

THE HOSPITAL BOARD EXPERIENCE

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OVERVIEW

- *Responsibilities*
- *Independence*
- *Operations*
- *Committees*
- *Legal Obligations*
- *Mutual Expectations*

RESPONSIBILITIES

EFFECTIVE BOARDS SATISFY A DUAL MANDATE

I. ADVISORY

- A. Approve Hospital Strategy
- B. Identify Key Performance Measures
- C. Plan For and Select New Executives
- D. Identify Key Risk Areas

II. OVERSIGHT

- A. Oversee Risk Management
- B. Ensure the Integrity of Published Financial Statements
- C. Approve Major Asset Purchases
- D. Protect Hospital Assets and Reputation
- E. Ensure Compliance with Applicable Laws and Codes

RESPONSIBILITIES

GOVERNANCE

- **Quality and Safety Oversight** – The Board has a moral and ethical obligation to guarantee that the Hospital are doing everything they can to keep Patients safe, providing them with the highest – quality, appropriate care. Boards have ultimate responsibility for ensuring the quality of Patient care through credentialing and ensuring that an efficient and effective quality program is in place and operating.
 - **Credentialing** – appointing, reappointing, and determining the privileges of the Medical Staff. Credentialing is a process to determine whether a Physician meets your Hospital’s high standards of knowledge and clinical skill. Credentialing involves several steps and tasks, most of which are, delegated from the Board to the Medical Staff and/or Management. However, credentialing of specific Physicians and the approval of specific privileges are the ultimate responsibility of the Board.
 - **Quality Programs** – Quality, utilization, and risk-management are programs that measure clinical outcomes and service satisfaction.
 - Clinic Quality Improvement – HQA & IHI initiatives, other performance improvement activities
 - Medical Executive Committee
 - Physician Peer Review Committee

FINANCIAL OVERSIGHT

(“No Money No Mission.”)

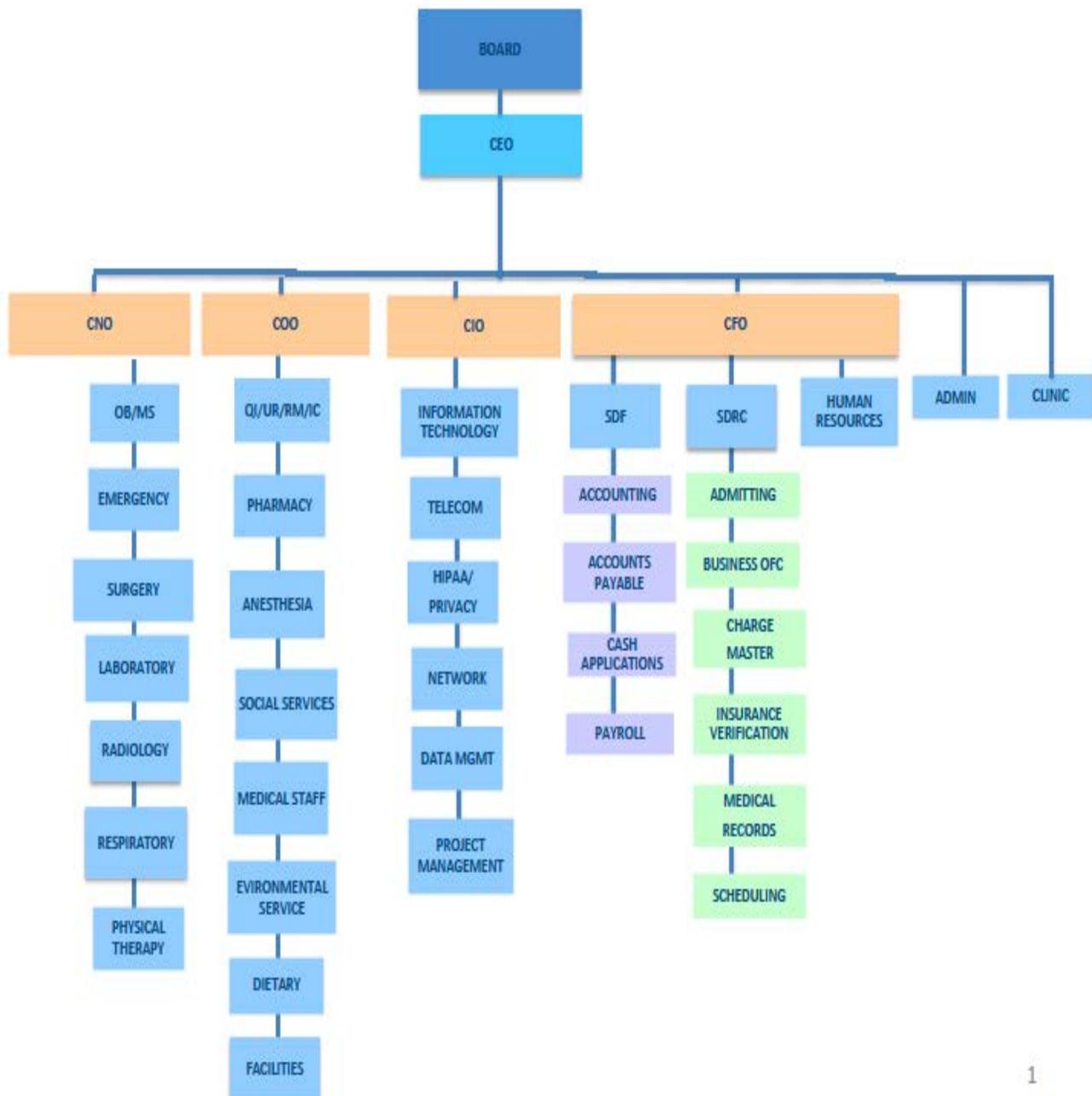
- The Board must protect and enhance your Hospital financial resources and ensure that the resources are used for legitimate purposes and in legitimate ways.
 - Establishing key financial objectives that relate to goals and mission
 - Ensuring the thoughtful development of operating and capital budgets, so resources are allocated effectively across competing uses and demands
 - Ensuring that 501(c)(3) status is maintained
 - Ensuring high levels of financial performance
 - Ensuring that appropriate controls are in place (audits)
 - Ensuring the excess funds are invested prudently

INDEPENDENCE

Boards are expected to be Independent:

- Act solely in the interest of the Hospital
- Free from conflicts that compromise judgment
- Able to take positions in opposition to management

Example Organizational Chart



OPERATIONS OF THE BOARD

I. BOARD SELF-ASSESSMENT AND DEVELOPMENT

A Board must assume responsibility for itself, and strive for effective and efficient performance. A Board must also evaluate itself to determine its effectiveness.

II. ADVOCACY

An increasingly integral part of the Board's overall imperative. Advocacy encompasses a full range of efforts to reinforce your Hospital profile in the Community, and to truly understand and meet the Community's needs. This requires Board Members to take an active role in telling your Hospital's story.

III. POLICY FORMATION

The Board formulates policy to provide direction. Policies are statements of intent that guide and constrain future decision-making and actions. Policies also limit subsequent choices.

- **Board Policies** provide direction and convey Board expectations to Management, Employees and the Medical Staff, as they go about accomplishing the Hospital's Mission.
- **Operating Policies** define responsibilities and authorities the Board delegates to the Hospital's Management, Employees and Medical Staff.

IV. DECISION-MAKING

Considered to be the most important role of governance, as most of what Boards do eventually comes down to making choices. Decisions are based on policy. A Board can choose to retain authority with respect to an issue, related to one of its responsibilities, or the Board can delegate decision-making authority to Management or the Medical Staff.

COMMITTEES

BACKGROUND – Committees like the Executive Committee, exist to enhance the effectiveness and efficiency of the full Board by performing serious work for the Board. Committees do not replace the work of the Board, but rather assist the full Board in fulfilling its responsibilities. Recommendations by the committee are brought before the Board for a vote.

EXECUTIVE/GOVERNANCE COMMITTEE

- Identification of qualified individuals to serve on the Board
- Hire consultants as necessary
- Manage the Board evaluation process
- Manage the CEO evaluation process

FINANCE AND AUDIT COMMITTEE

- Oversight of financial reporting and disclosure
- Monitor the choice of accounting policies
- Oversight of external auditor
- Oversight of regulatory compliance
- Oversight of performance of internal audit function

QUALITY COMMITTEE

- Discuss risk management policies
- Monitor internal control processes
- Establish care delivery goals in accordance with entity's mission, vision and values
- Oversight of patient safety

AD HOC COMMITTEES AS NEEDED

- Strategic Planning
- Physicians Group
- Risk Management
- Legal
- Ethics/Compliance

LEGAL OBLIGATIONS

FUNDAMENTAL FIDUCIARY DUTIES

Fiduciary: As a Board Member you inhabit the role of trustee. A trustee or fiduciary is defined as someone who hold something in trust for another . . . who assumes responsibility for another's benefit. In the context of hospitals, your role encompasses quality and financial responsibilities.

Duty of Care – requires Board Members to have knowledge of all reasonably available and pertinent information before taking action.

Duty of Loyalty – requires Board Members to candidly discharge their duties in a manner designed to benefit only the corporate enterprise – not the individual interests of the Board Member. Loyalty also incorporates the duty to disclose situations that may present a potential for conflict with the Hospital's mission, refrain from discussing confidential Board business with others, as well as duty to avoid competition with the Hospital. Conflicts of interest must be disclosed and avoided by both the Board Member and close Family Members of the Board Member.

Duty of Obedience – requires Board Members to ensure that the Hospital's decisions and activities adhere to its fundamental corporate purpose and charitable mission, as stated in its articles of incorporation and bylaws.

KEEPING ON TRACK: Importance of the Distinction Between Management and Governance. Board Members are not tasked with the day-to-day management of the Hospital.

LEGAL OBLIGATIONS

LEGAL LIABILITY AS A BOARD MEMBER

Board Members have liability protection under Directors' and Officers' liability insurance.

- Judicial examination of a Board's oversight emphasizes the Board's decision-making process and whether the Board acted in a deliberate and knowledgeable way.
- Perfection is not needed; Directors are not required to know everything about a topic, and courts defer to directors in relation to choosing which materials to study or ignore.
- Boards must be attentive to signs of financial or regulatory problems, as well as Employee and Physician wrongdoing.
- Boards must use the level of care that a reasonably careful and prudent person would use in similar circumstances.
- Directors will not be held liable for a decision made in good faith, where the Director is reasonably informed and believes the decision is in the best interest of the hospital.

MUTUAL EXPECTATIONS

BOARD EXPECTATIONS

- Work under a cooperative and open relationship advising and counseling Physicians, Management and Staff, regarding the overall direction of the Hospital
- Provide guidance on policy and strategy
- Receive sufficient amounts of the right kind of information, in a timely fashion, to enable the Board Members – individually and collectively – to fulfill their duties
- Seek Management’s best interpretation of reports, performance indicators, etc., including implications
- Proceed under the realization that each Board Member has assumed a responsibility to all stakeholders and expects the Hospital to be a good corporate citizen with respect to its Community
- Have an openness and receptivity to searching questions by other Board Members
- Assure distribution to Board Members the communications by Management to the Hospital’s various constituents, including reports to funding sources, presentations to analysts, pertinent press releases, and audit reporting.

CEO EXPECTATIONS/MAJOR ROLES/STAFF STRUCTURE

- Board Members will timely and actively participate in Board and Committee meetings, and arrive well prepared to discuss agenda items.
- Board Members will express their views on the quality, quantity, and timeliness of the information they receive from Management.
- Board Members will seek additional information, as needed.
- Board Members will exercise an active skepticism, articulate nagging doubts, and volunteer viewpoints.
- Board Members will be available to the Chairperson and CEO on an *ad hoc* basis for advice and counsel.
- Board Members understand their role as Fiduciaries and Trustees and differentiate their role from the responsibilities of Management.