

Boardroom Basics

Knowledge Resources for Health Care Governance Effectiveness

Overview of Board Roles and Responsibilities

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KNOWLEDGEPOINTS

- Key functions of a highly successful board of trustees
- Practices to improve a board's visionary thinking
- The importance of determining eligibility requirements and developing board member job descriptions



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Overview

The world of health care is a complex and ever-changing environment. To ensure that high quality care is provided to consumers, and to effectively lead organizations to be successful in the coming years, a knowledgeable and loyal governing board is an absolute requirement. This *Boardroom Basics* is designed to educate trustees on their basic roles and responsibilities as board members of health care organizations.

Major Board Functions

Board members must clearly understand the difference between “governance” and “management.” The governing body is responsible for ensuring the mission and vision of the organization, in addition to being legally responsible for the operation of the organization. The governing board must see the “big picture,” and work with all of the information available to it in order to lead the organization forward in carrying out its mission and vision.

Management is responsible for the day-to-day tasks of running the hospital. The board delegates the day-to-day management to the chief executive officer (CEO). The CEO and the senior management team is guided, but not directed, by the governing board. They lead the hospital's staff in carrying out the mission and vision that has been developed and approved by the governing board.

The roles and responsibilities of the governing board involves everything from ensuring the cost-effective utilization of resources to determining the organization's mission, and establishing a long-range strategic plan to help attain that mission. Although the responsibilities are many and varied, there are six major areas of responsibility that all governing boards have:

1. Hiring and retaining an effective CEO;
2. Mission development and long-range planning;
3. Ensuring high quality care;
4. Oversight of medical staff credentialing;
5. Financial oversight; and
6. Board education and development, including self-evaluation.

Hiring and retaining an effective CEO — One of the most important jobs of the governing board is selecting and retaining an effective CEO. The CEO is the link between the day-to-day operations of the organization and the board. He/she is responsible for leading the organization to carry out the vision developed with the governing board. Each board is unique, and there is no single right way to identify precisely which responsibilities lie with the board, and which lie with the CEO. Therefore, it is imperative that the CEO and the governing board work cooperatively to identify respective roles and relationships. Continuing review and evaluation of the CEO by the board is then necessary to ensure that the responsibilities are being appropriately carried out.

Several issues and options that boards may wish to consider to help build strong relations between the board and the CEO of the organization are listed below:

One of the most important jobs that a governing board has is that of selection and retention of an effective CEO. The CEO is the link between the day-to-day operations of the organization, and the governing board.

- Understand that the selection of the CEO is a major responsibility, in that the CEO will significantly shape the future of the organization;
- Create an employment contract for the CEO which identifies terms of employment, job duties, compensation and benefits, and renewal and termination agreements;
- Use incentive compensation targeted to achievement of strategic objectives as a way to motivate, challenge and reward the CEO;
- Have realistic expectations of the CEO;
- Clarify performance expectations for the CEO in writing, identify measurable goals and evaluation guidelines, and then conduct annual reviews of the CEO's performance;
- If problems are identified, be sure that they are communicated to the CEO in a timely manner, and then allow the CEO sufficient time to correct the problems which are under his/her control;
- Recognize that the board shares ownership and bears overall responsibility for the successful management of the hospital. By approving a plan or recommendation made by the management, the board is approving the work to be done, and bears responsibility for its successful completion and outcomes;
- Support the CEO through the many difficult challenges that he/she will face; and
- Ensure that the CEO is feeling challenged and satisfied with the work.

Mission development and long-range planning — The responsibility and authority for determining the organization's mission, the statement that defines what the organization is and why it exists, lies with the governing board. The board is also responsible for working with senior management to develop the goals, objectives and policies that grow out of, and are measured against, the mission statement. The long-range strategic plan should be created using the mission statement as its guide, and should identify major goals and strategies to achieve these goals. The plan should be reviewed regularly to assess its ability to meet and further the mission of the organization.

Ensuring high quality care — The board is ultimately responsible for ensuring that high quality care is consistently and effectively delivered to patients. The governing board is responsible for ensuring that the staff has the support and resources necessary to enable them to fulfill their roles. The board is also responsible for reviewing the quality of medical care delivered in the hospital through the quality assurance program.

Oversight of medical staff credentialing — A major function of the hospital governing board is the establishment and use of effective policies and procedures for appointment (and reappointment) of physicians to the medical staff. The board itself is not actually responsible for the collection and validation of information used to evaluate potential medical staff. However, the board must be familiar with the criteria for medical staff appointments and reappointments in order to ensure that the hospital is following the appropriate procedures in evaluation of potential applicants.

Trustees must ensure that the hospital has a credentialing process that considers the following essential pieces of information:

- A valid license in all states that apply;
- Evidence of completed training, including an undergraduate degree, completion of a medical school education, and residency, fellowship, or other training if so claimed;
- No disciplinary actions by previous hospitals, professional societies, or specialty boards that have not been satisfactorily explained;
- Good standing at current hospitals;
- Current and adequate malpractice insurance;

Trustees must be comfortable in an environment of ambiguity. They must hold fast to commitment to their community, while recognizing their institutional loyalty.³

- Valid board certifications, if claimed or required by the organization;
- Satisfactory recommendations regarding professional performance;
- Clinical skills, ethical character, ability to work well with others;
- Statement of health, including any histories of substance abuse or chronic illness;
- Malpractice claims history; and
- Privileges granted at other hospitals and evidence of special training and experience, especially in conducting high-risk or unusual procedures.

Financial oversight — A hospital board's responsibilities in financial oversight are critical, as payment sources and systems are constantly changing and becoming more and more complex.

Boards have the broad responsibility of protecting the limited resources of both the organization and the community. In addition, the board must ensure the cost-effective utilization of resources and the establishment of both long-range and short-range financial plans. The board should periodically review financial reports, ensure that adequate capital is available for the organization's investment strategies, and actively participate in and encourage regular philanthropic efforts.

Board education and development, including self-evaluation — Governing boards should continually strive to understand the hospital's programs, services and needs, and the impacts of environmental trends on the hospital's long-term direction. Performance measures should be established, and the board should conduct an annual self-evaluation. Learning boards plan and manage by continuously learning about themselves and their changing environment. Continuing education is a necessity to keep leadership current on key issues, and to perpetuate high quality care. Governing board members must engage in continuous governance improvement, enhance the quality of board thinking, and make a firm commitment to improvement. In addition, board members must develop a high level of understanding, not only of the hospital and the health care field, but of the areas most critical to organizational effectiveness and performance, in order to make fast and informed decisions when the need arises.

A Visionary Board

Today's high-performance board must embrace new ideas, and new ways of thinking, and must be prepared to change with the times. A forward thinking and visionary board must not resist change; they must embrace it.

Identified below are ten key factors that contribute to being a visionary board:¹

Board Structure

- Utilize highly-focused committees and task forces
- Create streamlined boards capable of making timely, informed decisions
- Provide strategic guidance, and hold management accountable for day-to-day leadership

Communication

- Expect strategy-oriented reports
- Discussion is driven by strategic challenges and opportunities
- Should be brief, clear and concise; written at a high level that facilitates understanding and action
- Use to enhance leadership understanding and decision making
- Use to establish a foundation for dialogue, teamwork and consensus building

The governing board must see the big picture, and work with all of the information available to lead the organization in a positive direction.

CEO Evaluation

- Provide comprehensive, clear criteria
- Create mutual board/CEO agreement on scope and purpose, and tie together with compensation
- Identify specific performance goals related to strategic success

Board Self-Assessment

- Identify continuing quality initiatives by which to measure board performance
- Establish the self-assessment as an annual process
- Use the self-assessment as a means to identify improvement opportunities
- Utilize the assessment to identify education, recruitment and process needs

Membership and Selection

- Utilize a job description and board member “profile”
- Match individual members with organizational strategic needs
- Ensure that the membership is diverse, and has a variety of well-qualified and dedicated individuals
- Key factors in board member selection should be diversity, depth, commitment, involvement and dedication

Leadership and Effectiveness

- Boards should be professional and team-oriented
- Trustees should reinforce each others’ competencies and areas of expertise
- Develop a strong understanding of health care issues, challenges, and impacts

Medical Staff Alignment

- Board members must understand medical staff issues and concerns
- Physician and medical staff viewpoints should be communicated to the board through the medical staff executive committee, advisory committees, medical staff surveys and other meaningful ways
- A regular assessment of medical staff attitudes and needs should be conducted

Education and Development

- A thorough and ongoing orientation for new trustees should be established
- Peer-to-peer counseling and assistance should be used for new or “struggling” board members
- A written policy and budget for board education should be established
- Board education should be tied to strategic and organizational challenges
- Board education should be included as a part of every board meeting

Strategic Decision Making

- Agendas should match strategic issues and priorities
- Meetings should be well-organized and tightly structured
- Discussion and planning should be focused on ensuring the future success of the organization

Performance Measurement

- Visual tools should be utilized to compare past, present and future performance (graphs, charts, etc.)
- Performance should be measured against goals, and performance gaps should be identified
- Performance measurements should invite discussion and create educational opportunities

Eligibility Criteria

In order for the board to ensure access to the critical skills and capabilities required to provide effective and informed leadership, trustees must meet specific criteria, and the board as a whole must be a functional and team-oriented unit, with varying strengths and areas of expertise.

The criteria for potential board members should be developed and documented in the form of a trustee job description. Duties and responsibilities should be identified, and qualification requirements and preferred qualities should be included. Trustee job descriptions do not have to be lengthy and detailed, but rather should be an overview of skills and expertise that the nominating committee can use as a guide when recruiting new trustees.

Bibliography

¹ The Walker Company; *Shining Light on Your Board's Passage to the Future*, AHA and Ernst & Young LLP

² "The Nonprofit Board Book," Independent Community Consultants

³ "*Wanted: A Few Good Trustees*," *Trustee*, March 1995