-performers.

In fact, as Jeffrey Sonnenfeld suggests (*HBR*, September 2002), the social system of the board is what truly distinguishes exemplary boards. He found that boards in successful and not-so-successful companies all adhered to commonly accepted principles of good governance, such as meeting attendance requirements, the types and level of expertise needed to govern effectively, and the independence of individual board members. What separated effective boards from less effective ones was not so much the *what* of governance, but rather the *how*. While traditional structural or procedural remedies, such as revising board committee structure or board composition,

minimizing the number of insiders on the board, or setting limits on board member age or terms of office can contribute to board effectiveness, they fall short of determining whether a board will do a good job of governing. Great boards are effective teams that continue to build on their capabilities and focus on:

- Committing to achieve the organization’s mission,
- Building trust and candor,
- Fostering a culture of open and respectful dissent,
- Avoiding rigid roles and behavior,
- Requiring individual accountability, and
- Evaluating performance.

Good boards pay attention to, work at, and really assess how well the board functions together as a team, challenging one another, raising and debating several points of view and alternative courses of action, gaining information and knowledge about how the organization works and is viewed by stakeholders, and holding individuals and the full board accountable for performance.

As Chait, Ryan, and Taylor (2005) also suggest, truly effective boards move beyond fiduciary and strategic governance to a third mode of governing they call “generative governance.” This mode of

thinking and governing spans board policymaking, strategy-setting, and decision-making and focuses the work of the board, together with other leaders and stakeholders, on:

- Making sense of circumstances facing the organization;
- Inviting questions and alternative hypotheses;
- Shedding new light on perceived problems and opportunities; and
- Finding and framing new problems and opportunities facing the organization in ways that may change values, beliefs, and behaviors.

In this spirit, the Blue Ribbon Panel examined board culture and what characterizes an effective culture and an ineffective one (see Figure 2, *Board Culture Comparisons* on page 14). The panel then focused on four board practices that can have a significant impact on shaping board culture: (1) identifying the right mix of people for effective governance, (2) attracting, recruiting, and appointing them, (3) setting board and committee objectives and evaluating individual board member and full board performance, and (4) establishing effective board education and development programs. The panel believes that board education and development is an overall responsibility of the entire board and encompasses several board activities, such as board member recruitment, orientation, education, and performance evaluation.

For each of these practices, the panel identified proven approaches that support effective governance. Additional tools that can help implement these approaches are included in the Appendix of Tools and Resources in this report.

Right People, Right Size

- In selecting board members, strive for diversity in age, gender, and ethnicity, to reflect the patients and the community served.
- Include physicians, nurses, and other clinicians on the board. Their clinical competence and viewpoints are valuable to other board members and will help the board better understand the needs and concerns of several of the organization's stakeholders. But avoid including individuals who represent the medical staff's or any specific constituency's narrower interests. All board members should govern on behalf of the communities their health care organization serves and support and advance the organization's mission. **See Tool E in Appendix: Core Competencies Wheel.**
- In order to promote effective teamwork and decision-making and avoid tie votes, an odd number of members should serve on the board and the board's size should fall within a 9- to 17-member range.

Recruitment and Appointment

- Boards should recruit and appoint board members who have explicit skills and capabilities needed to govern effectively (see Figure 3, *Board Characteristics, Skills, and Experience* on page 15).
- Impart the board's expectations of individual members during the recruitment process.
- Be open to going outside the community to get the right mix of experience, skills and capabilities.
- Reappoint board members based on individual performance evaluations and participation in personal development.

Figure 2: Board Culture Comparisons

Characteristics of an Effective Board Culture

- Commitment to mission: actions and behaviors demonstrate commitment to mission.
- Well-defined governance processes: board members are in charge of their full responsibilities; the CEO is supportive but functions as the board's agent, not the other way around. The board takes the lead in working out a clear differentiation between policy functions and administration. The board regularly spends time deciding how it makes decisions, how agendas are structured, what information it will receive, what structures (such as committees, other boards) it must work with, and what it will discuss.
- Broad skills and diverse backgrounds: (see *Figure 3: Board Characteristics, Skills, and Experience*).
- Organizational performance focus: performance benchmarks are tracked and actions are taken when performance is below par.
- Strategic focus: the board focuses a large portion of its time on prospective, strategic issues facing the organization; strategic goals are top of mind at board meetings.
- Engagement: demonstrated by (1) high attendance rate, (2) genuine enjoyment of the governance process, e.g., high degree of enthusiasm and curiosity, (3) mutual respect among board members, (4) appreciation of each other's skills and backgrounds, (5) adequate advance preparation by board members for meetings.
- Ongoing education: board members recognize the importance of ongoing board education; a board committee focuses on identifying educational needs and providing adequate educational resources.
- Explicit, high-performance expectations: board members are held to a high—not minimum—standard of performance.
- Constructive dialogue and debate are welcome: there is a culture of respectful dissent, where members are encouraged to practice "productive disagreement"; dissent and challenge are regarded as part and parcel of effective board function.

Characteristics of an Ineffective Board Culture

- Ineffective meetings: poor attendance; desire for quick meetings; board members are unprepared; meetings are scripted and have lots of "parking lot" issues; the board gets regularly bogged down in detail and minutia and "misses the forest for the trees"; conversations are dominated by a few board members.
- Unengaged and disconnected: the board is disconnected from the executive team and medical staff.
- Passive and reactive: no debate or discussion; lots of listening, little discourse; challenges and disagreements are squelched. When opinions differ, some board members take it personally and withdraw.
- Unclear priorities
- Decision-making is pro forma: a culture of unanimity, the dominant culture of the board is to "go along to get along."
- Lack of commitment to mission
- Personal agendas are played out
- Lack of appreciation by management
- Board has difficulty acting as one body
- Board is top heavy with committees, stultifying board structures
- Board members are elected based on social status rather than proven skills essential to the organization
- Lack of creativity: "We do it this way because we have always done it this way."

Source: *The Blue Ribbon Panel on Health Care Governance*

Figure 3: Board Characteristics, Skills, and Experience

Look for these characteristics: reputable, intelligent, big-picture thinker, objective, open to new ideas, highly engaged, proactive, able to ask tough questions and able to challenge others in a non-disruptive way, embraces organization's values.

Look for this experience: demonstrated leadership, board experience, community involvement, particular business achievements. Some board members should have clinical experience.

Look for these skills: Specific expertise in one or more of the following: finance, quality, business partnerships, legal. In addition, strong relationship skills.

Look for these core values: respect, integrity, compassion, excellence.

Key practice: Develop and use a board member skills and capabilities matrix to identify and recruit needed talent. Look for gaps in board expertise, skills, and capabilities needed to help the organization achieve its strategic goals.

Objectives and Evaluations

- Establish and monitor annual objectives for individual board members, the full board, board committees, and the board chair. Develop annual work plans for the full board and board committees that link to objectives in the organization's strategic plan. **See Tool F in Appendix: *Sample Annual Board Goals*.**
- Conduct annual evaluations for the full board, board committees, individual board members, and the board chair. Ensure results are used during reappointment processes.
- Consider using 360-degree evaluations, particularly of the board, board chair, and committee chairs. These evaluations aggregate and incorporate input and assessments from

board members as well as from executives and others who support the board, to obtain as complete a picture of performance as possible.

- Develop plans for continuous performance improvement for the full board, and personal development plans for individual board members, including the board chair.
- Involve board members in designing the performance assessment tool and in analyzing and presenting results.
- Establish emeritus status for board members and define the role the board would like them to play. Maintaining a relationship with prior board members can benefit both the individual and the organization.

Key practice: Link board and board committee objectives to the organization's strategic plan.

Board Development and Education

- Create and adhere to established, routine core governance processes that foster high-performing

boards. A standardized approach for recruiting and orienting board members that addresses both national, local, and organization-specific information as well as the board's expectations of its members is one example. Another is putting into place an ongoing board education and development program that offers all board members on- and off-site opportunities as well as a variety of approaches (publications; live, audio, and video presentations; online resources, etc.) for getting the information they need to govern effectively.

- Assign board development and education to a specific board committee, such as the executive, governance, nominating, or board development committee, to ensure it remains a priority. Make sure that this committee also addresses how the board focuses and spends its time.
- Ensure the board has in place succession plans that address the development of board members who can assume positions of leadership, such as committee chairs and board officers, over time.

Laying a Foundation for Effective Decision-Making: Board Meetings and Information for Governing

The time a board spends together is its most precious commodity. A board is only truly a board, empowered to make decisions and take action, when it is meeting. Therefore, ensuring that the board has the right type of information to govern, that its meeting time is spent wisely and productively, and that all communication with board members is designed to maximize the value of each meeting are critical to governance effectiveness. As a group of governance experts that examined what distinguishes good from great boards recently concluded, “Exceptional boards make meetings matter” (*BoardSource*, 2005).

What are the key ingredients for a productive, effective board meeting? The panel concluded that it is not so much the frequency or length of meetings that matters, but rather the preparation and execution that counts. Meetings that focus the board’s time on critical organizational issues, and facilitate thoughtful deliberation and effective decision-making are far more valuable than meetings filled with reviews of committee minutes and long reports, and which leave the really important issues for the last few minutes.

The panel also noted that boards are only as effective as the committees that support them. Except in rare instances, boards simply cannot perform their fiduciary duties well in the absence of excellent committee work. Effective board meetings depend on the work of well-structured

and staffed committees, which develop and follow focused work plans that support the goals of the board and strategic priorities of the organization.

Effective board meetings result from a clear purpose, a focused agenda, and an explicit decision-making process. They are supported by governance information that is carefully summarized, performance-driven, and presented in easy-to-understand formats that enable board members to quickly ascertain patterns, variations, or trends over time. Unlike clinical or management data, which often present a more detailed snapshot of performance, governance information must do more with less. It must thoughtfully synthesize and effectively present the key pieces of information the board needs to understand an issue well—that is, well enough to make decisions that benefit the organization’s stakeholders—and enable this to happen all within a few hours. Because information that really helps boards govern well does a lot of heavy lifting, it must be carefully constructed to achieve its goals. While much of the work of the board occurs between raps of the gavel, a good board meeting is a lot like a good symphony—all members playing in concert smoothly and effectively because they prepared themselves in advance to perform well. The panel encourages boards to gain access to and take advantage of the variety of options available for communicating between meetings: e-mail, online discussion forums, and Web-based

communication, to name a few. But regardless of how communication occurs, it's important to give board members enough information well in advance of a meeting to enable the review and clarification necessary to support thoughtful deliberation and decision-making.

The panel focused its suggestions on three governance practices: (1) developing and distributing governance information, (2) planning and conducting effective meetings, and (3) establishing effective communication between meetings. The panel identified proven approaches that support effective governance in these areas. Additional tools that can help implement specific approaches are included in the Appendix of Tools and Resources in this report.

Developing and Distributing Governance Information

- Keep the board abreast of trends, forecasts, emerging technologies, legislative and regulatory requirements, and other environmental issues, threats, and opportunities. Acquire outside resources that can help regularly bring this information into the boardroom.
- Provide organization-specific information in the context of local and broader environmental issues and trends to assist board members to better understand and interpret it.
- Ensure the board has information from independent sources to make decisions relating to issues such as the organization's audit and financial statements, executive compensation, and clinical quality and patient safety. Establish a board policy that requires the use of such information in board decision-making.

- Develop concise, standardized board report formats, such as dashboards and scorecards, which show the organization's performance against established performance indicators and compare performance to annual objectives. Standardized report formats help board members become accustomed to seeing information presented in the same way and make it easier for them to understand and interpret information. **See Tool G in Appendix: Performance Dashboards.**
- Bring in outside experts at board meetings and retreats.
- Expect board members to share information on issues of strategic importance with the full board and to connect the hospital or health system with experts in other industries who can provide new approaches to the challenges facing health care organizations.
- Ensure board members have opportunities to network with board members from other organizations.
- Engage in ongoing board education (as more fully described in the section of this report entitled "Building and Sustaining a Proactive and Interactive Board Culture").

Key practice: Keep a running list of key decisions made by the board and progress toward implementation. Review progress toward implementing decisions at 6- and 12-month intervals and continue regular monitoring until implementation is complete.

Planning and Conducting Effective Meetings

- Crafting agendas carefully is critical to conducting effective meetings. Timed agendas are strongly suggested. **See Tool H in Appendix: *Sample Board Agenda with Consent Agenda*.**
- Include priority issues that the board must discuss at the front of the agenda rather than at the end.
- Focus the board at the start of each meeting. The CEO or preferably the board chair should begin by summarizing the meeting agenda and expected outcomes.
- Not every piece of information provided for the meeting warrants full and complete discussion at the meeting. When reviewing organizational performance, for example, focus discussion only on those items that deviate from the range of acceptable performance established at the beginning of the reporting cycle.

Key practice: Link meeting agendas and expectations to the organization's strategic priorities and spend the majority of the board's time setting strategic direction, rather than monitoring past performance.

- Provide the opportunity for an executive session at every board meeting to ensure board members have a forum for open, candid discussion.
- Limit the number of staff members attending board meetings: too many staff can inhibit discussion and make meetings less productive.
- Ideal number of meetings? For most boards, it is 6-10 times per year.

Establishing Effective Communication

- Use electronic communication between meetings. Consider establishing a protected Web site where board members and management can share information.
- Send materials to members enough in advance of meetings to allow for careful and thorough review. If materials are distributed at meetings, board members should NOT be expected to act on that information at the meeting.
- Set an explicit board-level policy on communication between board and staff to define parameters and boundaries. Communication between board members and staff representatives on board committees does have value for board and staff alike.
- Establish the expectation that management will tell the board the bad news along with the good.

Key practice: Promote a policy of no-surprises: apprise board members—that is, the full board, not just committees, the board chair, or the executive committee—of all important information to ensure all board members are fully informed and are never caught off guard.

Focusing the Board on Key Governance Priorities

With a proactive, interactive board culture and a solid foundation for effective decision-making in place, it would seem that any board should have the resources it needs to concentrate on its organization's key priorities. Yet the panel believes that exceptional boards do even more to help focus their members' time and attention on issues that really matter.

Exceptional boards ensure that there is a strong link between the organization's priorities and stakeholder needs and concerns and that the organization has the necessary infrastructure in place to help the board govern effectively.

Panel members focused their suggestions for more deeply engaging board members to address critical issues around two practices: (1) fostering the right kind of dialogue for governing on behalf of the organization's key stakeholders and (2) providing organizational support for governance.

For each of these practices, the panel identified proven approaches that support effective governance. Additional tools that can help implement these approaches are included in the Appendix of Tools and Resources in this report.

Fostering the Right Kind of Dialogue

- Once the organization's stakeholders and their needs have been identified (see the section of

this report titled "Being An Accountable Board: Earning and Maintaining the Public's Trust"), link the organization's, and therefore the board's, priorities to stakeholder needs. To do this effectively, boards need a framework to allocate time and attention across critical stakeholder issues and concerns, understand how stakeholder needs and governance responsibilities interrelate, balance competing priorities, and optimize the organization's performance in addressing them. Boards should consider using a tool, such as a balanced governance scorecard, to provide such a framework for identifying and addressing these issues. **See Tool B in Appendix: *Developing and Using a Balanced Scorecard for Governing.***

- To facilitate discussion and decision-making, provide board members with a concise synopsis of each issue the board is being asked to address and include questions they should consider. Present alternatives that were evaluated as well as management or committee recommendations. The opportunity costs of each possible decision also should be made clear.
- Create regular opportunities during board meetings for in-depth discussion on a strategic priority, sometimes referred to as a "deep dive" discussion (see Figure 4, *Potential "Deep Dive" Topics for Boards* on page 21). To encourage deeper discussion of such an issue, consider providing broader and more detailed information

Figure 4: Potential “Deep Dive” Topics for Boards

1. Physician Relationships: How can we replace the outmoded voluntary medical staff model with new models of physician alignment to address issues such as transparency, standardization, quality, cost efficiency, market dominance, information technology, and others?
2. Consumerism: How do we respond to and stay ahead of the needs of more intelligent, informed, challenging, demanding, and fickle consumers?
3. Large Providers vs. Large Insurers: Does our future success depend on *bigness*?
4. The Business/Charity Paradox: What is the future role of the nonprofit health care organization? How can we develop a standardized and common definition of community benefit?
5. Movement from Inpatient to Outpatient: Are hospitals losing this battle to other competitors? If so, what can hospitals do?

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than the more highly summarized and synthesized information the board routinely receives. Include questions for discussion that help surface complexities and tradeoffs associated with the issue and that have no easy answers. The objective is not to drive decision-making, but to foster learning, understanding, and thinking deeply about an important issue.

Providing Organizational Support for Governance

- Identify in the hospital or health system budget, specific funds adequate to support the staff, educational opportunities, and other resources needed to accomplish the board’s work.

- Develop a position description(s) that outlines the roles and responsibilities of staff who provide support to the board. Organizations, especially health systems, with multiple boards can benefit from having executive-level and other dedicated staff devoted to the governance function, rather than assigning responsibilities to staff who also have other duties within the organization. **See Tool I in Appendix: Sample Position Profile: Vice President, Governance.**

Clarifying Authority and Responsibility: The Buck Stops Where?

Even boards that understand their accountabilities, have a board culture that supports active and effective oversight, and receive and know how to use governance information to make decisions about the organization's goals and priorities can still be stymied by the question: Who's on first? That's because the board itself is part of a broader system of leadership that requires it to interact effectively with other organizational leaders and leadership entities.

The full board's leadership partners can include its own substructures—the committees and leaders of the board—other leaders, such as the chief executive officer, senior executives, and clinical leaders, as well as other organizational entities that may have their own boards and leaders, too. In fact, more than half of the nation's hospitals are part of hospital systems composed of multiple organizations (HRET, 2006). Understanding the unique characteristics and requirements of system boards themselves and other boards in systems is essential to governance effectiveness in this context. To help boards better understand these issues, the Appendix of Tools and Resources section of this report includes a discussion of differences between hospital and system governance. **See Tool J in Appendix: *How Is System Governance Different?***

The panel also acknowledged that while its deliberations focused primarily on governance of

nonprofit organizations in general, levels of board authority and responsibility frequently differ among nonprofit health care boards depending on the type of ownership (faith-based, governmental, community, etc.) of the health care organization itself. The panel also concurred that further reflection is required to identify and address the unique needs of for-profit hospital and health system governance.

To avoid the inefficiencies and frustration of sustaining redundant governance and leadership structures and engaging in duplicative effort and inappropriate decision-making, boards need resources and guidance that help them participate in governance that adds value and contributes to organizational success.

The panel focused its suggestions in three areas: (1) resources that help boards understand relative roles and responsibilities among the full board and its components, (2) tools that help boards clarify authority for decision-making between and among different boards and leaders within an organization, and (3) the relationship between the board and the chief executive officer.

The panel identified proven approaches that support effective governance in these areas. Additional tools that can help implement these approaches are included in the Appendix of Tools and Resources section of this report.

Roles and Responsibilities Among the Board and Its Components

- Develop clear position descriptions for the board chair, vice chair, and committee chairs that identify individual and shared responsibilities, as well as their relationships with the full board and the organization's chief executive. Outline the expectations the board has for its individual members. **See Tools K and L in Appendix: Sample Board Charter and Sample Board Chair Position Charter.**
- Develop term limits for board members and officers. Term limits help reinforce that the full board, rather than any individual member, is in charge. Serving for successive terms should be determined based on evaluations of performance during each term.
- Develop a charter that outlines roles and responsibilities for the full board and each board committee. **See Tool M in Appendix: Sample Committee Charter: People and Culture Committee.**
- Committees should be established to oversee basic board responsibilities: governance, quality, finance, audit, planning and goal-setting, and executive performance. In organizations with multiple boards, some committees, such as the audit committee, may exist at the system board, but not at subsidiary boards.
- Exceptional boards go beyond this basic committee structure and use committees to address other key issues facing the organization. One example would be to establish committees that parallel the organization's management structure. Another might be to establish *ad hoc* committees on issues facing the organization at

a particular time. These committees would exist to address the issue and then disband once their charges are complete.

- The audit, governance, and nominating committees (where the nominating function is not part of the governance committee) should be composed of independent board members.
- Only independent board members should determine the CEO's compensation.
- Smaller boards, especially those that fall within the size range recommended by the panel (see the "Building and Sustaining a Proactive and Interactive Board Culture" section of this report) do not need executive committees. Where they exist, executive committees should have clearly prescribed and limited authority (see Figure 5, *Are Executive Committees Necessary?* on page 24).
- To function productively and accountably, each board committee should have a charge, annual objectives, an annual work plan, and a mechanism for evaluating its performance.
- Executives should be assigned to support each board committee; however, they should be carefully selected and should not drive a committee's work.

Designating Clear Authority for Decision-Making

- Develop and use a decision authority matrix to help avoid confusion and conflict over which boards and organizational leaders have the power to make which decisions. This type of matrix is especially useful in organizations with multiple boards. **See Tool N in Appendix: Decision Authority Matrix.**

Figure 5: Are Executive Committees Necessary?

Executive committees that have more power than the board itself can do more harm than good. The panel concluded that exceptional boards can make executive committees effective by:

- Defining and prescribing their functions explicitly in the bylaws.
- Scheduling meetings infrequently.
- Investing them with no decision-making authority, except in emergency situations when a vote or action is required and a full quorum of the board cannot be convened.

- Establish a shared understanding that board decision-making will vary over time, depending on factors such as changing organizational needs or whether the organization is in crisis or going through a leadership transition. Different circumstances require different levels of board involvement.
- Evaluate performance and set goals for the CEO annually, using input from both the board and chief executive. At least annually, evaluate the CEO's performance and link it to compensation.
- Ensure that the board establishes and oversees an effective process for CEO succession planning. **See Tool O in Appendix: *Creating a Culture of Collaborative Leadership Between Boards and CEOs: A Practical Guide for Trustees.***

The Board's Relationship with the CEO

- “A partnership in leading the organization forward” is the way an exceptional board defines its relationship with the chief executive.
- In addition to clear descriptions about the relative roles and responsibilities of the full board, board and committee chairs, and the chief executive, clearly establish and convey expectations about how the board chair and CEO should work together. These expectations should be developed mutually and include how frequently the board chair and CEO should meet and how much time should be devoted to agenda-setting and preparation for board meetings.

Key Practice: In addition to using 360-degree performance evaluations, particularly for the board, board chair, and committee chairs, use this type of performance evaluation for the CEO as well and incorporate input and assessments from board members, executives, and others who can help the board obtain as complete a picture as possible of the chief executive's performance.

Stretch Practices for Exceptional Boards

While laying a foundation for effective governance is essential to continuous improvement, the panel noted that exceptional boards go above and beyond simply being competent or effective. As a group of governance experts that explored characteristics of exceptional boards concluded:

“Moving beyond the basics of governance, as important as those are, creates new opportunities. Exceptional boards add significant value to their organizations, making discernible differences in their advance on mission...Responsible boards are competent stewards. Focusing on fiduciary oversight, they ensure that their organizations comply with the law, act with financial integrity, and operate effectively and ethically. Exceptional boards add active engagement and independent decision-making to this oversight function. Their members are open and honest with each other and the chief executive. They passionately challenge and support efforts in pursuit of the mission. The difference between responsible and exceptional boards lies in thoughtfulness and intentionality, action and engagement, knowledge and communication. The difference—the source of power—serves as the multiplier that powers exceptional boards.” (BoardSource, 2005).

According to governance consultant James E. Orlikoff, boards that move toward exceptional governance practice “disruptive governance.” Orlikoff defines disruptive governance as “governance innovations and practices that change

the culture and behavior of the board and of the organization and create a collective body of knowledge and a new set of habits.” The Blue Ribbon Panel endorsed several additional practices suggested by Orlikoff that boards could engage in to stretch current approaches to board structure, processes, and culture toward exceptional performance and disruptive governance:

- Conduct post-board meeting mini evaluations; discuss results, and adjust practices at the next meeting.
- Perform an audit of governance policies and practices once every two years to assess overall efficiency and effectiveness of board performance and how to improve it. Specifically compare board practices to written board policies and the bylaws; identify inconsistencies and correct them.
- Use consent agendas that call for the board to vote on routine or required matters at the beginning of the meeting and allow board members to spend the majority of their time focusing on strategic issues.
- Build in one “deep dive” discussion to allow board members to cover an important topic in detail at each board meeting. This should be relatively unstructured discussion that predominately involves members of the board.
- Add an expert in quality to the board and develop quality literacy for all board members.

- Ensure that quality targets focus on ideal performance: targets should be expressed as either 0 percent or 100 percent compliance. By eliminating “denominators” in their quality indicators, boards can avoid falling into the trap of justifying or excusing poor quality, and focus on striving to achieve perfection (things that should always happen, and things that should never happen).
- Discuss board performance to promote interactive, engaged governance—for example, after a split vote, a disagreement among board members, or after the board has slipped back into old behaviors. Just as important, these “meta” conversations should occur immediately after the board manifests new and desired behaviors. Such conversations help a board control its culture, push itself to desired behavior and culture, and avoid backsliding into old patterns of undesirable behaviors.
- Post board meeting attendance for everyone to review at each board meeting.
- Evaluate board member performance a year before the expiration of each term and provide feedback at the same time so that any performance issues can be addressed prior to the reappointment decision. This approach provides a board member with performance feedback and a year to improve performance to the standard necessary for reappointment to the board. It also signals to board members that reappointment may not be likely, and allows them to gracefully resign from the board.
- Develop a board composition profile and review and discuss it as a full board each year.
- Participate in “trustee credentialing” to compare board performance against established standards and continue to “raise the bar.” Such credentialing could include mandatory and focused board education, participation in board retreats and other education and performance issues.
- Ensure that decision-making follows adequate review and discussion of necessary supporting information and time for reflection. Practice “decision sequencing,” that is, except in emergencies, the board is not requested to make a decision at the same meeting where the issue is first presented. Rather, a major decision should be “sequenced” to involve several board meetings; for example: the issue is presented and preliminarily discussed at one meeting; more information is gathered and a more detailed discussion occurs at the next meeting; the final discussion and the vote occurs at the third meeting. A core principle here is: No surprise decision requests.
- Prohibit board members from doing business with the organization. Exceptional boards hold themselves to the highest ethical standards and avoid conflicts of interest and the appearance of impropriety by adopting a policy that precludes board members (except physicians and the CEO) from doing business with the organization or system.
- View board meetings as an ongoing process, rather than as discrete events. Here, Web-based information and communication between board members are used in between board meetings to keep board members fully informed, to refine positions, and to make the next board meeting more robust and engaging.
- Rotate board members into different roles and leadership positions on the board. Exceptional

boards do not “pigeon hole” their board members into roles based on their expertise. Rather, they attempt to spread the expertise of one member to many members, even as they round out the governance expertise of the individual member by rotating him or her among different positions of committee membership and leadership.

- Build comfort with change among board members: vary meeting locations and times and seating arrangements, order of board agenda items, and board education formats, for example.

- Discuss the board/CEO relationship and how it could be improved.
- Create and embrace a board culture of constructive challenge, respectful dissent, contrarian thinking, and vigorous debate. Recognize that debate, creative tension, and even a “good fight” are acceptable and desirable aspects of effective governance.
- Establish rules for constructive conflict; review and discuss conflicts after they occur.

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Conclusion

Understanding a health care organization's stakeholders and the board's accountabilities to them, building a proactive and interactive board culture, laying a foundation for effective decision-making, focusing on strategic priorities and understanding relative roles, responsibilities, and authority among the organization's board(s) and other leaders help pave the way for board members to ask and get answers to the fundamental questions that must be addressed to protect and advance stakeholder interests and concerns—in short, a board that provides effective leadership.

Proven practices which establish a solid foundation for good governance and opportunities to stretch toward exceptional performance equip boards of not-for-profit health care organizations to deliver the direction and leadership their organizations need in challenging times. In providing recommendations for both foundational and stretch governance practices, as well as specific tools to help boards begin to implement them, the Blue Ribbon Panel sought to initiate a dialogue within and among boards about how to improve and strengthen health care governance.

The panel hopes its work will lead to consideration of several issues and opportunities, beyond its own initial efforts. While the panel believes that boards are necessary for future success in health care, more work must be done to

strengthen boards today and into the future as they are continuously challenged to raise the bar on their performance and accountability. For example, while studies demonstrate that good governance has a positive impact on organizational performance, additional research is needed to better understand how board and organizational performance are linked. The panel also believes that board education must go beyond the what of health care and health care governance to further explore and share how boards and board members become exceptional.

This report is intended to be a beginning. It is being widely distributed to hospitals and health systems and shared with other organizations, within and beyond health care, that can offer a perspective on the relevance and value of the panel's work and suggestions.

The Blue Ribbon Panel encourages all boards to continue the dialogue and to share tools, resources, and approaches that they have found to be effective in improving board performance. Boards that would like to contribute effective practices to an online repository of governance tools being established by the Center for Healthcare Governance, which will carry forward and expand upon this panel's work, can call the Center at 1-888-540-6111 or contact the Center at info@americangovernance.com.

Appendix of Tools and Resources

T O O L A

Board–Stakeholder Checklist

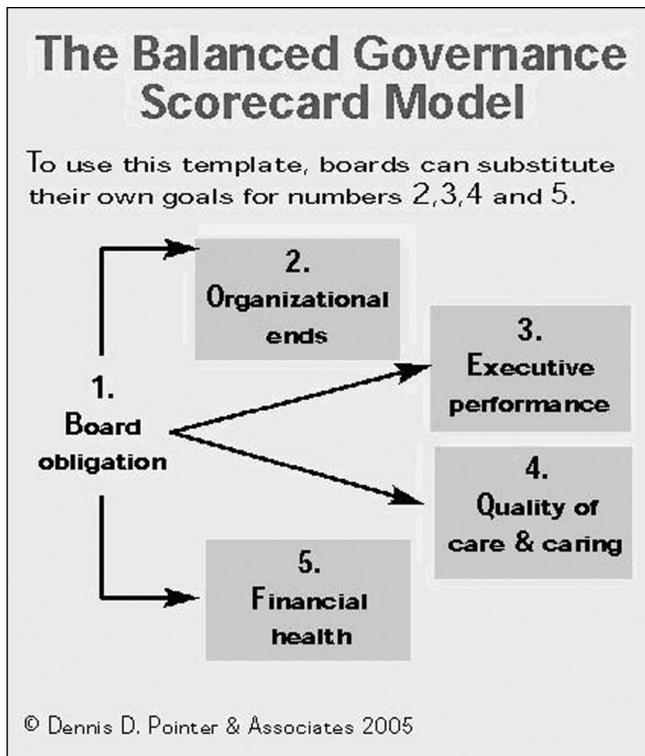
1. The organization’s most important stakeholders have been identified/specified. Yes No
2. A descriptive/analytic profile has been prepared for each key stakeholder. Yes No
3. The interests (needs/wants, expectations and organizational success criteria) of each stakeholder have been documented. Yes No
4. At least annually, my board discusses who the organization’s key stakeholders are in addition to their characteristics and interests. Yes No
- 5a. My board has formulated/approved a vision for the organization that is a precise/explicit image of what it should and could become in the future, at its very best, to maximize stakeholder benefit. Yes No
- 5b. The interests of key stakeholders were taken into account in formulating/approving this vision. Yes No
- 6a. My board has formulated/approved key organizational goals (the most important things that must be achieved for the vision to be fulfilled). Yes No
- 6b. The interests of key stakeholders were taken into account in formulating/approving these goals. Yes No
7. When major proposals are being considered by my board, the interests of key stakeholders are taken into account. Yes No
8. Our board often seeks ways to connect with, and solicit the perspectives/ opinions of, stakeholders. Yes No
9. I’d characterize my board as being stakeholder sensitive and centric. Yes No

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T O O L B

Developing and Using a Balanced Scorecard for Governing

A balanced scorecard can help focus the board's attention by identifying the dimensions of organizational performance that must be monitored and evaluated to meet stakeholder needs. Precise metrics of performance and success should be developed for each dimension. Next, these metrics must be employed, first by management to drive organizational effort and achievement, and then by the board to assess and help continually improve performance. An example of a Balanced Governance Scorecard model for health care organization governing boards appears in the diagram below.



The model shows how key dimensions of organizational performance flow from a board's obligations to stakeholders and should be measured against how well they function to meet them.

A health care organization's stakeholders include the community, employees, physicians, employers, purchasers and other constituent groups who have a major interest or "stake" in the organization's work and performance. In fact, a not-for-profit health care organization's tax-exempt status derives from the fact that it is community-owned. In order to maintain its tax exemption, it must be able to clearly demonstrate the benefits it provides to the community. Therefore, the board, which governs on behalf of the community, has a duty or obligation to ensure that the organization's resources are used effectively and efficiently to maximize community and stakeholder benefit.

Identifying the organization's key stakeholders and determining their needs, wants and expectations are critical first steps in developing a Balanced Scorecard for health care organization governance. Determining the needs of the hospital's or health system's key stakeholders and focusing the board's work on meeting them helps put the board's and organization's roles in perspective—they are both a means to achieving stakeholder benefit, rather than an end in themselves.

The Balanced Scorecard model suggests that boards need to focus simultaneously on four dimensions of performance to ensure that the organization meets its obligations to stakeholders: organizational, executive, quality of care and financial.

To meet organizational performance goals (i.e., where the organization is going), key board activities include:

- Formulating a vision of what the organization should become in order to maximize stakeholder benefit;
- Developing the key goals the organization must accomplish; and

- Ensuring that management’s strategies are aligned with, and will lead to, achieving the goals.

Relative to executive performance, (i.e., deciding how the organization will be managed), the board’s role is to create a context for and ensure high levels of CEO empowerment, performance and contribution to the organization’s success.

Governance responsibilities include:

- Recruiting and selecting the CEO,
- Assessing CEO performance,
- Determining CEO compensation,
- Overseeing CEO succession planning,
- If necessary, terminating the CEO.

The board is ultimately accountable for ensuring that patients receive high-quality care in a safe environment and seeing that the hospital provides excellent service to its patients. Boards should be involved in:

- Developing clinical quality, safety and service objectives;
- Credentialing members of the medical staff;
- Ensuring necessary quality management systems are in place and working effectively;
- Monitoring and evaluating all aspects of quality and ensuring that corrective action is taken when needed.

Finally, ensuring that the organization is financially sound today and into the future. The board should:

- Specify financial objectives,
- Review management’s financial plans and budgets and make sure they are aligned with the objectives,
- Ensure the organization’s creditworthiness and that it can obtain debt financing at reasonable rates,
- Ensure that the organization effectively allocates capital across competing projects,

- Monitor and evaluate financial performance and outcomes and ensure corrective action is taken when needed,
- Make sure financial statements fairly and fully reflect the organization’s financial status and that necessary internal controls are in place and working.

Focusing on the four performance dimensions and ensuring they function and interact to maximize stakeholder benefit focuses the board on what matters most. Because it provides a clear and precise model for governance, the scorecard allows the board to determine not only what it should do, but also what it should not do to meet stakeholder needs.

Once in place, the Balanced Governance Scorecard can then be used to drive board function and structure. For example, the scorecard should become the framework for board meeting planning—driving the agenda, the background information given, and the discussion, action and follow-up required to maximize stakeholder benefit. The scorecard also can be used to plan board education and development activities, as well as to provide self-assessment of performance and improvement. It also should be used to develop a dashboard of performance measures against which the board monitors and assesses how well the organization is functioning across all dimensions of performance.

The scorecard further provides a comprehensive framework for board policy-setting, decision-making and other governance activities by prompting boards to consider how actions in one dimension of performance affect other dimensions.

The Balanced Governance Scorecard then shapes the governance structure needed to support optimal board function and should be used to help determine:

- The type, number and structure of board committees;
- The number and type of relationships among an organization’s boards;

- Board size;
- Governance competencies;
- Board composition;
- Necessary governance infrastructure.

This refers to the systems and resources (infrastructure) boards need to have in place to support their work, such as communication processes, protocols and policies.

Ultimately, the scorecard becomes the basis for developing a governance “technology,” that is, the knowledge, skills, processes and tools needed to assist boards in most effectively discharging their roles and responsibilities to achieve stakeholder benefit.

Source: Pointer, D.D., Totten, M.K., and Orlikoff, J.E. “The Balanced Scorecard: A Tool for Maximizing Board Performance.” Trustee Workbook. Trustee. April, 2005.

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T O O L C

Physician Compact

Organization's Responsibilities

Foster Excellence

- Recruit and retain superior physicians and staff
- Support career development and professional satisfaction
- Acknowledge contributions to patient care and the organization
- Create opportunities to participate in or support research

Listen and Communicate

- Share information regarding strategic intent, organizational priorities, and business decisions
- Offer opportunities for constructive dialogue
- Provide regular, written evaluation and feedback

Educate

- Support and facilitate teaching, GME, and CME
- Provide information and tools necessary to improve practice

Reward

- Provide clear compensation with internal and market consistency, aligned with organizational goals
- Create an environment that supports teams and individuals

Lead

- Manage and lead organization with integrity and accountability

Physician's Responsibilities

Focus on Patients

- Practice state of the art quality medicine
- Encourage patient involvement in care and treatment decisions
- Achieve and maintain optimal patient access
- Insist on seamless practice

Collaborate on Care Delivery

- Include staff, physicians, and management on team
- Treat all members with respect
- Demonstrate the highest levels of ethical and professional conduct
- Behave in a manner consistent with group goals
- Participate in or support teaching

Listen and Communicate

- Communicate clinical information in clear, timely manner
- Request information and resources needed to provide care consistent with VM goals
- Provide and accept feedback

Take Ownership

- Implement VM-accepted clinical standards of care
- Participate in and support group decisions
- Focus on the economic aspects of our practice

Change

- Embrace innovation and continuous improvement
- Participate in necessary organizational change

T O O L D

Becoming an Employer of Choice: A Key Strategy for Success

Winner of the Malcolm Baldrige National Quality Award. Recognized nationally for several years as one of the “100 Best Companies to Work For” by both *Working Mother* and *Fortune* magazines. Today, Bronson Healthcare Group in Kalamazoo, Michigan is known as one of the “best of the best” organizations in America; however, ten short years ago, things were very different.

Bronson’s is a story of a health care organization that a decade ago was facing an uncertain future. The organization realized that it had to confront and address several “brutal facts” in order to get moving in the right direction. Thanks to a committed governing board, stellar leadership, determined employees and physicians, and a vision of excellence, Bronson transformed itself into the first-class organization it is today—largely by focusing on becoming an Employer of Choice as a key strategic initiative.

Bronson’s journey toward workplace excellence is an inspiring one. The organization charted a new course that began with an honest assessment of its strengths and weaknesses and was guided by a governing board that helped Bronson focus on its most valuable resource—its people.

A comprehensive, multi-faceted Workforce Development Plan (WDP) helped Bronson create a future that was far brighter than its past. The WDP addresses several internal, external and diversity initiatives, including:

- Leadership development;
- Organization/career enhancement;
- Communication and information feedback;
- Distribution of financial incentives and rewards;
- Measurement and monitoring of employee satisfaction;
- Ensuring a healthy and productive workforce;
- Educational programs onsite and with local and regional schools; and
- A Management Mentor Program, cultural competency training and other diversity efforts.

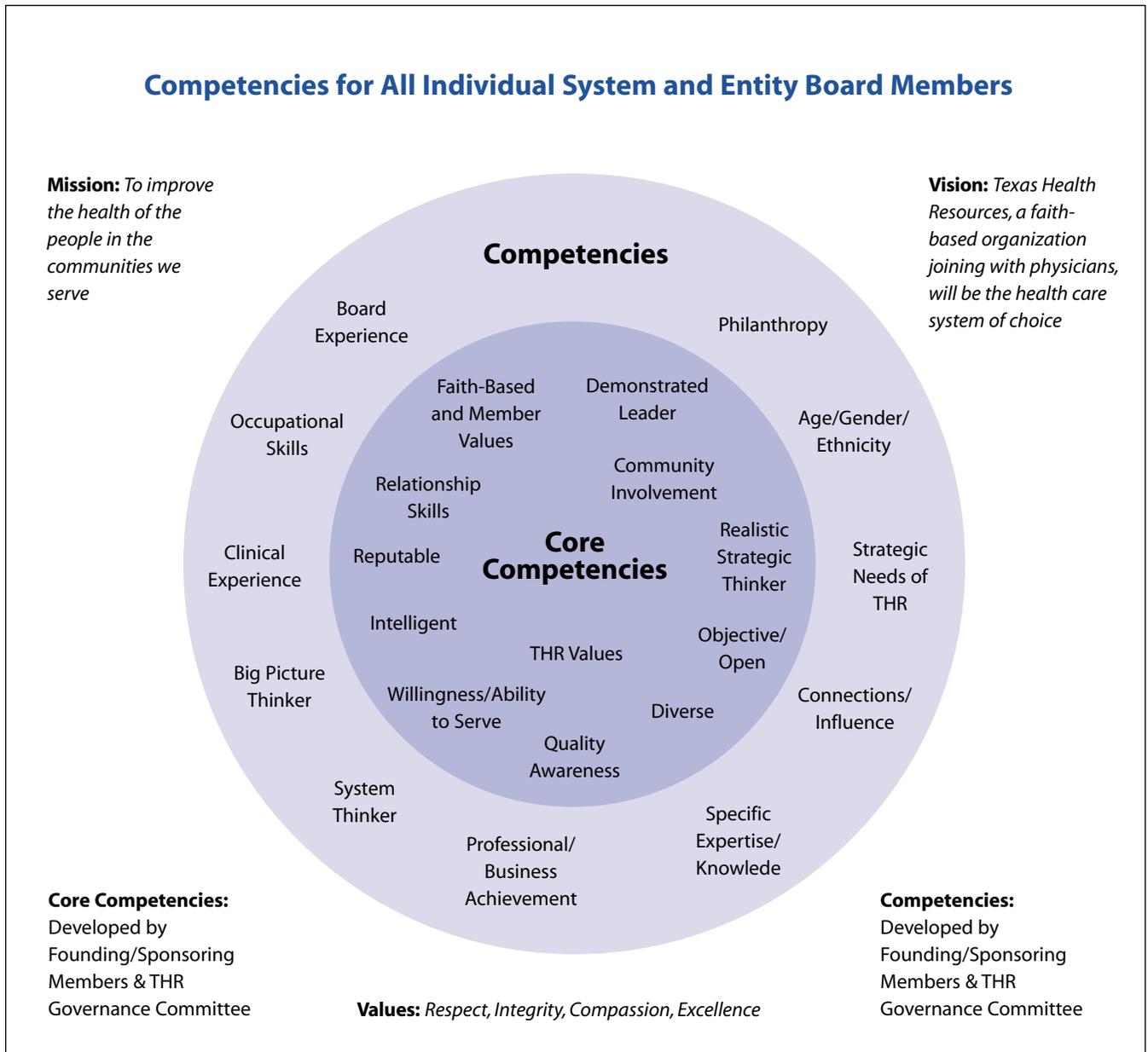
Bronson’s story is further detailed in a monograph published by the Center for Healthcare Governance titled *Becoming an Employer of Choice: A Key Strategy for Success*. This publication makes the case for workplace excellence from both an employee and business perspective and provides “lessons learned” that any organization can apply to improve its work environment.

The journey to excellence begins with a single step and never ends. Bronson’s story shows how one organization has stayed the course and reaped the rewards.

For more information about this publication, contact the Center for Healthcare Governance at 1-888-540-6111.

T O O L E

Core Competencies Wheel



Sources: Ad Hoc Committee, Consultants, References, Staff

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T O O L F

Sample Annual Board Goals

Intermountain Healthcare commits to be a model healthcare system to meet the needs of the people and communities that it serves. We strive to provide extraordinary care, in all its dimensions. The many organizational, facility, departmental, and personal goals we set in 2006 will support these aspirations.

Our dimensions are many. This goal encompasses clinical quality and best practice, patient safety, strong physician relationships, affordability and financial strength, community partnerships and charity care, complying with all laws and regulations, attracting and building skilled and compassionate employees, improving the patient and member experience through personal sensitivity and service. We will help meet the needs of those without ability to pay for care, while safeguarding the resources of employers and others who finance healthcare.

Our supporting goals are focused around those areas that we believe require the greatest incremental attention during the coming year. These are not intended to fully represent all that is important to the organization, but rather, what must receive the most attention and focus this year if we are to continue to meet our mission.

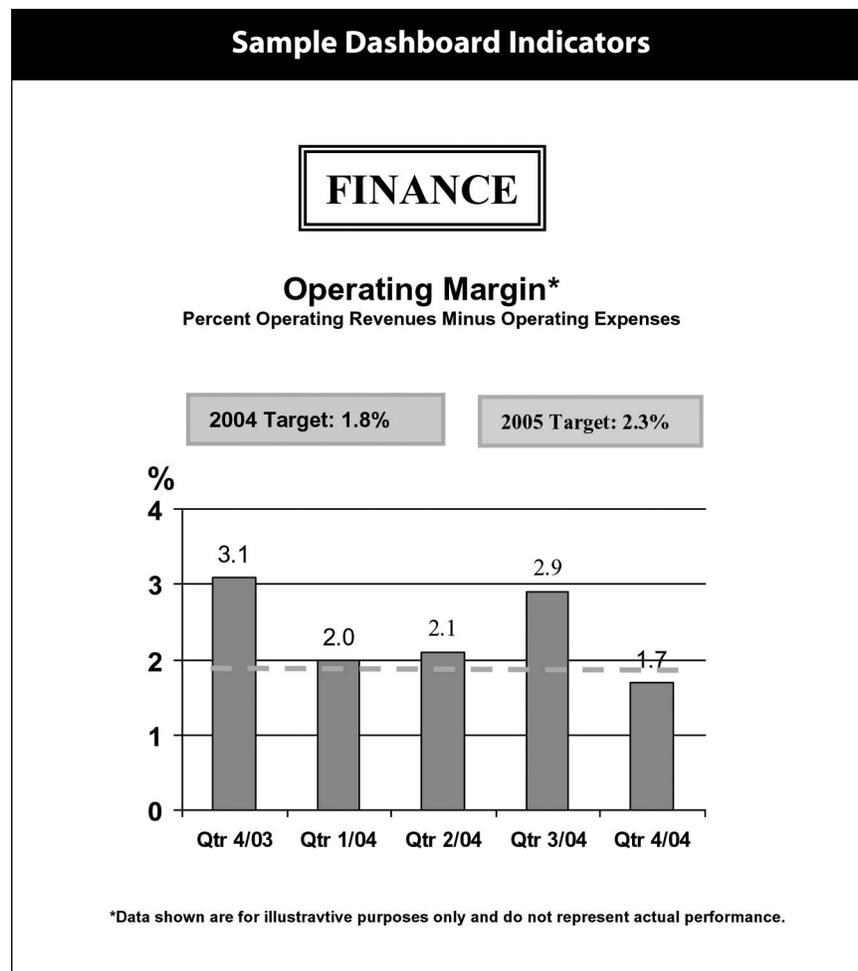
This year we will place special emphasis in five areas:

1. Clinical quality and best practice: We will demonstrate significant clinical quality improvement through progress on aggressive goals focused on clinical program and patient safety improvements.
2. Extraordinary caring and sensitivity to patients, their families, and guests: We will design training and work practices to provide a caring and compassionate experience for patients, members and their families. We will develop service standards by the end of the first quarter, and develop metrics to track performance in delivering this service by the end of the third quarter.
3. Affordability for communities: We will remain financially responsible with weighted cost increases (cost per member per month, hospital cost per case, and Intermountain Medical Group cost per RVU) that do not exceed 7.5%.
4. Customer attractiveness: We will demonstrate overall value to our communities by retaining the current percentage of the population served by IHC Health Plans and maintaining the overall inpatient service percentage in Intermountain Healthcare hospitals. We will develop services to provide more attractive care for those with outpatient needs.
5. Information Technology: We will install the new radiology and PACS systems centrally and in at least one facility. The electronic clinical information system plan and timeline will be developed in the first quarter to include the new GE/IDX opportunity. Development and configuration will be on schedule with that plan.

TOOL G

Performance Dashboards

The following sample dashboards indicate organizational performance in key areas of strategic importance to a hospital or health system. Each dashboard focuses on a specific measure and shows performance over time against established targets. Dashboards like these can help boards easily see patterns and trends in performance. They help prompt board members to ask key questions to better understand the factors that underlie performance and what the organization is doing to address them.



Source: Center for Healthcare Governance

Sample Dashboard Indicators

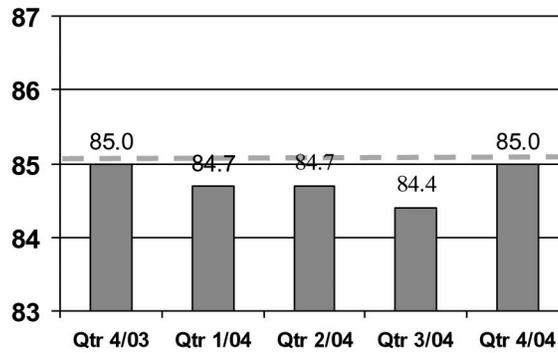
PATIENT SATISFACTION

Overall Hospital Inpatient Rating*
Average Mean Score Based on "Overall Inpatient Facility Score"

2004 Target: 85.1

2005 Target: 85.1

Mean Score



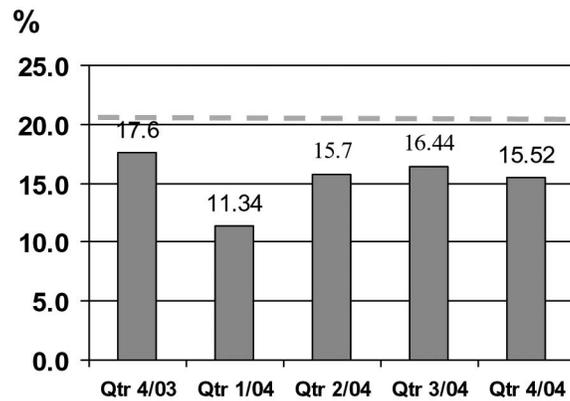
*Data shown are for illustrative purposes only and do not represent actual performance.

EMPLOYEE ATTRITION

Attrition*
Percent of Staff Attrition

2004 Target: <20.7

2005 Target: <20.7



*Data shown are for illustrative purposes only and do not represent actual performance.

T O O L H

Sample Board Agenda with Consent Agenda

Texas Health Resources Board of Trustees
Monday, October 16, 2006 – 12:30 p.m.
Board Room – Suite 900, Texas Health Resources Tower

Mission:

To improve the health of the people in the communities we serve.

Vision:

Texas Health Resources, a faith-based organization joining with physicians, will be the health care system of choice.

Commitment to Patient Safety:

The THR Board encourages every employee, every medical staff physician and every board member across the System to do everything they can to build a culture in which patient safety is their top priority and their primary concern in all they do.

Promise:

Individuals Caring for Individuals, Together.

Agenda

Time	Presenter	
12:00		Lunch
12:30	Jimmy Smith	I. Call to Order
12:31	Ed Jones	II. Invocation
12:33	Doug Thompson	III. Overview of Board Agenda and Today's Presentations
12:38	Jimmy Smith/ Doug Thompson	IV. Consent Agenda <ul style="list-style-type: none">• Minutes from Previous Meeting Audit and Compliance Committee: <ul style="list-style-type: none">• Internal Audits (Attachment B)• External Financial Audits of Benefit Plans (Attachment C)• THR Joint Venture Oversight Plan (Attachment D)• Report on 2006 Conflict of Interest and Disclosure Process (Attachment E) Governance Committee: <ul style="list-style-type: none">• Amendment of THR Articles of Incorporation (Attachment F)
12:45	Doug Thompson	V. President and CEO's Report <ul style="list-style-type: none">• THR Leadership Conference• Chair and CEO Expectations (Attachment G)

12:55	Kerney Hodges/ Mike Davis, M.D. Linda Park	VI. Quality and Patient Safety <ul style="list-style-type: none"> • Quality and Performance Committee Report • Achieving 100% Expected Clinical Outcomes (Attachment H)
1:15	Bill Stephens, MD	VII. Joining with Physicians <ul style="list-style-type: none"> • Physicians Leadership Council Update
		VIII. Governance <ul style="list-style-type: none"> • Governance Committee Report • Executive Compensation and Benefits Sub-Committee of the Governance Committee (Attachment I) • Nomination of THR Board Member (Attachment J)
1:25	Jimmy Smith/ Doug Thompson/ Donna Kirby Jimmy Smith	
		IX. Strategic Planning <ul style="list-style-type: none"> • Strategic Planning and Development Committee Report
1:30	Anne Scott/ Dave Jackson	
1:35	Jimmy Smith/ Doug Thompson/ Mike Griffin	<ul style="list-style-type: none"> • 2006 Work Plan/Board Strategic Discussion Topic: Electronic Health Record (Attachment K)
		X. Operations, Financial Auditing, Compliance <ul style="list-style-type: none"> • Finance Committee Report • Final Phase-Acute Care Expansion Project at PHD (Attachment M)
2:20	Mark Cooper	
2:30	John Hanson	<ul style="list-style-type: none"> • Operations Report • 2006 Key Performance Indicators Update (Attachment N)
2:35	Jack Martinez	<ul style="list-style-type: none"> • Financial Report • For the Month Ended August 31, 2006 (Attachment O) • For the Month Ended September 30, 2006 (To be distributed.)
		XI. Community and Stakeholder Relations <ul style="list-style-type: none"> • 2007-2008 Public Policy Priorities (Attachment P)
2:40	David Roberts	
3:00	Jimmy Smith	XII. Adjournment
		XIII. Executive Session
		Appendix <ul style="list-style-type: none"> • sKRLD Reports (Attachment Q) • July/August 2006 Hospital Presidents' Reports (Attachment R) • Patient Satisfaction Report (Attachment S) • <i>THR At A Glance</i> (Attachment T)

NEXT BOARD MEETING –DECEMBER 11, 2006

T O O L I

Sample Position Profile: Vice President, Governance

Job Title: Vice President Governance
Incumbent:
Entity: Texas Health Resources
Reports To: President and CEO and General Counsel
(legal governance functions)
Prepared Date: January 7, 2004

Organizational Definition

This position is within the Texas Health Resources (“THR”) entity. The THR organization is composed of THR and its controlled entities, including 13 acute care hospitals, a long-term acute care hospital, a retirement community, and a medical research organization. The position also supports the Founding Members, Harris Methodist Health System (“HMHS”) and Presbyterian Healthcare Resources (“PHR”), and Sponsoring Member, Arlington Memorial Hospital Foundation, Inc. (“AMHF”), and the Harris Methodist Health Foundation and Presbyterian Healthcare Foundation.

Summary

Works with the CEO to develop and implement strategic goals and objectives for THR regarding all aspects of the health care system’s governance structure. This includes THR, its Founding Members, foundations, and controlled and affiliated entities, which equates to 25 boards of Trustees/Directors. Works with the CEO to build and preserve ongoing relationships with board members, senior management, and external groups. Acts as an interface between the board and senior management and between the organization and some of its most important external constituencies. Serves both board members and senior management by encouraging open and honest communication between them, facilitating the participation of board and management in shaping policy and supporting the organization, and by keeping the CEO

and other officers informed of board and board member needs and expectations. Coordinates the duties of the Secretary and all aspects of Governance/Board operations for PHR, HMHS, THR, and all subsidiary entities of each. Responsible for working with the CEO and THR Board to design and implement a multi-year system Governance strategy addressing Board recruitment, orientation, education, communication, committee structure, and self-assessments and linking the strategy between the THR Board and its controlled corporations. Coordinates the Board, officer and management authority, and approval processes at all levels for THR, HMHS, PHR, and all subsidiary entities of each. Participates in the design and interpretation of the THR Approval, Authority, and Responsibility Matrix and monitors compliance. Develops, maintains, and distributes information regarding the organizational structure and investments of THR, HMHS, PHR, and all subsidiary entities of each.

Essential Duties and Responsibilities

1. Governance/Board Operations of THR:

Responsible for working with senior management and the Board of Trustees in the development and implementation of strategic goals, objectives, and standards for THR regarding aspects of the health care system’s governance structure. This includes board structure and composition, charter and bylaws provisions, definition of board roles and responsibilities, board independence, size, and structure, succession planning, decision systems, monitoring systems, control/ownership structures, and corporate governance policies and guidelines.

Responsible for designing and implementing a multi-year governance strategy addressing Board recruitment, core competencies, orientation,

education, communication, committee structure, self-assessments, and linking the strategy between the THR Board and its subsidiary corporations, including proactively developing innovative ways to deliver value through benchmarking and best practices. This includes primary responsibility for supervising the planning and all activities related to the THR Leadership Conference and the THR Board/Committee Conference; development and implementation of the System-wide Board Orientation Program; and development and maintenance of the THR Trustee Web site.

Provides the process, methodology, training /education, templates, and standards for Governance operations to THR-controlled organizations. Responsible for working with the CEO to build and preserve ongoing relationships with board members, senior management, and external groups. Acts as an interface between the board and staff and between the organization and some of its most important external constituencies.

Understands the history and mission of the organization and is well informed about its current policies, programs, and the changing environment in which it operates and makes recommendations to discontinue practices that are no longer useful, to adopt best practices developed elsewhere, and to adapt to changes in management style and policy.

Serves both board members and senior management by encouraging open and honest communication between them, by facilitating the participation of board and management in shaping policy and supporting the organization, and by keeping the CEO and other officers informed of board and board member needs and expectations.

Acts as “another pair of eyes and ears” regarding the needs of the board. To do so, this individual must be an excellent communicator, both in written and in interpersonal communications, and must use judgment and discretion.

By combining knowledge of the organization’s structure, history, and mission with an awareness of its key constituencies, contributes significantly to its responses to a changing environment and to heightened public expectations of accountability and corporate integrity.

Supports the participation of board members in meetings and handles communications with board members between meetings, including being immediately responsive to their needs and ensuring they are well informed about the organization they have agreed to serve and that their individual talents are put to good use on its behalf.

Facilitates the delivery of timely and concise information and helps to keep board members engaged between board and committee meetings utilizing blast faxes, mailings, the Trustee Web site, and other mechanisms as set out in the Trustee Communication Plan.

Responsible for informing the CEO and senior management regarding information, questions, and concerns expressed by board members.

Works with the CEO to develop annual governance objectives, agenda planning, management process, board education and orientation strategies, and develop board self-assessment tools and action plans based on results.

Responsible for supporting the board nomination process by providing analyses of the current composition of the board(s), soliciting suggestions for nominations from appropriate constituencies; developing a pool of prospective candidates meeting the qualifications identified by the Governance Committee and THR Board; and providing information about possible new board members to the Governance Committee.

Accountable and responsible for the development of multi-year strategies and plans with regard to the THR Governance Plan, Authority Matrix, organizational documents, and corporate structure information resources for review and approval by senior management and the board.

Plays a role in developing and revising board and committee roles and responsibilities and work plans for review, discussion, and approval by senior management and the board.

Plays a role in coordinating, collaborating, organizing, problem solving, raising issues, and integrating initiatives, solutions, and actions for the CEO. Will conduct analysis and formulate recommendations for senior management and assist in the development and implementation of budgeting, goal establishment, short- and long-range planning, and other activities at the direction of the CEO.

Directs and oversees the research and development of written/oral presentations and communications related to governance issues, strategies, policies, protocols, and applications, including on behalf of the CEO and Chairs of the Boards of THR, HMHS, and PHR.

Directs and oversees the effective administration of operating and capital budgets for THR Administration and Governance.

Responsible for development and maintenance of the System Master Calendar, including the scheduling and planning of board and committee meetings for THR, HMHS, PHR, and their committees and controlled organizations.

2. System Leadership:

Participates as a member of key organizational leadership and decision-making councils/ committees, including System Leadership Council, System Quality, and Operations Council, Shared Services Leadership Council, and Internet Leadership Group, as well as attending the executive team meetings.

3. THR Authority, Approval, and Responsibility Matrix:
Works with senior management and the THR Board to develop and maintain the THR Approval, Authority, and Responsibility Matrix and monitors compliance with its provisions.

4. Corporate Documents/Filings:
Responsible for the development and maintenance of the articles, bylaws, minutes, and corporate documents of THR, HMHS, PHR, and all subsidiaries of each, including government and regulatory filings.

5. Mergers, Acquisitions, and Dissolutions:
Coordinates due diligence, development of transaction documents, and other activities involved in mergers, joint ventures, and other types of affiliations.

Coordinates with the General Counsel, management, third parties, and outside counsel to develop and finalize transaction documents.

Works with regulatory and licensing agencies in fulfilling notification, reporting, and relicensing/ recertification requirements associated with mergers, dissolutions, or other organizational changes.

Responsible for statutory filings with the Secretary of State related to incorporations and dissolutions.

6. Audits, Surveys, and Inspections:
Coordinates the production of legal/corporate document and information in the course of external and internal financial audits and surveys by accreditation, licensing, regulatory, or other government organizations, including the Texas Department of Health, the Internal Revenue Service, the Federal Trade Commission, the Health Care Financing Administration, the Joint Commission for the Accreditation of Healthcare Organizations, and others, for THR, PHR, HMHS, and all subsidiaries of each.

7. Corporate Entity and Structural Information:
Responsible for the maintenance of current

information (i.e., ownership/control interest, legal structure, status, statutory filings, transactions) for all THR, HMHS, PHR, subsidiaries, controlled organizations, and investments.

Responsible for responding to inquiries from Board members, all levels of management and staff, outside counsel, auditors, regulatory, and government agencies, and others regarding the corporate structure of THR and its subsidiaries; the relationship between the THR organization and its affiliates, subsidiaries, controlled entities; and entities in which the THR organization has a minority or noncontrolling interest.

Responsible for the development and maintenance of the THR Corporate Entity List utilized by management throughout the THR organization.

8. Regulatory/Governmental Compliance:

Coordinates with the Texas Department of Health, the Internal Revenue Service, the Texas Secretary of State, the Texas Comptroller of Public Accounts, the U.S. Office of Patents and Trademarks, the Federal Trade Commission, and other governmental or regulatory agencies and other internal departments in the THR organization in assisting all corporations and facilities in the THR organization in maintaining consistency and compliance with the statutes, rules, and regulations of these agencies, including updating administrative policies, filing of corporate and other documents, licensing/relicensing applications, intellectual property filings, and the provision of requested documents and information.

Supervisory Responsibilities

Responsible for the overall direction, coordination, and evaluation of assigned department units within THR.

Carries out the supervisory responsibilities in accordance with the organization's policies and applicable laws. Responsibility includes oversight of interviewing, hiring, training employees, planning, assigning, and directing work; appraising performance; rewarding and disciplining employees; addressing complaints and resolving problems.

Qualifications

Individual must be able to perform each essential duty satisfactorily. The requirements listed below are representative of the knowledge, skill, and and/or ability required. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions. Equivalent education and experience may be substituted for any of the skills, education, licenses, and/or experience listed below.

Executive Core Competencies

- Values and promotes leadership throughout multiple levels of the organization.
- Sets an example to foster an environment of teamwork, delegation, and mentoring.
- Effectively presents materials and findings to appropriate audiences.
- Clearly and effectively communicates on the telephone, in person, and in memoranda and correspondence.
- Maintains focus on customer service and continuous improvement.
- Identifies and prioritizes day-to-day tasks.
- Interacts positively and professionally with key leadership and staff.
- Maintains organizational focus while striving for new challenges and avenues to grow the organization.
- Works effectively and effectively through day-to-day activities.
- Demonstrates high moral character, integrity, ethical behavior, and loyalty to coworkers and the organization.
- Values and promotes a learning environment focusing on positive reward systems and promotes an atmosphere of respect for the individual values of all coworkers.

Education and/or Experience

Bachelor's degree; certificate from an ABA-approved paralegal school, and CLA or TBLS certification preferred; Master's degree preferred. Position requires a minimum of 7-10 years experience in a corporate office, preferably in a multi-unit health care organization; an employment

Scope Indicators (M =Thousands; MM = Millions)			
Number of Employees Supervised	Direct	Indirect	Total
Exempt			
Nonexempt			
Total			
Total Operating Budget			
Total Sales			

record of increasing responsibilities in administrative/ governance operations planning and leadership, preferably in a multi-unit health care organization. Knowledge of corporate law, mergers, and acquisitions, health law, and intellectual property law preferred.

How Is System Governance Different?

There is some truth to the phrase “governance is governance.” Various characteristics of good governance and fiduciary duty apply equally to boards of very different organizations (for example, the characteristics of effective governance could largely be the same for a hospital board as for a bank board). However, health system governance has several unique characteristics that set it apart from any other types of governance, including hospital governance. For example:

1. The vast majority of health systems have multiple boards engaging in hierarchical governance. That is, a system or parent board oversees and coordinates the functions and activities of subordinate or subsidiary boards, which perform discrete governance functions for their individual entities and report back to the system board. As a result, subsidiary boards within systems require different focus, information, composition and committee structures than do the boards of freestanding organizations.
2. Having a system with multiple boards requires that governance authority, accountability and responsibility be subdivided. Typically, this means that a system board will focus on the big picture for the system as a whole, as opposed to any one organization within the system, while a subordinate or subsidiary board will focus on governing a particular entity or function within the system.
3. Because systems are often composed of different businesses, their boards have the responsibility of integrating their work. The system board must ensure that subsidiary organizations pursue a common system strategy and must oversee the portfolio of different businesses within the system in order to meet overall system goals and objectives. This is,

perhaps, one of the most challenging aspects of system governance.

4. In addition to being responsible for the effectiveness of their own governance, system boards are also responsible for the governance improvement and accountability of all subsidiary boards in the system.
5. All system boards must be “system thinkers,” keeping the best interests of the system as a whole at the forefront of all their deliberations and decisions. To help them do so, a core challenge of a system board is to frame a compelling definition of the system as a coherent whole formed by and operated as a collection of interdependent parts. If this is communicated effectively throughout the system, subsidiary boards will have a unifying definition of the system, as well as their place within it.

Principles of System Governance Structure

If one of the defining characteristics of systems is multiple boards and committees, then it is important to understand the structure of governance within systems. Although too broad a topic to fully cover here, it’s important to consider because many systems have found that, without careful planning, their governance structure can take on a life of its own and grow to unmanageable proportions. In fact, when many system leaders are asked why they have the number of boards and committees they do, a common response is “I don’t know; it just happened.”

Systems with efficient governance structures employ principles, such as those listed below, to guide how their structures develop:

1. Governance structure is based on conscious choices, not on circumstance or history (e.g., “we’ve always

done it that way"). Effective systems control their governance structures.

2. Fewer boards are better. The principle of "governance minimalism"—having the fewest number of governance structures needed to govern effectively—supports effective system governance. Why have more boards or committees than necessary?
3. If constituency or stakeholder representation is necessary or desirable in governance, it is better to have that representation on the larger subsidiary board.
4. Centralize authority, decentralize decision-making. This means that ultimate authority should rest with the system board, but specific decisions should be made by appropriate subordinate boards. For example, the authority for setting system wide quality policy and strategic direction would rest with the system board, while specific decision-making responsibility for medical staff credentialing would rest with individual hospital boards. Here, the system board has the authority to oversee quality and establish quality and patient safety parameters and goals for the entire system. In turn, the subordinate hospital board has the authority to make decisions regarding quality in its hospital that are consistent with the parameters established by the system board.
5. The philosophy and design for management, clinical, and governance structure should be similar within a system. Many systems have centralized management (i.e., all senior executives within the system report to the system CEO), but have decentralized clinical and governance structures. Such inconsistent leadership structures create significant functional friction and consume inordinate amounts of senior executive and board time. Further, different leadership structures make the system board's job much more difficult as it struggles to create and oversee the execution of a unified system strategy that may be carried out through many channels subject to different leadership styles and interpretations.
6. System board composition should be based on needed competencies and system strategy, not on constituency representation, or the history of any organization within the system.
7. Physician membership on appropriate subordinate boards may be representational (e.g., the medical staff chief serving on a hospital board), but not on the system board. While physician membership on a system board is desirable, it should not be representational.

Source: Orlikoff, J.E. and Totten, M.K. "The Challenges of System Governance." *Trustee Workbook*. Trustee. April, 2006.

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T O O L K

Sample Board Charter

Governance quality has a significant impact on __[organization name]__ performance and its ability to improve the community's health status. Governance is important work; in order to be done effectively and efficiently, it must be grounded on explicit/precise specifications of board obligations, responsibilities and roles.

Our board's ultimate obligation is to ensure __[organization name]__ resources and capacities are deployed in ways that: advance and protect community stakeholder interests; and fulfill their expectations/needs. To serve as the agent of stakeholders and add value to __[organization name]__ on their behalf, we: formulate policy (convey expectations, direct and guide), make decisions requiring board action and oversee (monitor and assess) __[organization name]__ ends, executive performance, quality and finances. The nature of our board's work is defined by these four responsibilities and three roles.

BOARD RESPONSIBILITIES

	ends	executive performance	quality	finances
policy formulation				
decision making				
oversight				

Our board is responsible for determining ___[organization name]___ ends. To fulfill this responsibility we:

- formulate ___[organization name]___ vision/mission;
- specify goals that, if accomplished, lead to the vision/mission being fulfilled; and
- ensure strategies developed by management are aligned with, and will lead to achieving, goals and the vision/mission.

The President/CEO is the only employee directly accountable to our board. Our board is responsible for ensuring high levels of executive performance. To fulfill this responsibility we:

- recruit and select the President/CEO;
- specify his/her performance objectives;
- assess his/her performance and contributions;
- adjust his/her compensation and bonus distribution; and
- should the need arise, terminate his/her employment with the organization.

Subject to its directives and oversight, our board delegates all management functions and authority to the President/CEO.

Our board is responsible for ensuring the quality of care provided in, and by, ___[organization name]___. To fulfill this responsibility we:

- specify quality (clinical, patient safety and customer service) objectives;
- appoint, reappoint and determine privileges of medical staff members;
- ensure that necessary quality monitoring/assessment systems are in place and functioning effectively;
- specify metrics/standards and employ them to assess the quality of care provided; and
- if the quality of care does not meet standards, expect

management and/or the medical staff to develop action plans to correct deficiencies.

Our board is responsible for ___[organization name]___ financial performance and health, protecting and enhancing the community's investment in it. To fulfill this responsibility we:

- specify financial objectives;
- review management's financial plans, making sure they are aligned with financial objectives in addition to ___[organization name]___ vision/mission, goals and strategies;
- ensure ___[organization name]___ credit worthiness;
- ensure ___[organization name]___ effectively allocates capital across competing projects;
- monitor and assess ___[organization name]___ financial performance/outcomes;
- expect management to develop corrective action plans if financial performance and outcomes do not meet standards;
- ensure necessary internal financial/compliance controls are in place; and
- ensure financial statements fairly and fully reflect ___[organization name]___ financial condition.

Additionally, our board is responsible for its own effectiveness and efficiency. We: consciously design board functioning, structure, composition and infrastructure; and continually monitor our performance and contributions.

Prepared for the:

Center for Healthcare Governance

One North Franklin Street, Suite 2800, Chicago, IL 60606 888-540-6111 •

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Prepared by:

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T O O L L

Sample Board Chair Position Charter

Serving as the [__organization name__] board chair is an important responsibility that must be undertaken/discharged with a high level of commitment, seriousness, competence and energy. How, and how well, this role is performed has a significant impact on our board's effectiveness, efficiency and creativity. Working collaboratively with the President/CEO and executive committee, the chair leads the board and is a key member of [__organization name__] leadership team. Key expectations associated with the role of board chair are specified below.

Functions

The chair is expected to:

- serve as an advisor to the President/CEO regarding execution of his/her role; governance development; and board-executive relationships
- serve as a role model for, and mentor to, other directors
- serve as an advisor to board committee chairs regarding the performance of their roles
- serve as our board's representative/spokesperson to stakeholders and other external constituents
- serve as our board's representative/spokesperson to the executive/management team, medical staff and employees
- serve as our board's representative at [__organization name__] sponsored functions and events
- serve as our board's primary representative, point of first contact and spokesperson to the media
- chair the joint (board, management, medical staff) conference committee
- serve as chair of the board's executive committee
- with advice/counsel of the executive committee, formulate annual board goals and a work plan; forward to the board for review/approval
- direct professional and support staff assigned to the board
- with advice/counsel of the executive committee, appoint chairs and members of board standing and ad hoc committees
- attend, as our board's representative/spokesperson, meetings of the medical staff
- with advice/counsel of the executive committee, plan/set the agenda for board meetings
- chair/facilitate board meetings and ensure they are focused, effective, efficient and creative
- prior to the conclusion of a director's term, conduct a session to: provide feedback regarding peer assessment results; and with him/her, formulate a performance/contribution development plan
- review and approve all expense reimbursements to the President/CEO
- perform other tasks necessary for ensuring high levels of board performance/contributions
- after conclusion of his/her term, be willing to provide advice/counsel to the incumbent board chair

Qualifications

The chair must:

- after careful reflection and assessment, have the time and energy to fulfill the expectations of this demanding role; estimated to require approximately __ hours per month
- have completed at least one term as a director
- have the confidence/respect of colleague directors, the President/CEO and physician leaders
- during service on the board, have fulfilled all expectations enumerated in the director position charter
- be perceived as highly effective by peers in previous director assessments
- have no general, material conflicts-of-interest that would inhibit execution of the chair role

- have exemplary personal/professional integrity
- have demonstrated wisdom, intelligence and good judgment
- be effective and articulate expressing him/herself
- possess, or be willing to acquire, the knowledge/skills to facilitate focused, effective, efficient and creative meetings
- be willing/able to attend education programs designed to enhance his/her board leadership competencies

Appointment

- single, two-year term; eligible for one term reappointment based on results of board chair performance assessment
- if an individual's service as chair exceeds the maximum director term limit, that limit will be extended by the number of years necessary to complete his/her term as board chair

Nomination and Election

- nominees for the position of chair need not have been the board's vice chair, other officer or a committee chair
- a special ad hoc chair nominating committee will forward to the board one or more nominees; this committee will be composed of:
 - current board chair (committee chair)
 - President/CEO, ex officio with vote
 - one past board chair (whether or not he/she is a current director)
 - chief of the medical staff in an advisory capacity
 - two at-large directors, selected by the executive committee

NOTES:

This is an illustration and is not meant to be comprehensive or inclusive. It is provided as a template based on current best practices and is intended to be a point of departure, for your board's discussion and formulation of its own chair position charter.

This charter is aligned with other Center Tools, particularly: board charter; governing principles; and director position charter.

This chair position charter is grounded on a model of healthcare organization governance forwarded in *Board Work* by Dennis Pointer and James E. Orlikoff (Jossey-Bass, 1999). For information regarding, or to order, this publication, visit www.americangovernance.com.

Prepared for the:

Center for Healthcare Governance

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T O O L M

Sample Committee Charter: People and Culture Committee

Mission:

To improve the health of the people in the communities we serve.

Vision:

Texas Health Resources, a faith-based organization joining with physicians, will be the health care system of choice.

Roles/Responsibilities:

- Oversight of people and culture structure and monitor consistency with Guiding Principles, mission, vision, and values, as well as ongoing efficiency and effectiveness on a System-wide basis
 - Advise governance/nominating committee regarding potential future board member competency needs identified
 - Develop strategies for THR to reflect the diversity of the communities it serves
 - Develop and recommend overall Strengthening Our System Culture and People philosophy(ies) consistent with the Guiding Principles, which are used by management to establish program design and administration in areas of organizational design, compensation, benefits, performance management, learning, recognition, and employee involvement
 - Monitor and review ongoing effectiveness of program design and recommend System-wide targets
- Facilitate linkages of learning, performance management, and employee satisfaction and involvement programs with the work of the quality/performance committee
 - Serve as forum for identification of best practices and oversee the management of strategic workforce dynamics issues, including organizational climate, situational analysis, and workforce supply/demand forecasting
 - Conduct such other activities as delegated to it from time to time by the THR board

Meeting Schedule:

Quarterly, 2-3 hours each, with one of the meetings being a joint meeting with the quality/performance committee

Membership:

5-9 members with a THR board member as chair; membership will include a combination of non-THR board members and at least three THR board members

Management functional leader:

Senior Vice President, People and Culture

T O O L N

Decision Authority Matrix Ascension Health

SYSTEM POLICY #2:

SUBJECT: Responsibility & Authority for Major Decisions

BOARD APPROVAL DATE: 09/06/00

EFFECTIVE DATE: 09/06/00

REVISION DATE: 01/01/06



President/CEO, Ascension Health

Policy

It is the policy of Ascension Health to clearly define the responsibilities and authority for decision-making throughout the System.

Exhibit I depicts the Ascension Health organizational structure which provides the framework for decision-making. Exhibit II, the "System Authority Matrix," is designed to assign authority for key decisions that are necessary in the operation of the System. The System Authority Matrix is intended to primarily assign authority rather than to describe process.

Goals

The goals of the System Authority Matrix are as follows:

- To be a self-contained, pragmatic document that balances both local and System-wide authority for the common good of the whole.
- To ensure efficient decision making by clarifying authority throughout the System.
- To promote and emphasize consistency, accountability, transparency and efficiency in decision making.
- To describe and clarify authority rather than describe process in decision making.

Principles

The principles of the System Authority Matrix are as follows:

- The Mission, Vision, Values and Strategic Direction of the System will guide all decision making.
- Subsidiary will apply, placing authority and accountability at the most appropriate levels.
- The decision-making process implicit in the System Authority Matrix will be transparent and supportive of the System operating model.
- The exercise of authority will be consistent throughout the System, and given that the Health Ministries vary in size, scope and complexity, authority levels may be scaled; Health Ministries may have "relative equality" with respect to selected issues, e.g., spending authority.
- The decision-making process is most effectively accomplished through collaboration and dialogue among System and Health Ministry governance, sponsorship and management.

Applicability to Sponsored Entities

Decisions regarding sponsored entities and other organizations in which the System has an interest but not majority control will be made in accord with the Agreements which brought the organizations into existence. The financial thresholds for decisions by boards of these entities should not exceed those set forth for Ascension Health Ministry Boards (see Exhibit II).

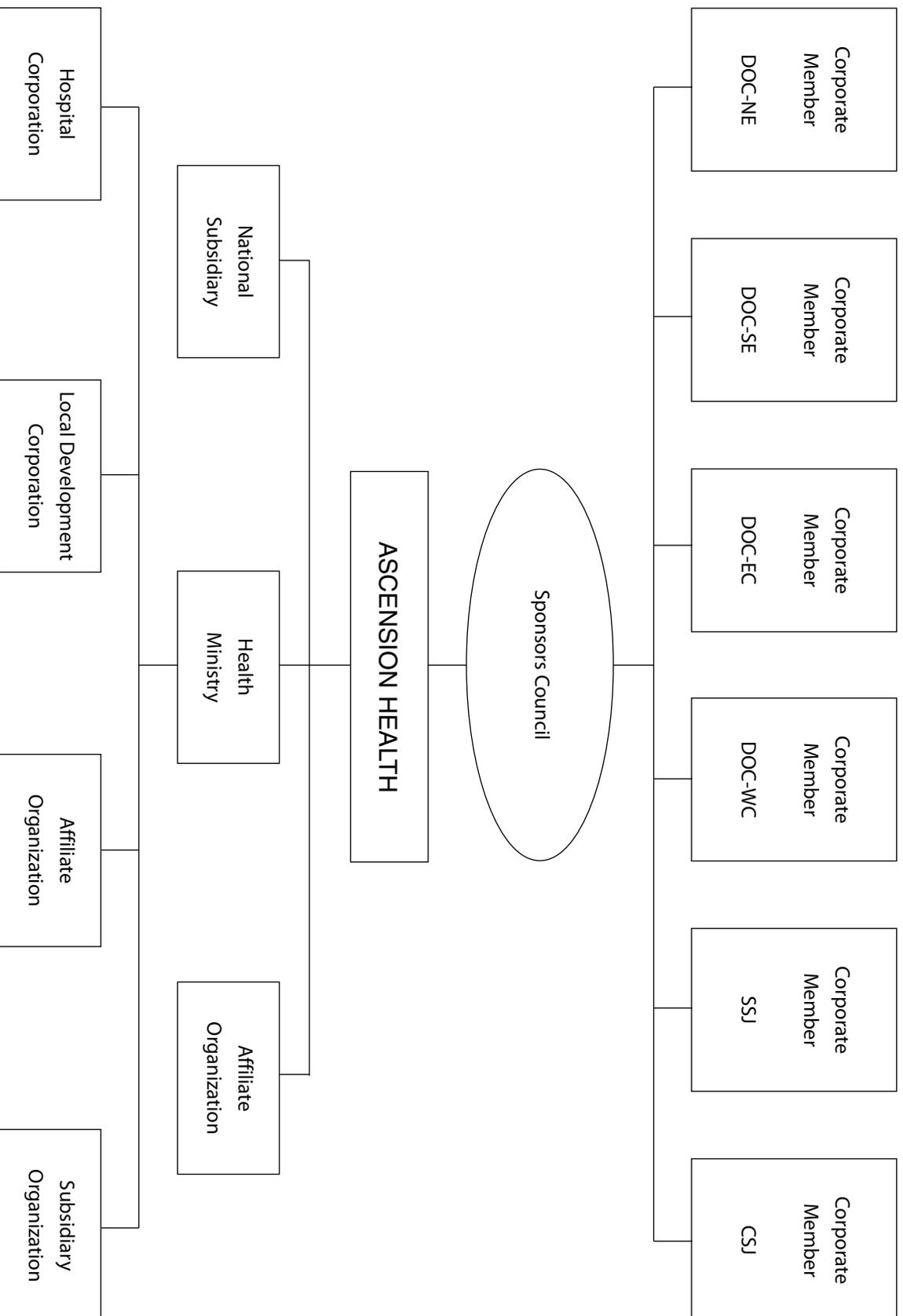
System Procedures

Principles to assist Ascension Health leadership in the creation of policies, processes and procedures have been developed and are located in the Organization and Legal section of the Ascension Health Procedures binder.

Exhibits:

- I. Organizational Chart
- II. System Authority Matrix

Exhibit I
ASCENSION HEALTH SYSTEM AUTHORITY MATRIX
Ascension Health Organizational Chart



ASCENSION HEALTH SYSTEM AUTHORITY MATRIX Definitions

The implementation of the Matrix is most effectively accomplished in the spirit of our System Values through a mode of collaboration and dialogue. Capitalized words and phrases used in this System Authority Matrix shall have the meanings as defined in System Policy unless otherwise defined below.

“Approve” shall mean and include the authority to review and either adopt, accept, appoint, amend, modify, disapprove or send back for further consideration an action recommended or approved by another entity in the System. Where the term “approve” is used, that approval is required by all identified entities before the proposed action will be considered the legally valid, authorized action of the proposing entity.

“Ascension Health” shall mean Ascension Health, a Missouri nonprofit corporation.

“Ascension Health President/CEO” shall mean the person holding the position of President/CEO of Ascension Health or his or her designees.

“Canonical Jurisdiction” shall mean the Sponsor with the right and responsibility to act on this matter under canon law.

“Canonical Requirements” shall mean the actions and decisions governed by canon law.

“Canonical Sponsorship” shall mean the public juridic person willing to assume canonical responsibility.

“Consultation” shall mean to confer and deliberate together.

“Control” or **“Controlled”** shall mean:

- (i) the authority to act as controlling member, shareholder or partner of an organization;
- (ii) the authority to appoint, elect or approve at least a majority of the individual members, shareholders, or partners of an organization; or
- (iii) the authority to appoint, elect or approve at least a majority of the governing body of an organization.

“Credit Group Member” shall mean all Obligated Group Members and Designated Affiliates as those terms are defined in Ascension Health’s Master Trust Indenture dated as of November 1, 1999, as amended from time to time.

“Governing Documents” shall mean the articles of incorporation or charter, bylaws, partnership agreements, operating agreements or comparable documents as may be applicable depending on the form of the entity’s legal organization.

“Health Ministry” shall mean the organization in a regional or local area through which Ascension Health carries out its mission and in which Ascension Health serves as the sole or controlling member.

“National Subsidiary” shall mean an organization, other than a Health Ministry or a Subsidiary Organization, which is controlled by Ascension Health.

“Ratify” shall mean and include the authority to accept or reject, without imposing an alternative, an action recommended by another entity in the System. Where the term “ratify” is used, that ratification is required before the proposed action will be considered the legally valid, authorized action of the proposing entity.

“Recommend” shall mean to initiate an action for consideration and approval or ratification by another entity or person in the System.

“Subsidiary Organization” shall mean any legal entity directly or indirectly controlled by a Health Ministry or National Subsidiary.

“System” shall mean, collectively, Ascension Health, Health Ministries, Subsidiary Organizations, National Subsidiaries and Affiliate Organizations.

“System Policy” shall mean that policy established from time to time by Ascension Health.

EXHIBIT II: ASCENSION HEALTH SYSTEM AUTHORITY MATRIX

The implementation of the Matrix is most effectively accomplished in the spirit of our System Values through a mode of collaboration and dialogue.

DECISIONS/AUTHORITY	HEALTH MINISTRY CEO	HEALTH MINISTRY BOARD	ASCENSION HEALTH PRESIDENT/ CEO	ASCENSION HEALTH BOARD	SPONSORS COUNCIL
PHILOSOPHY, MISSION, SPONSOR EXPECTATIONS & CORE VALUES					
1. Philosophy, Mission, Vision, Sponsor Expectations and Core Values of the System				Recommend, assure compliance with, and interpret	Approve and may initiate
2. Mission statements of the Health Ministry		Approve	Consult		
NEW ORGANIZATIONS & MAJOR TRANSACTIONS					
3. New Sponsors				Recommend	Approve
4. Formation or acquisition of a new Health Ministry			Recommend	Approve and Recommend	Approve and ensure Canonical Sponsorship
5. Formation or acquisition of legal entities for which Ascension Health will serve as the sole or controlling entity			Recommend	Approve	Approve as related to Canonical Requirements
6. Sale, transfer or substantial change in use of all or substantially all of the assets of the System or Ascension Health and merger, dissolution, consolidation or disposition of assets upon dissolution of Ascension Health				Approve and Recommend	Approve
7. Sale, transfer or substantial change in use of all or substantially all of the assets of a Health Ministry or Subsidiary Organization that is a Credit Group Member, and divestiture, dissolution, closure, merger, consolidation, change in corporate membership or ownership, or corporate reorganization of a Health Ministry or a Subsidiary that is a Credit Group Member		Approve and Recommend	Recommend	Approve and Recommend	Approve, including affirmative vote of Member with Canonical Jurisdiction

**EXHIBIT II: ASCENSION HEALTH
SYSTEM AUTHORITY MATRIX**

The implementation of the Matrix is most effectively accomplished in the spirit of our System Values through a mode of collaboration and dialogue.

DECISIONS/AUTHORITY	HEALTH MINISTRY CEO	HEALTH MINISTRY BOARD	ASCENSION HEALTH PRESIDENT/ CEO	ASCENSION HEALTH BOARD	SPONSORS COUNCIL
8. Formation of all other legal entities, sale, transfer or substantial change in use of all or substantially all of the assets, divestitures, dissolutions, closures, mergers, consolidations, or changes in corporate membership or ownership of Subsidiary Organizations that are not Credit Group Members	Recommend	Approve	Consult		Approve as to Canonical Requirements
GOVERNING DOCUMENTS					
9. Articles & Bylaws of Ascension Health				Approve and Recommend	Approve
10. Governing Documents of a Health Ministry and its Subsidiary Organizations		Approve Governing Documents and recommend if inconsistent with Requirements for Governing Documents	Consult if inconsistent with Requirements for Governing Documents	Approve Requirements for Governing Documents; Approve Governing Documents if inconsistent with Requirements for Governing Documents	
APPOINTMENTS/REMOVALS					
11. Members of Board of Trustees of Ascension Health				Recommend	Appoint and Remove
12. Core competencies for board members of Ascension Health, Health Ministries and Subsidiary Organizations				Recommend	Approve
13. Chair of Ascension Health Board				Recommend Appointment; Consult for Removal	Appoint and Remove

EXHIBIT II: ASCENSION HEALTH SYSTEM AUTHORITY MATRIX

The implementation of the Matrix is most effectively accomplished in the spirit of our System Values through a mode of collaboration and dialogue.

DECISIONS/AUTHORITY	HEALTH MINISTRY CEO	HEALTH MINISTRY BOARD	ASCENSION HEALTH PRESIDENT/ CEO	ASCENSION HEALTH BOARD	SPONSORS COUNCIL
14. President/CEO of Ascension Health				Appoint; Remove subject to Ratification by Sponsors Council	Ratify Appointment, Remove or Ratify Removal
15. Board members of a Health Ministry		Recommend Appointment		Appoint and Remove	
16. Board members of Subsidiary Organizations		Appoint and Remove			
17. Health Ministry Board Chair		Recommend Appointment		Appoint and Remove	Consult the Member with Canonical Jurisdiction
18. Health Ministry CEO		Appoint and Remove ¹	Appoint and Remove ¹		Consult the Member with Canonical Jurisdiction
EVALUATION					
19. System Evaluation				Evaluate	Establish criteria and process; accept evaluation
20. Ascension Health Board, Board Chair and President/CEO				Evaluate	Establish criteria; provide input and accept
21. Health Ministry Board and Board Chair		Evaluate		Accept	
22. Annual performance objectives, performance and compensation of Health Ministry CEO ²		Establish objectives, evaluate performance and determine compensation ¹	Establish objectives, evaluate performance and determine compensation ¹		
DEBT					
23. Debt limit of System and debt over the limit of System			Recommend	Approve and Recommend	Approve

¹ Requires concurrence of the Health Ministry Board and the Ascension Health Operating Group President.

² The Ascension Health Board of Trustees determines compensation ranges.

EXHIBIT II: ASCENSION HEALTH SYSTEM AUTHORITY MATRIX

The implementation of the Matrix is most effectively accomplished in the spirit of our System Values through a mode of collaboration and dialogue.

DECISIONS/AUTHORITY	HEALTH MINISTRY CEO	HEALTH MINISTRY BOARD	ASCENSION HEALTH PRESIDENT/ CEO	ASCENSION HEALTH BOARD	SPONSORS COUNCIL
24. Health Ministry and Credit Group Member debt	Recommend within guidelines established for the Centralized Debt Management Program	Approve within guidelines established for the Centralized Debt Management program	Recommend guidelines for the Centralized Debt Management Program	Approve guidelines for the Centralized Debt Management program	
STRATEGIC AND FINANCIAL PLANS					
25. Vision statements of the Health Ministry ³	Recommend	Approve	Consult		
26. Health Ministry Integrated Strategic and Financial Plans, annual scorecard targets, and initiatives	Recommend	Approve	Ratify		
27. System Integrated Strategic and Financial Plan, including annual System integrated scorecard and System initiatives			Recommend	Approve	
28. Auditor for System			Recommend	Appoint	
ASSETS					
29. Transfer of assets and reallocation of debt among Health Ministries in accord with the established criteria and process		Approve and Recommend	Recommend	Approve; Recommend criteria and procedures	Approve criteria and procedures
30. Transfer or encumbrance of tax exempt financed assets of a Health Ministry subject to canonical requirements		Approve within established guidelines	Approve within established guidelines	Approve within established guidelines	Approve as to Canonical Requirements
31. Alienation of assets as required by Canon law		Recommend	Recommend	Recommend	Approve, including affirmative vote of Member with Canonical Jurisdiction

³ Vision statements of the Health Ministry must be consistent with the Mission of the System.

**EXHIBIT II: ASCENSION HEALTH
SYSTEM AUTHORITY MATRIX**

The implementation of the Matrix is most effectively accomplished in the spirit of our System Values through a mode of collaboration and dialogue.

DECISIONS/AUTHORITY	HEALTH MINISTRY CEO	HEALTH MINISTRY BOARD	ASCENSION HEALTH PRESIDENT/ CEO	ASCENSION HEALTH BOARD	SPONSORS COUNCIL
32. Projects or transactions involving expenditure of funds or divestiture of assets not otherwise addressed in this System Authority Matrix	Approve within guidelines established by Health Ministry Board	Approve up to 3% of assets (not to exceed \$50 million) or \$5 million, whichever is greater	Approve up to \$50 million.	Approve above \$50 million	
SYSTEM POLICIES AND PROCEDURES					
33. System Policies and Procedures			Recommend System Policies; Approve System Procedures	Approve System Policies	

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T O O L O

Creating a Culture of Collaborative Leadership Between Boards and CEOs: A Practical Guide for Trustees

Overview

A governing board cannot accomplish its work or properly fulfill its fiduciary obligations without an honest and supportive relationship with the CEO. Chief executives cannot be successful without an effective working relationship with their boards. Creating a culture of collaborative leadership between boards and CEOs is critical to the well-being of the organization and the effectiveness of its leadership. However, at times the board/CEO relationship may not get the care and attention it requires or deserves.

In Creating a Culture of Collaborative Leadership Between Boards and CEOs: A Practical Guide for Trustees, authors David A. Bjork and Dan Fairley offer practical guidance for boards and CEOs about how to establish, build, navigate, and maintain their relationship successfully. This “handbook” provides several concise overviews of fundamental elements of the board/CEO relationship, including:

- Understanding Board and CEO Responsibilities;
- Board Expectations/CEO Expectations;
- Board Process and Practice;
- CEO Motivation, Performance Management and Evaluation;
- CEO and Executive Compensation;
- Executive Recruitment, Retention and Separation;
- Executive Development and Succession Planning;
- Leadership Transition Planning; and
- The CEO’s Role in Nurturing the Relationship.

This publication is designed to be a resource for both new and seasoned board members and CEOs. It should be included in new board member orientation materials and used as a primer in board leader and officer education programs. It also can provide guidance for members of board committees, such as the executive, compensation or governance committees, which may be tasked with implementing some of the responsibilities and processes discussed here.

Understanding the nature and importance of the board/CEO relationship and how to work together effectively can help both parties get the most out of this critical leadership partnership and can also help pave the way for establishing a board culture of active, engaged governance. As Bjork and Fairley conclude, “...if the board accepts and acts on its responsibility to nurture this relationship, it will make the CEO’s job easier, the board’s job easier, and the organization more successful.”

For more information about this publication, contact the Center for Healthcare Governance at 1-888-540-6111.

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