



AKADIMI
FOUNDATION

Advancing Health Sector Governance

50 Practices of High-Performance Boards

This list of 50 board practices has been drawn from over 25 years of experiences supporting the governance of Hospitals and Health Systems. This list was used to survey leaders at hospitals and systems to determine their perspective on the importance of each governance practice as well as their board's adherence to it.

This list is not intended to be exhaustive; there may be other important practices not included here. However, effort was made to highlight and identify key practices for boards in their primary areas of concern. For this reason, the list is divided into nine categories—a board's three fiduciary duties and its six core responsibilities.

Fiduciary Duties

Under the laws of most states, directors of not-for-profit corporations are responsible for the corporation, meaning directors must supervise and direct its officers and govern the organization's efforts in carrying out its mission. The duties of care, loyalty, and obedience describe the manner in which the directors are required to carry out their fundamental duty of oversight.

DUTY OF CARE

Requires board members to have knowledge of all reasonably available and pertinent information before taking action. The board member must act in good faith, with the care of an ordinarily prudent businessperson in similar circumstances, and in a manner he or she reasonably believes to be in the best interest of the organization

1. All board members receive an orientation on the duties of care, loyalty, and obedience to charitable purpose.
2. The board regularly reviews policies that specify the board's major oversight responsibilities.
3. The board routinely seeks the advice of independent, outside experts when evaluating performance.

4. Before approving major projects and transactions, the board or a committee of the board consistently reviews supporting documentation of financial feasibility and considers adherence to the mission.
5. Important background materials are always or nearly always provided to the board and committees at least one week in advance.
6. The board regularly monitors organizational performance against both board-approved goals and industry benchmarks (where available) for finance, quality, customer service, and business strategy.

DUTY OF LOYALTY

Requires board members to discharge their duties unselfishly, in a manner designed to benefit only the corporate enterprise and not the board members personally. It incorporates the duty to disclose situations that may present a potential for conflict with the corporation's mission, as well as a duty to avoid competition with the corporation.

7. All board members receive a detailed orientation and educational updates on the obligations associated with the duty of loyalty.
8. The board regularly reviews policies and procedures pertaining to conflicts of interest.
9. The board enforces a strict policy on confidentiality that requires board members to refrain from discussing board matters with non-board members.
10. Board members who knowingly violate conflict-of-interest and confidentiality policies are subject to removal from the board.
11. Board members are required to complete a conflict-of-interest/disclosure statement annually.

DUTY OF OBEDIENCE

Requires board members to ensure that the organization's decisions and activities adhere to its fundamental corporate purpose and charitable mission as stated in its articles of incorporation and bylaws.

12. The board takes identifiable steps, such as a mission integration assessment, to ensure that the organization's mission and core values are followed.
13. The board reviews the mission before or during most board meetings.
14. Before making major decisions, the board considers the impact of the decisions on the mission and rejects proposals that put it at risk.
15. The board or a board committee routinely reviews compensation for executives, board members (if applicable), and physician leaders (medical directorships, etc.) to ensure appropriateness and alignment with statutory and regulatory guidelines.
16. A system is in place to measure the resources used in support of the organization's charitable mission.

Core Responsibilities

A governing board, whether a hospital board or a health system board, must fulfill certain core or fundamental responsibilities in overseeing the efforts of the organization. These responsibilities cluster around six major areas: finance, quality, strategy, self-evaluation, management oversight, and advocacy.

FINANCIAL OVERSIGHT

17. All board members receive ongoing education on the financial management and health of the organization.
18. The board approves long-range and annual capital and financial plans, and monitors results achieved against those plans.
19. The board demands corrective actions in response to under-performance on long-range and annual capital and financial plans.
20. The board requires that the strategic, quality, and master facilities plans are integrated with the financial plan.
21. The board and/or a board committee responsible for audit oversight meet independently with the external auditor at least annually.
22. The board and/or a board committee responsible for audit oversight have the sole authority to select the external auditor and to authorize independent reviews performed by another party if required.
23. The board understands its options with respect to acquiring debt and, if applicable, participates in the bond issuance process

QUALITY OVERSIGHT

24. The board routinely reviews a performance “dashboard” or “balanced scorecard” of critical quality indicators that highlights significant trends and variances requiring corrective action or follow-up reports.
25. The board annually participates in educational opportunities for board member education regarding its quality responsibilities and issues.
26. Proposed program/service additions or enhancements are required to meet specific quality-related performance criteria (for example, volume requirements and effective staffing levels).
27. The board includes quality-related goals in the incentive compensation plan for senior executives.
28. The board and/or board credentialing committee occasionally reject recommendations from the medical executive committee for appointment and reappointment of physicians to the medical staff

SETTING STRATEGIC DIRECTION

29. The board is actively involved in establishing the organization's strategic direction, including setting priorities and approving the strategic plan.
30. The board discusses the needs of all key stakeholders served by the institution when setting the long-range direction for the organization.
31. The board has adopted policies and procedures that define how strategic plans are developed and updated (e.g., who is to be involved, time frames, role of the board, management, physicians, and staff).
32. The board has adopted criteria for evaluating proposed new programs and services to assess key factors (e.g. financial feasibility, market potential, impact on quality and patient safety, etc.).
33. Before approving a major strategic project, the board requires that plans are specific and measurable (where appropriate), with implementation accountabilities clearly identified.

BOARD SELF-ASSESSMENT AND DEVELOPMENT

34. An annual board self-assessment and goal-setting process are treated as top priorities.
35. The board has a committee that routinely assesses the organization's bylaws and recommends areas for improvement/best practices in structure, composition, and performance.
36. The board maintains and updates policy statements regarding roles, responsibilities, duties, and job descriptions for itself, its members, officers, and committees.
37. The board has adopted written criteria specifying the areas of knowledge, skills, and perspectives needed on the board, and it uses these criteria as it seeks to fill its needs in recruiting, electing, and re-electing board members.
38. The board has established a mechanism to evaluate the performance of individual members.
39. The board has a formal program for its own orientation and ongoing education.
40. The board develops an annual board education plan, and this plan is reflected in the organization's budget for board activities/support

MANAGEMENT OVERSIGHT

41. The board has adopted a written policy statement that formally establishes and/or details a process for setting the CEO's goals and evaluating his or her performance.
42. The CEO has written performance goals that are mutually agreed upon with the board prior to the evaluation period.
43. The CEO evaluation process includes a private session between the CEO and the board chair/evaluation committee to discuss the evaluation and next year's goals.

- 44. The CEO's incentive compensation is based largely on the CEO performance evaluation.
- 45. The board requires the CEO to maintain a current, written succession plan.

ADVOCACY

- 46. The board requires a periodic community health needs assessment to understand the health issues of the communities served.
- 47. The expectation that board members advocate on behalf of the organization is explained during board member orientation.
- 48. The ability to advocate on behalf of the organization is a board membership criterion used in the selection process of new board members.
- 49. The board sets goals for itself around the issue of public advocacy.
- 50. The board has established a policy that spells out the board's role in fund development and philanthropy efforts.