

Elements of GOVERNANCE®

Providing CEOs, board chairs, directors, and support staff with the fundamentals of healthcare governance

A SERIES BY THE GOVERNANCE INSTITUTE

BOARD JOB DESCRIPTIONS & COMMITTEE CHARTERS

THIRD EDITION



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Elements of Governance® is designed to provide CEOs, board chairs, directors, and support staff with the fundamentals of not-for-profit governance. These comprehensive and concise governance guides offer quick answers, guidelines, and templates that can be adapted to meet your board's individual needs. Whether you are a new or experienced leader, the *Elements of Governance*® series will help supply you and your board with a solid foundation for quality board work.

The Governance Institute

The Governance Institute provides trusted, independent information, resources, tools, and solutions to board members, healthcare executives, and physician leaders in support of their efforts to lead and govern their organizations.

The Governance Institute is a membership organization serving not-for-profit hospital and health system boards of directors, executives, and physician leadership. Membership services are provided through research and publications, conferences, and advisory services. In addition to its membership services, The Governance Institute conducts research studies, tracks healthcare industry trends, and showcases governance practices of leading healthcare boards across the country.



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Board Job Descriptions

The Governance Institute presents sample job descriptions for its members' use and customization. Because every organization has its own unique history and structure, these samples are intended as templates, or “starting points,” for outlining the duties and responsibilities of your board and its individual members.

The Fundamental Duty of Oversight

Under the laws of most states, the board of directors of a non-profit organization is the party responsible for the organization. The board must supervise and direct its own 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

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.

Duty of Loyalty

Duty of Loyalty requires board members to candidly discharge their duties in a manner designed to benefit only the hospital or health system, not the individual interests of the board member. It incorporates the duty to disclose situations that may present a potential for conflict with the organization's mission, as well as a duty to avoid competition with the organization.

Duty of Obedience

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.

The fundamental duty of oversight—with specific attention to the duties of care, loyalty, and obedience—should pervade board and individual board member job descriptions. In addition, job descriptions should include specific reference to the six core board oversight responsibilities: financial oversight, quality oversight, setting strategic direction/mission oversight, board self-evaluation, management oversight, and advocacy. The following sample job descriptions address the components noted above.

Sample Job Description: Board Chairperson

In a single phrase, the role of the board chairperson is to be the *keeper of governance integrity*. Governance integrity resides with the board, as does governance authority. The board's role must be defined first; the chair's role flows from that of the board. It is the chairperson, nevertheless, who leads the process that results in high-performance governance.

Responsibilities

Leadership

- Keep the mission of the organization at the forefront and articulate it as the basis for all board action.
- Propose board goals and objectives and translate them into annual work plans.

Role Clarification

- Understand and communicate the roles and functions of the board, committees, medical staff, and management.
- Understand and communicate individual board member, board leader, and committee chair responsibilities and accountability.

Liaison

- Build cohesion among the leadership team of the board chair, CEO, and medical staff leader.
- Act as a liaison between and among other boards in the healthcare organization.
- Represent the organization at official functions and be the board's spokesperson to the media.

Meetings

- Plan agendas and meetings for board and executive committee(s) (if an executive committee exists).
- Preside over the meetings of the board and the executive committee.
- Preside over or attend other board, medical staff, and other organization meetings.
- Facilitate discussions and decision making, ensuring all viewpoints are considered and clear decisions are reached.

Board Conduct

- Enforce board and hospital bylaws, rules, and regulations (such as conflict-of-interest and confidentiality policies).
- Set a high standard for board conduct by modeling rules of conduct in board bylaws and policies.

Committees

- Appoint board committee chairs and members in a consistent and systematic approach.
- Work with committee chairs to encourage effective disposition of responsibilities.
- Direct the committees of the board, ensuring that the committee work plans flow from and support the hospital and board goals, objectives, and work plans.

Education

- Ensure new board members receive comprehensive orientation.
- Mentor the chair-elect, other board leaders, and new board members as appropriate.
- Support and arrange continuing education for the board.

CEO Evaluation

- Lead the CEO compensation review and performance evaluation process.

Self-Evaluation and Annual Goal Setting

- Ensure effective board self-evaluation and annual goal setting.
- Ensure committees conduct self-evaluations and annual goal setting.
- Seek feedback on personal performance as chair.

Succession Planning

- Plan for board leadership succession.

Additional Roles

- Serve as a voting member of the board.
- Serve as an *ex-officio* voting member of all committees.
- Requirements:
 - » Minimum of three years service on the board.
 - » Served at least one year as one of the other board officers (vice chair does not automatically succeed to chair).
 - » Chaired the finance committee.
 - » Independent, according to the IRS Form 990 definition.

Term: two years, and eligible to then serve one additional term, if elected by the board (dependent upon board member term limits and performance evaluation).

Sample Job Description: Board Secretary

In addition to meeting all of the responsibilities of a member of the board, the board secretary:

1. Attends all board meetings and notifies the CEO if he/she must miss a meeting.
2. Ensures that all board records are properly maintained and ensures their accuracy, safety, and effective management. This means that if another person (such as a board support staff member) records the board meeting minutes, the secretary will review the minutes carefully for accuracy and to make sure that all matters of importance are properly recorded. The secretary signs all board meeting minutes to signify his/her review.
3. Ensures that minutes are distributed to members shortly after each meeting.
4. Is sufficiently familiar with legal documents (articles, bylaws, IRS letters, etc.) to note applicability during meetings.
5. Assumes the responsibilities of the chair in the absence of the board chair and the vice chair.
6. Provides notice of meetings of the board and/or of a committee when such notice is required.

Term: two years, and eligible to serve one additional term, if appointed by the board chair (dependent upon board member term limits and performance evaluation).

Sample Job Description: Board Treasurer

In addition to meeting all of the responsibilities of a member of the board, the treasurer:

1. Maintains knowledge of the organization and personal commitment to its goals and objectives.
2. Understands financial accounting for non-profit healthcare organizations.
3. Serves as chairperson of the finance committee.
4. Assures that the organization is following appropriate financial policies and that qualified staff performs financial functions.
5. Understands regulatory and legal requirements for financial accounting and standards of practice for non-profit healthcare organizations.
6. Manages, with the finance committee, the board's review of and action related to the finances of the organization.
7. Works with the CEO and the CFO to ensure that appropriate financial reports are made available to the board on a timely basis.
8. Assists the CEO or the CFO in preparing the annual budget and capital and financial plans, and presents the plans to the board for approval.
9. Reviews the annual audit and answers board members' questions about the audit. (Applicable for organizations that combine the audit function within the role of the finance committee; those that have a separate audit committee would appoint an independent board member to chair the audit committee and lead the audit process.)
10. Ensures development and board review of financial policies and procedures.

Term: two years, and eligible to serve one additional term, if appointed by the board chair (dependent upon board member term limits and performance evaluation). *It is recommended that this person be an independent board member.*

Sample Job Description: Chief Executive Officer

The CEO functions with authority from the board of directors. The CEO provides leadership and management to the organization, and reports to and works in partnership with the board of directors.

Responsibilities

Board Relationships

- Provide guidance and leadership to the board of trustees in setting philosophy, mission, and policies of the organization.
- Meet regularly with the full board and its committees to keep them abreast of plans, programs, and issues affecting the organization.
- Provide the board of trustees and its committees with written and oral reports on the status of operations, professional services, and financial operations of the corporation.

Planning

- Direct the strategic planning process for the organization and develop plans for organizational growth based upon current and anticipated community needs.
- Provide consultation to the board to keep the governing body aware of trends, innovations, and opportunities that will support the organization's strategic direction.
- Network with the community, especially the healthcare community, to take advantage of opportunities that will enhance the organization's strategy.

Management

- Provide leadership and vision to the management staff and all employees of the organization.
- Ensure all organizational entities are well managed with clear lines of responsibility and accountability.
- Direct the coordination and implementation of organization-wide policies and procedures.
- Ensure conformance with corporate philosophy and policy.
- Work individually with executive staff to assist them in the development of institutional policies and objectives.

Service Integration

- Coordinate efforts to integrate services and programs within the organization.

Human Resources

- Direct the implementation of appropriate human resource policies and programs that provide a positive work environment and the necessary incentives for recruiting and retaining high-quality workers.

Financial Management

- Ensure the preparation of budgets, financial plans, and capital expenditures in accordance with board directives.
- Ensure financial integrity through the implementation of an operational budget consistent with the overall strategic plan.
- Direct resource allocation for effective utilization of all resources.
- Strive to achieve the organization's financial and operating goals.

Quality of Services

- Ensure quality of healthcare services by monitoring the organization's medical activities, perform necessary administrative functions relating to performance improvement, and assist board and medical staff efforts to achieve and maintain the desired standards of medical performance.
- Provide for internal controls that protect human, physical, financial, and information resources.

Regulatory Compliance

- Ensure compliance with all applicable laws and regulations governing healthcare delivery and with all appropriate accrediting inspecting agencies by continually monitoring the operation of services and programs, and initiating changes as necessary.

Physician and Provider Relations

- Work cooperatively with and/or provide effective leadership to the physicians affiliated with the organization.
- Work with the medical staff to achieve the standards of patient care as set by the medical staff, and to plan and implement services that meet the community's healthcare needs.

Community Health Status

- Exercise a leadership role in the community by personally taking the initiative to ensure the organization meets the changing needs of its constituencies.

Community Relations

- Maintain close contact with community leaders and representatives of public and private agencies.
- Encourage the integration of the organization with the local community.

Marketing and Fundraising

- Ensure that all strategic decisions are aligned with customer/stakeholder needs and provide value to them.
- Establish the overall direction of fund development.
- Ensure that a process is in place to establish, implement, and monitor fundraising plans and efforts.
- Maintain close contacts with key representatives of the public and private sectors on matters pertaining to fund development.

Succession

- Ensure, in cooperation with the board, that there is an effective succession plan in place for the CEO position.

Qualities

- Foster an organizational culture that promotes ethical practices, encourages individual integrity, and fulfills social responsibility.
- Maintain a positive and ethical work climate that is conducive to attracting, retaining, and motivating a diverse group of top-quality professionals at all levels.
- Demonstrate ability in public speaking, written and oral communication, and interpersonal relations.
- Demonstrate a respect for the board's independence.
- Demonstrate a respect for outside directors' needs to meet independently.

Accountabilities

- The CEO is accountable to the board of directors for the fulfillment of the responsibilities noted above, and for confining authority to those organization policies that state the authority and the limits of the CEO.
- The board of directors is accountable to the CEO for providing the authorization, resources, and involvement necessary for the successful realization of the responsibilities of the position.
- The working relationship is reviewed as part of the annual review.

Sample Job Description: Committee Chair

In addition to meeting all of the responsibilities of a member of the board, the committee chair:

1. Attends all committee meetings.
2. Calls and presides over meetings of the committee and is responsible for keeping and distributing meeting minutes.
3. Sets the agenda for committee meetings with the CEO or designated staff.
4. Ensures that committee meetings and work conducted between meetings fulfills the committee charter.
5. Sees to it that decisions and recommendations made by the committee are recorded.
6. Reports the committee's activities and recommendations to the executive committee or the full board, in accordance with the committee charter.
7. Invites the CEO and board chair to attend committee meetings.
8. Works with the CEO and board chair to decide who should serve on the committee.
9. Works with the CEO and designated staff as needed.
10. Delegates responsibilities to other committee members and encourages their full participation.
11. Initiates and leads the annual evaluation of the committee's work and effectiveness.

Term: two years, and eligible to serve one additional term, if appointed by the board chair (dependent upon board member term limits and performance evaluation).

Sample Job Description: Freestanding Hospital Board

Core Responsibilities

A hospital governing board must fulfill certain fundamental or core responsibilities in overseeing the efforts of the organization. These responsibilities cluster around six major areas:

1. Financial Oversight
2. Quality Oversight
3. Setting Strategic Direction/Mission Oversight
4. Self-Assessment & Development
5. Management Oversight
6. Advocacy

The board fulfills these responsibilities by adopting specific outcome targets against which to measure the organization's performance. To accomplish this, the board must:

- Establish policy guidelines and criteria for implementing the mission statement.
- The board also reviews the mission statements of any subsidiary units to ensure that they are consistent with the overall mission.
- Evaluate proposals brought to the board to ensure that they are consistent with the mission statement.
- Monitor programs and activities of the hospital and any subsidiary units to ensure mission consistency.
- Periodically review, discuss, and amend the mission statement if necessary to clarify board responsibilities.

Financial Oversight

The board has responsibility for the financial soundness of the organization. To accomplish this the board must:

- Review and approve overall financial policies and plans for the organization.
- Receive and review financial reports to assess actual performance compared to projections.
- Review and adopt ethical financial policies and guidelines.
- Review major capital plans proposed for the organization and any subsidiaries.
- Ensure that the financial, capital, and strategic plans are aligned.

Quality Oversight

This board has the responsibility to assess the quality of all services provided by all individuals who perform their duties in this facility or under this board's sponsorship. To do this, the board must:

- Make quality of care and patient safety top priorities for the organization.
- Approve and oversee quality improvement initiatives recommended by senior management and the medical staff.

- Assume responsibility for the actions of all physicians, nurses, and other individuals who perform their duties in the organization's facilities.
- Review and carefully discuss quality reports that provide comparative statistical data, and set measurable policy targets to ensure continual improvement in quality performance.
- Carefully review recommendations of the medical staff regarding new physicians who wish to practice in the organization and approve these recommendations if appropriate.
- Reappoint individuals to medical staff using comparative outcome data to evaluate how they have performed since their last appointment.
- Appoint physicians to governing body committees and seek physician participation in the governance process to assist the board in its patient quality-assessment responsibilities.
- Regularly receive and discuss malpractice data reflecting the organization's experience and the experience of individual physicians who have been appointed to the medical staff.
- Regularly receive and discuss data about medical staff to assure that future staffing will be adequate in terms of ages, numbers, specialties, and other demographic characteristics.
- Monitor programs and services to ensure that they comply with policies and standards relating to quality.
- Take corrective action to improve quality performance when appropriate and/or necessary.

Setting Strategic Direction/Mission Oversight

The board has the responsibility to recommend the future direction that the organization will take to meet the community's health needs. To fulfill this responsibility, the board must:

- Review and approve a comprehensive strategic plan and supportive policy statements.
- Ensure that the organization's strategic plan is consistent with the mission.
- Regularly review progress toward meeting goals in the strategic plan to assure that the board is fulfilling its mission.
- Periodically review, discuss, and amend the strategic plan to ensure its relevance to the mission.

Self-Assessment & Development

A board must assume responsibility for itself—its own effective and efficient performance. To discharge its stewardship responsibilities to its “owners,” the board must:

- Annually participate in a formal board evaluation process.
- Evaluate board performance of individual board members to determine the appropriateness of continued service on the board.
- Maintain and update policy statements regarding roles, responsibilities, duties, and job descriptions for the board itself and its members, officers, and committees.

- Participate both as a board and as individuals in orientation programs and continuing education programs.

Management Oversight

The board is the final authority regarding oversight of management performance by the CEO and support staff. To exercise this authority, the board must:

- Support and assist the CEO to help achieve the organization's mission.
- Communicate regularly with the CEO regarding goals, expectations, and concerns.
- Evaluate the performance of the CEO annually using goals and objectives agreed upon with him or her at the beginning of the evaluation cycle.
- Periodically survey CEO employment arrangements at comparable organizations to ensure the reasonableness and competitiveness of his or her compensation package.
- Periodically review management succession plans to ensure leadership continuity.
- Establish specific performance policies that provide the CEO with a clear understanding of board expectations, and update these policies based on changing conditions.

Advocacy

The board needs to focus on advocacy and lobbying around public policy issues. In order to take an activist role, the board must:

- Use the ability to advocate to legislators, the community, or prospective donors on behalf of the organization as a criterion in the selection process of new board members.
- Identify legislative goals/public policy advocacy priorities for board members at least every two years.
- Review a survey of community perceptions of the organization at least every three years.
- Assist the organization in communicating with key external stakeholders (e.g., community leaders, potential donors).
- Actively support the organization's fund development program (e.g., board members give according to their abilities, identify potential donors, participate in solicitations, serve on fund development committees).
- Have a written policy establishing the board's role in fund development and/or philanthropy.
- Expect individual board members to engage in advocacy efforts with legislators.
- Adopt a policy regarding information transparency, explaining to the public in understandable terms the organization's performance on measures of quality, safety, pricing, and customer service.
- Require that management annually report community benefit value to the general public (i.e., the community).

Finally, the board is responsible for managing its own governance affairs in an efficient and effective way. To fulfill this responsibility, the board must:

- Maintain written conflict-of-interest policies that include guidelines for the resolution of existing or apparent conflicts of interest.
- Periodically review the board's own structure to assess appropriateness of size, diversity, committees, tenure, and turnover of officers and chairpersons.
- Ensure that each board member understands and agrees to maintain confidentiality with regard to information discussed by the board and its committees.
- Maintain efficient and timely communication with any subsidiary boards.
- Adopt, amend, and, if necessary, repeal the articles and bylaws of the organization.
- Maintain an up-to-date board policy manual, which includes specific policies covering its specific duties of care, loyalty, and obedience, and its oversight responsibilities in the areas of finance, quality, strategic planning, self-assessment and development, management oversight, and advocacy.

Sample Job Description: Governance Support Person/Board Coordinator

The board coordinator's function is to assist the board in completing their work as effectively and efficiently as possible, according to policy, goals, and strategic plans of the organization. This includes scheduling, recordkeeping, updating bylaws, coordination of director orientation and continuing education, performance evaluation, regulatory survey preparation, along with additional support activities as requested by the board.

Responsibilities

Meetings

- Coordinate the preparation of agendas and supporting documents for board and standing committee meetings in sufficient time for members to prepare for meetings.
- Maintain a calendar of meeting schedules to facilitate the board's conduct of business.
- Attend board/committee meetings, take minutes, and keep an accurate record of the business conducted.
- Make preparations for and assist management in organizing conferences and other pertinent meetings for board members.

Board-Related Correspondence and Files

- Coordinate the preparation of all reports, studies, and other materials requested by the board and its committees.
- Maintain all board records, files, and a manual of all board-formulated policies.
- Provide corporate documentation to federal and state regulatory agencies, as well as to corporate banking and financial institutions to meet compliance requirements.
- Maintain complete corporate records in a safe environment.

Director Orientation and Continuing Education

- Serve as the primary contact person for the orientation of new board members.
- Develop, coordinate, and update orientation programs for new board members.
- Provide individual board member orientation assistance as needed.
- Conduct a continuing education needs assessment for board members.
- Develop, coordinate, and update appropriate and effective continuing education programs and schedules.
- Maintain and meet the board's budget, processing expenses, and disbursing funds when authorized by the president/CEO, board chairperson, or board secretary/treasurer.

Governance Activities and Board Self-Assessment

- Assist in the development of governance activities that meet or exceed Joint Commission or other accreditory standards.
- Initiate and conduct annual board self-assessment processes in a timely manner.

Resource and Other Support Activities

- Maintain a governance resource library of published material pertinent to boards.
- Research, select, and distribute information of interest to the board.
- Facilitate communication between the medical staff and the board.
- Perform duties as requested by the president/CEO, board chairperson, and/or board secretary to ensure the effective and efficient functioning of the board.
- Provide necessary service and leadership to effectively accomplish institutional goals.

Sample Job Description: Health System Board

Core Responsibilities

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:

1. Financial Oversight
2. Quality Oversight
3. Setting Strategic Direction/Mission Oversight
4. Self-Assessment & Development
5. Management Oversight
6. Advocacy

The board fulfills these responsibilities by adopting specific outcome targets against which to measure the organization's performance. To accomplish this, the board must:

- Establish policy guidelines and criteria for implementation of the board's mission statement.
- Also, review the mission statements of subsidiary units to ensure that they are consistent with the system mission.
- Evaluate proposals brought to the board based on their consistency with the mission.
- Monitor programs and activities of the hospital and subsidiary units to ensure mission consistency.
- Periodically review, discuss, and amend the mission statement if necessary to ensure its relevance.

Financial Oversight

The board has responsibility for the financial soundness of the organization. To accomplish this the board must:

- Review and approve overall financial policies and plans for the system.
- Provide financial policies and oversight for the assets of the system and its subsidiaries.
- Approve financial policies, plans, programs, and standards to ensure preservation and enhancement of the system's assets and resources.
- Monitor actual performance against budget projections.
- Review and adopt ethical financial policies and guidelines.
- Review major capital plans proposed for the system and its subsidiaries.

Quality Oversight

Whether it has delegated quality oversight responsibility to the system's subsidiaries or has chosen to retain responsibility at the system board level, the board is obligated to ensure the quality of all services provided by all individuals who perform their duties in the organization or under this board's sponsorship. To do this, the board must:

- Approve a system-wide quality assurance plan for all units.
- Make sure that there are explicit quality-assurance improvement targets set and met for all units of the system.
- Monitor organizational performance to ensure fulfillment of the system's commitment to quality.
- Take corrective action, when appropriate and necessary, to address quality performance.
- Recognize that the quality of services must be closely related to strategic planning and financial oversight responsibilities.

Setting Strategic Direction/Mission Oversight

The board has the responsibility to recommend the future direction the organization will take to meet the community's health needs. To fulfill this responsibility, the board must:

- Review and approve a comprehensive system-wide strategic plan and supportive policy statements.
- Ensure that the system's strategic plan is consistent with the mission.
- Ensure that the system plan reflects the needs and concerns of subsidiaries and that they understand their role in implementation.
- Monitor the programs and initiatives of subsidiaries to ensure consistency with overall system strategy.
- Assess the extent to which the entire organization meets its goals and objectives.
- Periodically review, discuss, and amend the strategic plan to ensure its relevance.

Self-Assessment & Development

A board must assume responsibility for itself—its own effective and efficient performance. To discharge its stewardship responsibilities to its "owners," the board must:

- Annually evaluate the system board's performance and ensure that each subsidiary board annually evaluates its own performance.
- Evaluate board performance of individual system board members to determine the appropriateness of continued service on the board.
- Maintain and update policy statements regarding roles, responsibilities, duties, and job descriptions for itself, its members, officers, and committees.
- Participate both as a board and as individuals in orientation programs and continuing education programs.

Management Oversight

The board is the final authority regarding oversight of management performance by the system CEO and support staff. To exercise this authority, the board must:

- Recruit, employ, and evaluate the performance of the system CEO.
- Evaluate the performance of the system CEO annually using goals and objectives agreed upon with him or her at the beginning of the evaluation cycle.
- Communicate regularly with the system CEO regarding the board's goals, expectations, and concerns.
- Periodically survey system CEO employment arrangements at comparable organizations to ensure the reasonableness and competitiveness of his or her compensation package.
- Periodically review the system and subsidiary top management succession plans to ensure leadership continuity.
- Establish specific performance policies that provide the system CEO with a clear understanding of what the board expects and update these policies based on changing conditions.

Advocacy

The board needs to focus on advocacy and lobbying around public policy issues. In order to take an activist role, the board must:

- Use the ability to advocate to legislators, the community, or prospective donors on behalf of the organization as a criterion in the selection process of new board members.
- Ensure that its subsidiaries each conduct a periodic community health needs assessment to understand the health issues of the communities served.
- Set legislative goals/public policy advocacy priorities for the organization at least every two years.
- Ensure that its subsidiaries each establish a policy that spells out the subsidiary board's role in fund development and philanthropy efforts.
- Ensure that its subsidiaries review a survey of community perceptions at least every three years.
- Assist its subsidiaries in communicating with key external stakeholders (e.g., community leaders, potential donors).
- Actively support the organization's fund development program (e.g., board members give according to their abilities, identify potential donors, participate in solicitations, serve on fund development committees).
- Have a written policy establishing the system board's and subsidiary board's roles in fund development and/or philanthropy.
- Expect individual board members to engage in advocacy efforts with legislators.
- Adopt a policy regarding information transparency, explaining to the public in understandable terms the organization's performance on measures of quality, safety, pricing, and customer service.
- Require that management of each subsidiary annually report community benefit value to the general public (i.e., the community).

Finally, the board is responsible for managing its own governance affairs in an efficient and effective way. To fulfill this responsibility, the board must:

- Maintain written conflict-of-interest policies that include guidelines for the resolution of existing or apparent conflicts of interest.
- Periodically review the board's own structure to assess appropriateness of size, diversity, committees, tenure, and turnover of officers and chairpersons.
- Ensure that each board member understands and agrees to maintain confidentiality with regard to information discussed by the boards and their committees.
- Maintain efficient and timely communication with subsidiary boards.
- Adopt, amend, and, if necessary, repeal the articles and bylaws of the parent organization and its subsidiaries.
- Maintain an up-to-date board policy manual, which includes specific policies covering its specific duties of care, loyalty, and obedience, and its oversight responsibilities in the areas of finance, quality, strategic planning, self-assessment and development, management oversight, and advocacy.

Sample Job Description: Hospital Board Within a System

Core Responsibilities

A governing board, whether a freestanding hospital board or a hospital board within a system, must fulfill certain core or fundamental responsibilities in overseeing the efforts of the organization. These responsibilities cluster around six major areas:¹

1. Financial Oversight
2. Quality Oversight
3. Setting Strategic Direction/Mission Oversight
4. Self-Assessment & Development
5. Management Oversight
6. Advocacy

The board fulfills these responsibilities by adopting specific outcome targets against which to measure the organization's performance. To accomplish this, the board must:

- Establish policy guidelines and criteria for implementing the mission statement.
- Also, review the mission statements of subsidiary units to ensure that they are consistent with the system mission.
- Evaluate proposals brought to the board to ensure that they are consistent with the hospital and system mission statement.
- Monitor programs and activities of the hospital to ensure mission consistency.
- Periodically review, discuss, and amend the mission statement if necessary to ensure its relevance.

Financial Oversight

The board has responsibility for the financial soundness of the organization. To accomplish this the board must:

- Review and approve overall financial policies and plans for the organization.
- Receive and review financial reports to assess actual performance compared to projections.
- Review and adopt ethical financial policies and guidelines.
- Review major capital plans proposed for the organization.
- Ensure that financial plans and policies are consistent with the system's policies.

¹ In certain hospitals, some or all of the responsibilities of financial oversight, quality oversight, strategic planning, and management oversight may be delegated by the system or parent board. We urge you to consider your parent-subsidiary relationship as you adapt this job description to fit your organization.

Quality Oversight

This board has the delegated responsibility to assess the quality of all services provided by all individuals who perform their duties in this facility or under this board's sponsorship. To do this, the board must:

- Make quality of care and patient safety top priorities for the organization.
- Approve and oversee quality improvement initiatives recommended by senior management and the medical staff.
- Understand and accept responsibility for the actions of all physicians, nurses, and other individuals who perform their duties in the organization's facilities.
- Review and carefully discuss quality reports that provide comparative statistical data about services, and set measurable policy targets to ensure continual improvement in quality performance.
- Carefully review recommendations of the medical staff regarding new physicians who wish to practice in the organization and approve these recommendations if appropriate.
- Reappoint individuals to the medical staff using comparative outcome data to evaluate how they have performed since their last appointment.
- Appoint physicians to governing body committees and seek physician participation in the governance process to assist the board in patient quality-assessment responsibilities.
- Fully understand the board's responsibilities and relationships with the medical staff and maintain effective mechanisms for communicating with them.
- Regularly receive and discuss malpractice data reflecting the organization's experience and that of individual physicians who have been appointed to the medical staff.
- Regularly receive and discuss data about medical staff to assure that future staffing will be adequate in terms of ages, numbers, specialties, and other demographic characteristics.
- Ensure that management periodically reviews and assesses the attitudes and opinions of those who work in the organization to identify strengths, weaknesses, and opportunities for improvement.
- Monitor programs and services to ensure that they comply with system-wide policies and standards relating to quality.
- Take corrective action to improve quality performance when appropriate and/or necessary.

Setting Strategic Direction/Mission Oversight

The board has the responsibility to recommend the future direction the organization will take to meet the community's health needs. To fulfill this responsibility, the board must:

- Adopt a mission statement that is consistent with and supportive of the system's mission statement.
- Review proposals for major programs and services to ensure they are consistent with the hospital's mission.
- Review and approve a comprehensive strategic plan and supportive policy statements consistent with and supportive of the system's strategic plan and the board's policies.
- Regularly review progress toward meeting goals in the strategic plan to assure that the board is attaining its mission.
- Periodically review, discuss, and amend the strategic plan to ensure its relevance.

Self-Assessment & Development

A board must assume responsibility for itself—its own effective and efficient performance. To discharge its stewardship responsibilities to its “owners,” the board must:

- Annually participate in a formal board evaluation process.
- Evaluate board performance of individual board members to determine the appropriateness of continued service on the board.
- Maintain and update policy statements regarding roles, responsibilities, duties, and job descriptions for itself and its members, officers, and committees.
- Participate both as a board and as individuals in orientation programs and continuing education programs.

Management Oversight

This board is involved in overseeing the performance of the CEO and support staff. To do this, the board must: *(In some hospitals, this responsibility has been delegated by the system board.)*

- Support and assist the CEO to help achieve the organization's mission.
- Communicate regularly with the CEO regarding goals, expectations, and concerns.
- Evaluate the performance of the CEO annually using goals and objectives agreed upon with him or her at the beginning of the evaluation cycle.
- Periodically survey CEO employment arrangements at comparable organizations to ensure the reasonableness and competitiveness of his or her compensation package.
- Periodically review management succession plans to ensure leadership continuity.
- Establish specific performance policies that provide the CEO with a clear understanding of what the board expects, and update these policies based on changing conditions.

Advocacy

The board needs to focus on advocacy and lobbying around public policy issues. In order to take an activist role, the board must:

- Use the ability to advocate to legislators, the community, or prospective donors on behalf of the organization as a criterion in the selection process of new board members.
- Identify legislative goals/public policy advocacy priorities for board members at least every two years.
- Review a survey of community perceptions of the organization at least every three years.
- Assist the organization in communicating with key external stakeholders (e.g., community leaders, potential donors).
- Actively support the organization's fund development program (e.g., board members give according to their abilities, identify potential donors, participate in solicitations, serve on fund development committees).
- Have a written policy establishing the board's role in fund development and/or philanthropy.
- Expect individual board members to engage in advocacy efforts with legislators.
- Adopt a policy regarding information transparency, explaining to the public in understandable terms the organization's performance on measures of quality, safety, pricing, and customer service.
- Require that management annually report community benefit value to the general public (i.e., the community).

Finally, the board is responsible for managing its own governance affairs in an efficient and effective way. To fulfill this responsibility, the board must:²

- Maintain written conflict-of-interest policies that include guidelines for the resolution of existing or apparent conflicts of interest.
- Periodically review the board's own structure to assess appropriateness of size, diversity, committees, tenure, and turnover of officers and chairpersons.
- Ensure that each board member understands and agrees to maintain confidentiality with regard to information discussed by the board and its committees.
- Maintain efficient and timely communication with the system board.
- Adopt, amend, and, if necessary, repeal the articles and bylaws of the organization.
- Maintain an up-to-date board policy manual, which includes specific policies covering its specific duties of care, loyalty, and obedience, oversight responsibilities in the areas of finance, quality, strategic planning, self-assessment and development, management oversight, and advocacy.

² Some or all of these additional responsibilities may be delegated by the system or parent board. We urge you to consider your parent-subsidiary relationship as you adapt this job description to fit your organization.

Sample Job Description: Hospital Foundation Board

Core Responsibilities

A foundation governing board must fulfill certain core or fundamental responsibilities in overseeing the efforts of the organization. These responsibilities cluster around:

- The development of philanthropic activities essential to fulfill the philanthropic needs of the foundation.
- Assuring that philanthropic funds are properly and prudently managed.

The board accomplishes its roles and responsibilities by adopting specific outcome targets to measure the foundation's performance. To accomplish this, the board must:

- Establish policy guidelines and criteria for implementation of the philanthropic mission statement.
- Evaluate proposals brought to the board to ensure they are consistent with the philanthropic mission.
- Monitor programs and activities of the foundation to ensure mission consistency.
- Periodically review, discuss, and amend the mission statement if necessary to ensure its relevance.

Development of Philanthropic Activities

The board is responsible for developing an overall plan for philanthropic activities to support the mission and goals of the foundation and the healthcare organization it supports. In order to do this the board must:

- Strategically evaluate the organization's needs and consider philanthropic activities to support those needs.
- Develop individual plans to support specific activities to secure philanthropic revenue.
- On full board approval, implement individual plans (see Suggestions for Philanthropic Activities section on page 25).
- Participate in a variety of activities and initiatives (beyond personal project plan) undertaken by the foundation board.

Management of Funds

The board has ultimate responsibility for the proper and prudent management of the foundation's funds. In order to fulfill this responsibility, the board must:

- Review and approve overall financial policies and plans for the foundation and the organization it serves.
- Approve financial policies, plans, programs, investments, and standards to ensure preservation and enhancement of assets and resources.
- Receive and review financial reports to assess actual performance compared to projections.
- Review and adopt ethical financial policies and guidelines.
- Monitor plans, programs, and investments to ensure preservation and enhancement of assets and resources.

Suggestions for Philanthropic Activities

Strong board involvement is required to meet the foundation's philanthropic revenue goals and contribute to the success of the healthcare organization they support. Board members can call on a variety of mechanisms to contribute to these goals:

- Provide prospect names and share information about interests and the giving potential of these contacts.
- Introduce potential donors to the board chairperson.
- Speak on behalf of the foundation and the healthcare organization it supports to an outside group.
- Write a personal testimonial for public use or offer to be quoted as to why you are supporting the foundation.
- Work on a special events committee.
- Accept a campaign leadership role, chairmanship of an organized event, or other solicitation effort.
- Host a small group of prospects in your home, business, or restaurant to expound on the value of the services provided by the healthcare organization.
- Solicit direct support from service clubs, civic groups, or religious organizations requesting their sponsorship for a gift opportunity.
- Secure an irrevocable gift that can be documented for auditing purposes.
- Phone lapsed givers to the foundation (using board-suggested "follow-up" instructions).
- Ask for a gift from an individual with help from a foundation staff member, or ask for a gift from an individual on your own.
- Personalize gift solicitation and/or recognition by providing givers with a personal thank you.
- Complete a philanthropic training workshop to learn how to better carry out your role, responsibilities, and expectations.
- Participate in local, state, or national programs providing information on philanthropy and/or foundation-related activities.

Sample Job Description: Individual Board Member

The Fundamental Duty of Oversight

Under the laws of most states, the board of directors of a non-profit organization is the party responsible for the organization. The board must supervise and direct its own 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

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.

Duty of Loyalty

Duty of Loyalty requires board members to candidly discharge their duties in a manner designed to benefit only the hospital or health system, not the individual interests of the board member. It incorporates the duty to disclose situations that may present a potential for conflict with the organization's mission, as well as a duty to avoid competition with the organization.

Duty of Obedience

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.

Each board member is also entrusted with individual responsibilities as a part of his or her board membership. The obligations of board service are considerable; they extend well beyond the basic expectations of attending meetings or participating in hospital events. Individual board members are expected to meet higher standards of personal conduct on behalf of the organization than what is usually expected of other types of community volunteers.

Yet, despite all of these "special" responsibilities, board members as individuals have no special privileges, prerogatives, or authority. They must meet in formal sessions to negotiate and make corporate decisions.

A clear statement of individual board member responsibilities adapted to the organization's needs and circumstances can serve at least two purposes:

- It can help with the process of recruiting new board members by clarifying expectations before candidates accept nomination.
- It can provide criteria by which the committee responsible for identifying and recruiting prospective nominees can review the performance of incumbents who are eligible for reelection or reappointment.

General Expectations

Prospective and incumbent board members should commit themselves with regards to the following:

- Know the organization's mission, purposes, goals, policies, programs, services, history, strengths, and needs.
- Perform the duties of board membership responsibly and conform to the level of competence expected from board members as outlined in the duties of care, loyalty, and obedience.
- Prepare for the policy discussions and decision making required for governance excellence within the organization.
- Serve in leadership positions and undertake special assignments willingly and enthusiastically.
- Suggest possible nominees to the board who are individuals of achievement and distinction and who can make significant contributions to the work of the board and the organization's progress.
- Avoid prejudiced judgments on the basis of information received from individuals and urge those with grievances to follow established policies and procedures through their supervisors (all matters of potential significance should be called to the attention of the CEO and the board's elected leader as appropriate).
- Avoid asking for special favors of the staff, including special requests for extensive information, without prior consultation with the CEO, board, or appropriate committee chairperson.
- Know the difference between the board's role and the role of the CEO.
- Counsel the CEO as appropriate and support him or her through difficult relationships with groups or individuals.
- Give an annual gift according to personal means.
- Assist the development committees or affiliated foundation and staff by implementing fundraising strategies through personal influence with others (e.g., corporations, individuals, and foundations).
- Participate annually in educational opportunities to remain current on changing trends and issues affecting governance.

Meetings

The board only exists, in both a legal and functional sense, when it meets. Consequently, board meetings are the center of governance. The way they are planned and conducted—in addition to the dynamics that emerge in them—significantly influence the quality of governance. Therefore, individual board members are expected to:

- Prepare for board and committee meetings, including appropriate organizational activities.
- Participate in board and committee meetings with forethought, courtesy, critical thinking and analyses, and attention to results.
- Ask timely and substantive questions at board and committee meetings consistent with the board member's conscience and convictions, while at the same time supporting the majority decision on issues decided by the board.

- Maintain confidentiality of the board’s executive sessions, and speak for the board or organization only when authorized to do so.
- Suggest agenda items periodically for board and committee meetings to ensure that significant, policy-related matters are addressed.

Conflict of Interest

Conflict of interest, confidentiality, disclosure—these concepts figure prominently in the understanding of governance responsibilities. They do not tell a board, or an individual director, how to govern; rather, they imply a code of conduct and ethical behavior. In order to prevent using the power, position, or information derived from their situations to influence organizational activities and decisions, individual board members must:

- Serve the organization as a whole rather than any special interest group or constituency. The board member’s first obligation is to recognize that he or she represents only the organization’s best interests.
- Disclose any possible conflicts to the board in a timely fashion.
- Maintain independence and objectivity and act with a sense of fairness, ethics, and personal integrity, even though you may not be required to do so by law, regulation, or custom.
- Never offer or accept favors or gifts to or from anyone who does business with the organization.

Sample Job Description: Senior Vice President of Governance/Chief Governance Officer

The following was shared with us by a Governance Institute member organization with this position. It is only intended to be an example, not a guideline, and should be personalized to your organization and board, based on individual needs.

The senior vice president of governance/chief governance officer has the responsibility to assist and support the board in achieving their goals and improving relationships among the board, medical staff, management team, and other constituents. Key responsibilities include:

1. Serve as a special advisor to the board.
2. Provide assistance in the identification, discussion, and resolution of key issues.
3. Provide assistance in the development of board and retreat goals, agendas, materials, minutes, and record retention.
4. Provide assistance for board education, development, orientation, recruitment, and retention.
5. Serve as staff to the governance committee.
6. In addition, the SVP of governance/CGO will handle special projects at the request of the president/CEO.

Expectations

It is expected that all duties and responsibilities will be performed in a manner that is consistent with the mission, vision, values, and policies/procedures of the organization, and reflects the organization's core values.

1. Provide leadership, guidance, and support to the board to improve relations and assist in identifying and resolving issues, and achieving goals and objectives.
2. Provide assistance in the development of meeting and retreat agendas, preparation of materials, attend meetings, coordinate the preparation of minutes of meetings, and develop a record retention system.
3. Assist in the evaluation and adding of new board members.
4. Assist in the improvement of processes and communications.
5. Coordinate orientation program and materials for new board members.
6. Coordinate educational programs and materials for board members.
7. Coordinate board chair, individual board member, and board evaluations.
8. Assist the board in developing best practices.
9. Handle special projects at the request of the president/CEO.
10. Serve as a member of leadership teams or task forces as requested by the president/CEO.
11. Promote open and candid communications and flow of information by, among, and between the board, management team, medical staff, and employees.

Professional Qualifications

1. Master's degree in health or hospital administration, business administration or a related field, or law degree (M.H.A., M.B.A., or J.D.).
2. Minimum of 10 years senior executive experience in a not-for-profit hospital or healthcare system.
3. Strong communications skills (verbal and written) with the ability and willingness to relate directly, openly, and candidly.
4. An anticipatory leadership style based on relationship building, influence, credibility, trust, respect, and professional and personal integrity.
5. Demonstrated background and ability to oversee board education and development.
6. Must be able to direct multiple and diverse studies and projects and be able to mobilize the necessary and appropriate resources to successfully complete such projects.
7. Must have strong human relations skills and be able to interact with a variety of constituency groups and executive leadership; utilize an empowering, participative style along with the ability to listen and consider views of others.

Sample Job Description: Vice Chair

In addition to meeting all of the responsibilities of a member of the board, the vice chair:

1. Understands the responsibilities of the board chair and is available to perform these duties in the chair's absence.
2. Serves on the executive committee.
3. Participates as a knowledgeable and involved part of the board leadership.
4. Participates closely with the board chair to develop and implement officer succession plans.
5. Allocates personal time to being mentored and trained by the chair to take over the chair position when the chair's term ends.

Term: one year.

Board Committee Charters

The following section has been assembled to assist hospital and system CEOs and board members develop the roles and responsibilities of principal standing committees of the board. This collection is far from exhaustive, and must be continuously challenged and refined to reflect local realities and changing times. Should the mission of your organization or the structure of your board dictate the need for a committee that is not described here, The Governance Institute would be pleased to assist you in the development of a charter for that committee. As a reasonably comprehensive collection, however, this material should help guide your organization's board leaders to sharpen the focus and performance of your board committees.

Principal Board Committees and Their Responsibilities

This section provides a collection of samples of individual committee charters. The Governance Institute encourages its members to keep the number of committees to as few as possible. These sample descriptions have been collected from our members and subsequently edited to offer generic versions. The statements can be adapted for your organization and to your local situation.

Board Committees

1. Audit and Compliance Committee Charter
2. Audit Committee Charter
3. Community Health and Benefit Committee Charter
4. Compliance Committee Charter
5. Executive Committee Charter
6. Executive Compensation Committee Charter
7. Finance Committee Charter
8. Governance Committee Charter
9. Investment Committee Charter
10. Quality Committee Charter—Freestanding Hospital Board
11. Quality Committee Charter—Health System Board
12. Strategic Planning Committee Charter—Freestanding Hospital Board
13. Strategic Planning Committee Charter—Health System Board

Committee structure should be designed to reflect best judgments on how to optimize the following criteria:

- Local legal requirements
- Heritage of the organization
- Talents and expertise of individual board members
- Strategic priorities of the organization
- Need for efficiency
- Need for effectiveness
- Market pressures

Keep in mind that most boards have too many standing committees. The primary consequences are time drain, decrease in collective board momentum and progression, and diffusion of attention, time, and energy. Standing committees should reflect the board's ultimate key responsibilities. The objective of a committee is to do governance "staff" work that increases the effectiveness of the full board when it meets.

Sample Committee Charter: Audit and Compliance Committee

Purpose

To provide principal oversight for the accuracy and integrity of financial reporting systems, internal controls, and the internal and external audit processes; overseeing and monitoring the compliance program.

Responsibilities

In fulfilling its charge, the audit and compliance committee is responsible for the following activities and functions:

- Oversee the independent audit of the hospital/system (and its subsidiary corporations).
- Hire and direct the work of the independent auditors, who shall report directly to the committee.
- Oversee the internal audit function by setting priorities and reviewing reports and recommendations.
- Oversee the organization's compliance program by ensuring the establishment and maintenance of effective policies, procedures, leadership, and staffing.
- Review and recommend approval of the annual compliance plan.
- Oversee compliance with conflicts of interest, independence, and ethics policies governing the boards, medical staff, and employees of the hospital/system (and all of its entities).
- Review annually with management and the full board the IRS Form 990(s) filed by the hospital/system (and its entities).

Composition

Usually five to seven members including the general counsel and the corporate compliance officer, who are staff to the committee; subject to state law, this committee should strive for the highest practical level of members who are independent under standards adopted by the board with the advice of counsel.

Meeting Schedule

Usually meets two to four times per year.

Sample Committee Charter: Audit Committee⁵

Purpose

The purpose of the audit committee is to assist the board in its exercise of oversight, by monitoring the accounting and financial policies, controls, and processes of the organization and the engagement, independence, and performance of the outside auditor of the organization. The audit committee shall also assist the board in assuring the integrity of the financial accounts of the organization in a manner consistent with its charitable mission and purposes.

Responsibilities

In fulfilling its charge, the audit committee is responsible for the following activities and functions:

- Recommend to the board the selection, retention, or termination, as appropriate, of the independent public accountants for the organization. (*Note: Some organizations may wish to delegate this process to the audit committee subject to board ratification.*)
- Review the independent public accountants' compensation, the proposed terms of their engagement, and their independence as provided for in applicable law and regulations, and with the advice of corporate counsel.
- Recommend to the board, when the committee deems it advisable, that the independent public accountants engage in specific studies and reports regarding auditing matters, accounting procedures, and other matters.
- Review the arrangements for and scope of the annual financial statements audit.
- Review annual financial statements and unaudited quarterly financial statements, including any adjustments to those statements recommended by the independent public accountants, and any significant issues that arise in connection with the preparation of those financial statements.
- Recommend to management inclusion of audited financials in any required public financial disclosures.
- Review, as appropriate and in consultation with the independent public accountants, accounting policies and procedures applicable to the organization, as well as any management responses to comments relating to those policies and procedures.
- Review the opinions of independent public accountants.
- Review internal audit procedures with the corporate controller or other appropriate corporate officer.
- Consider, in consultation with the independent public accountant, the adequacy of internal controls to help provide reasonable assurance that publicly reported financial statements are presented fairly and in conformity with generally accepted accounting principles.
- Investigate, when the committee deems it necessary, potential or actual improprieties in the organization's operations, in consultation and coordination with the

5 Excerpted from Michael W. Peregrine, Elements of Governance[®]: *Governance Policies: Road Maps for Best Practices*, Second Edition, The Governance Institute, 2008.

corporate compliance committee, the corporate compliance officer, and the general counsel of the organization.

- Review changes in accounting principles or practices that had or are expected to have a significant impact on the preparation of financial statements.
- Meet at least quarterly with the chief financial officer, the chief accounting officer, and the general counsel of the organization and with the independent public accountants to discuss any issues arising from the committee's responsibilities.
- Meet at least annually with the independent public accountants (outside the presence of management) to discuss any issues arising from the committee's responsibilities.
- Meet at least annually with management (outside the presence of the independent public accountants) to discuss management's evaluation of the work performed by the independent public accountants and the appropriateness of their fees.
- Act generally as a liaison between the independent public accountants and the board.
- Annually review and, as appropriate, implement changes to the committee's charter.
- Work in consultation with the chief compliance officer and general counsel with respect to the preparation and operation of all document retention policies of the organization.
- Monitor the professional staffing of all audit engagements by independent public accountants (including a review and evaluation of the lead audit partner) and require rotation of the lead audit partner when deemed appropriate by the committee.
 - » All critical accounting policies and practices to be used.
 - » All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management officials of the organization, ramifications of the use of such alternative disclosures and treatments, and the treatment performed by the independent accounting firm.
 - » Other written communication between the independent accounting firm and the management of the organization, such as any "management letter" or schedule of unadjusted differences.
- Seek the advice of the organization's independent public accounting firm on the proper audit treatment of off-balance sheet financing arrangements, related party transactions, and similar financial transactions.
- Review any request for the provision by the organization's independent public accounting firm of any non-audit service, and make related recommendations to the board. The committee shall make its recommendation with the advice and direction of the general counsel.
- Conduct committee activities in a manner consistent with the organization's corporate compliance plan and with the board policy on conflict of interest.
- Obtain the advice of outside consultants and professionals (including but not limited to retention of special legal counsel) to advise the committee on matters within the scope of its charter.

Composition

Each member of the audit committee shall be financially literate (each member shall be able to read and understand fundamental financial statements, including the organization's balance sheet, income statement, and cash flow statement). At least one member of the committee shall be a "financial expert." For purposes of this charter, a "financial expert" shall mean a person who has expertise, through education and experience, as a public accountant, auditor, principal financial officer, controller, or principal accounting officer of a non-profit company (or from a position involving the performance of similar functions).

Meeting Schedule

Monthly or as needed.

Note: In the context of any charter of the audit committee, it should be made clear that the audit committee is not responsible for the planning and/or conducting of audits nor for determining whether the organization's financial statements and disclosures are complete and accurate and in accordance with GAAP and applicable rules and regulations. Rather, the audit committee should recognize that these are the responsibilities of corporate management and/or of the independent auditor.

Sample Committee Charter: Community Health & Benefit Committee (including mission fulfillment and advocacy)

Purpose

The purpose of the community benefit committee is to ensure the hospital/system executes its mission and provides benefit to the communities it serves based on an assessment of community health needs.

Responsibilities

In fulfilling its charge, the community benefit committee is responsible for the following activities and functions:

- Ensure focus on the mission.
- Assess community health needs at least every three years.
- Ensure results of community health needs assessments are used in setting organization's strategies and plans.
- Develop community benefit goals, parameters, and metrics.
- Monitor community engagement plans and programs that serve to strengthen ties to the communities served.
- Engage with other organizations to foster improvements in community health and well-being, especially regarding behavioral health.
- Oversee the organization's annual community benefit reporting.
- Coordinate with the community outreach staff to identify and address important and relevant community issues.
- Oversee educational programs to help the community understand behavioral health issues and to reduce stigma.
- Advocate for the hospital/system and the communities served.
- Assist with public policy initiatives (as requested by management).
- Keep abreast of major state and national issues relating to healthcare.

Composition

The committee should consist of seven to nine members; the senior-most person in charge of mission is often staff to the committee; should include non-board members with connections to the community and needed expertise.

Meeting Schedule

The committee should meet two to four times a year.

Sample Committee Charter: Compliance Committee

Purpose

The compliance committee's primary purpose is to assist the board in overseeing the hospital or health system's compliance program and review significant healthcare regulatory compliance risk areas.

Responsibilities

In fulfilling its charge, the compliance committee is responsible for the following activities and functions:

- Oversee the hospital or health system's compliance program and monitor its performance.
- Make recommendations to the board regarding compliance practices.
- Ensure the board is aware of significant compliance issues.
- Review compliance risk areas and the steps management has taken to assess, control, and report such compliance risk exposures.
- Work with the audit committee to assist the board in its oversight of the organization's compliance with applicable legal and regulatory requirements.
- Make sure the organization has a clear policy with respect to the identification and prompt return of Medicare/Medicaid overpayments.
- Monitor the organization's response to the supplemental hospital tax-exemption requirements implemented as part of healthcare reform law.
- Meet regularly with the chief compliance officer to discuss compliance program activities.

Composition

The compliance committee will be composed *entirely* of members who are independent, according to the organization's definition of an independent director. The chief compliance officer and general counsel are also invited to attend (as staff) all meetings of the committee.

Meeting Schedule

Monthly or as needed.

Sample Committee Charter: Executive Committee

Many boards do not meet often enough to keep current with major developments requiring board action. In addition, their members may be geographically scattered. Calling a special meeting for anything other than the most urgently required actions wastes resources. For this reason, executive committees consisting of a partial group of board members have long been established to exercise the powers of the full board between regularly scheduled meetings.

Purpose

To transact the business of the board of directors in the interim between meetings of the full board.

Responsibilities

The executive committee shall act in the interim between meetings of the full board and be subject to the control and direction of the board. The executive committee shall act on matters that cannot reasonably await action by the full board of directors. Other matters may be delegated to the executive committee by the board of directors, such as:

- Recruitment and selection of the CEO.
- Review and approval of a senior executive development plan and a CEO succession plan.
- Review and approval of incentive expectations for the executive staff.
- Review of the CEO's compensation package.

All actions taken by the executive committee shall be recorded in minutes and reported at the next meeting of the board of directors for affirmation.

Procedures

The executive committee shall be convened by the chairperson of the board or by the president/CEO of the organization. Executive committee members may participate by means of a conference call. Participation in such a manner shall constitute presence in person at the meeting.

Composition

The executive committee shall consist of at least five members, including the chairperson of the board, president/CEO, physician board members, board officers, key committee chairs, and others as designated by the board.

Meeting Schedule

As needed.

Sample Committee Charter: Executive Compensation Committee

Purpose

The executive compensation committee provides the board with the information it needs to fulfill its fiduciary responsibility to safeguard the organization. It ensures that the board fully understands the process by which executive compensation decisions are made in relation to market practices, regulatory guidelines, and the established compensation philosophy. The compensation committee can be given authority by the full board to make executive compensation decisions. However, the full board should oversee the delegation of this function and bears the ultimate responsibility for ensuring sound decision making in this area.

Responsibilities

- Recommend to the full board for approval a compensation philosophy and incentive plan that provides a framework for determining executives' base pay, incentives, and benefits.
- Periodically review the appropriateness of the compensation philosophy statement to determine whether it positions the organization at the “right point” in its relevant market.
- Establish, with the full board, a written policy specifying the committee's authority and any decisions that require approval/ratification by the full board.
- Identify procedures for committee function, including:
 - » Determine compensation for the CEO.
 - » Approve the CEO's recommendations for the compensation of key executives.
 - » Establish CEO performance objectives and evaluate CEO performance.
 - » Ensure the effective administration according to policy of incentive plans, SERPs, special benefits, and severance provisions.
 - » Educate the full board regarding its executive compensation responsibilities, including IRS Section 4958.
- Conduct/assist in succession planning.
- Make sure that the executive compensation program is administered in a manner consistent with the compensation philosophy.
- Review and approve executive compensation in a manner that qualifies for the rebuttable presumption of reasonableness under the IRS intermediate sanctions rules.
- Regularly update the board so that it understands executive compensation activities and is always aware of the committee's work.
- Consider how the public and public officials may interpret its compensation decisions in the context of its community benefit mission.
- Ensure that compensation information is fully and fairly disclosed on the Form 990.
- Ensure that formal and timely performance assessments are conducted for the CEO and other senior executives.

- Engage an independent compensation firm to provide education, advice, and comparability data.
- Engage other professional advisors (e.g., legal, accounting, and tax) as needed, and ensure that such advisors do not have any conflict as it relates to their work.
- Ensure that executives (the CEO and other members of the senior management team) do not have undue influence over the advisor selection process and resulting studies and recommendations.
- Have a trained professional (such as a lawyer) prepare draft meeting minutes.
- Work with internal and external media advisors to develop a compensation-based communications strategy.

Composition

The executive compensation committee should consist *entirely* of independent directors (i.e., those who are free of any relationship with the corporation or its management that may impair, or appear to impair, the director's ability to make independent judgments). The board should use the organization's definition of an independent director to determine who can sit on this committee. The number of people on this committee may depend, therefore, on the number of independent directors on the board.

The CEO is a non-voting member or attends meetings of the compensation committee to participate in deliberations concerning the senior team, but is *not* present when his or her compensation is discussed, except to hear the results of the committee's evaluation of the CEO.

Often a corporate human resources executive and a representative of the office of the general counsel participate as non-voting staff to the committee.

Meeting Schedule

Periodically in executive sessions (outside the presence of the CEO) with independent advisors and annually, for the purposes of the executive compensation and performance review.

Sample Committee Charter: Finance Committee

Purpose

The finance committee will assist the board in oversight of financial affairs by monitoring the organization's financial policies and the adequacy of its financial reporting, and recommending actions to protect and enhance the community's investment in the hospital or health system. It will also ensure that appropriate policies and procedures are in place to safeguard and preserve the assets.

Responsibilities

In fulfilling its charge, the finance committee is responsible for the following activities and functions:

- Prepare and submit annually to the board a five-year capital and operating budget showing expected receipts, income, expenses, and capital expenditures in detail for the ensuing year.
- Approve annual operating budgets and make recommendations with respect thereto.
- Review the monthly financial statements.
- Review the financial performance of the operations on a regular basis.
- Monitor and evaluate management of the organization's funds.
- Analyze and recommend methods of financing for business ventures.
- Monitor the debt structure of the organization, analyze borrowing proposals, and make appropriate recommendations.
- Review un-budgeted expenditures for major projects and equipment and make appropriate recommendations.
- Supervise preparation of the master financial plan.
- Review all proposed transfers of funds to related corporations and make appropriate recommendations.
- Draft guiding financial principles for the board to use when evaluating various financial options and the long-term financial plan.
- Establish financial objectives that relate to the hospital or health system's goals and mission.
- Ensure that the board is always informed of the organization's financial state.

Composition

The finance committee will consist of at least seven board members, including the board treasurer and the president/CEO. In addition, the president and the immediate past president of the medical staff, and one member of management may serve as non-voting members of the committee.

Meeting Schedule

Monthly or as needed.

Sample Committee Charter: Governance Committee

Purpose

The governance committee will be responsible for developing and monitoring the effectiveness of existing board members. This portfolio typically includes the development of standards relating to the nomination, education, self-evaluation, independence, and fiduciary conduct of board and committee members.

Responsibilities

In fulfilling its charge, the governance committee is responsible for the following activities and functions:

- Plan board members' development, including orientation, education, and evaluation of their effectiveness.
- Lead director recruitment and removal efforts.
- Review and update board policies and procedures.
- Review the performance of board members prior to reappointment.
- Identify and select candidates for committees of the board using criteria for board service as a guide.
- Lead the board leadership succession planning process.
- Establish standards for "independent" directors.
- Maintain an awareness of the needs of the board and/or its affiliate organizations for executive and board talents.
- Plan for orientation and education of board members and non-board members of board committees.
- Conduct an annual board self-evaluation.
- Confirm compliance with the organization's conflict-of-interest policy.
- Review governing documents (articles of incorporation, bylaws, etc.).
- Set goals and objectives of the board of directors annually.
- Provide an orientation program conducted by management for new board members.
- Periodically conduct an assessment to determine educational needs. The president of the system/hospital will be responsible for researching and updating the committee on educational opportunities.
- Obtain education through a variety of formats in and outside of the organization, including meetings, conferences, workshops, review of printed material, and video and oral presentations.
- Provide funding, as part of the operating budget of the institution, to support educational programs for the board of directors.
- Provide guidance on committee structure/meetings.

Composition

The committee shall be appointed by the board chairperson and ratified by the hospital/health system board of directors. The committee shall consist of at least five

persons, including the board chairperson, the president/CEO of the organization, and at least two other board members. One of the board members may also be a member of the medical staff. The chairperson of the committee shall be a member of the board of directors.

Meeting Schedule

Quarterly or as needed.

Sample Committee Charter: Investment Committee

Purpose

The investment committee is responsible for the prudent management of the hospital or health system's investment portfolio.

Responsibilities

In fulfilling its charge, the investment committee is responsible for the following activities and functions:

- Develop and update investment policies and procedures.
- Monitor and adjust asset allocations.
- Review proposals for investments.
- Work with legal advisors to confirm awareness and understanding of the UPMIFA principles and how they may relate to the investment and management of the organization's portfolio.
- Assess the performance of investment managers.
- Monitor all areas of the investment program.
- Review performance of investments compared to relevant benchmarks.
- Retain or replace investment managers and/or investment funds.
- Preserve and expand charitable assets under investment.
- Together with the finance committee, oversee key financial performance indicators of the organization.
- Report to the board, on a regular basis, committee investment activities.

Composition

The investment committee will be composed *entirely* of members who are independent, according to the organization's definition of an independent director. Care will be taken to avoid "constituent representation" on the investment committee (i.e., allocating certain committee membership positions to particular organizational constituencies, such as the medical staff, particular organizational affiliates, or external geographic or market area constituencies). Executive staff members can also serve on the committee in a non-voting advisory capacity.

Members of this committee must remain free of external personal or financial relationships that could bias their decision making (the existence of such relationships may require resignation from committee service).

Meeting Schedule

Monthly or as needed.

Sample Committee Charter: Quality Committee—Freestanding Hospital Board

Purpose

The quality committee is responsible for assessing the delivery of quality patient care throughout the hospital. The committee shall assist in determining the need for policies and procedures that result in the achievement, through continuous quality improvement, of the maximum benefit to patients in the hospital in a customer-oriented and cost-effective manner.

Responsibilities

In fulfilling its charge, the quality committee is responsible for the following activities and functions:

- Adopt and monitor a comprehensive quality plan.
- Regularly review and discuss the quality dashboard, and use the dashboard to drive continuous improvement and exercise accountability for results.
- Determine the quality measures that are most important for the hospital to track based on its culture and goals.
- Be actively involved in the physician credentialing, privileging, and reappointment process.
- Recommend policies and procedures that enable the medical staff to process medical staff applications and reappointments and that expedite the board's decisions with respect to granting clinical privileges.
- Monitor the performance of the medical staff in carrying out its responsibilities for evaluating and improving patient care.
- Monitor the performance of all hospital programs in developing and implementing quality improvement responsibilities and review to assure that the organization remains nationally accredited and locally respected for its quality of care.
- Review periodic trend reports that reflect the overall performance of the hospital in providing quality care in a customer-focused, cost-effective manner.
- Ensure that the quality services and their quantification are a hospital-wide expectation of all operating units.
- Ensure that all operating programs develop a specific plan for implementing the concept of continuous quality improvement through individual and team initiative. This includes implementation, evaluation, and oversight processes within the appropriate medical/administrative/governance structures.

Composition

The quality committee shall be led by a board member with an interest and background in quality and consist of three directors from the hospital board and at least three physicians, including the president of the medical staff.

Meeting Schedule

The committee shall meet at least 10 to 12 times per year.

Sample Committee Charter: Quality Committee—Health System Board

Purpose

The purpose of this committee is to develop, implement, monitor, and report on the quality program for the *system* board and to assist system facilities in identifying opportunities for improvement in the quality of care.

Responsibilities

In fulfilling its charge, the quality committee of the system board is responsible for the following activities and functions:

- Develop, implement, monitor, and report on the system-wide program encompassing the measurement and improvement of quality, risk, and clinical resource utilization at each of the system's facilities, including skilled nursing facilities and home healthcare agencies.
- Adopt and monitor a comprehensive quality plan, including quality measures that are important for subsidiaries to track each year.
- Regularly review each hospital's dashboard to ensure continuous quality improvements throughout the system.
- Coordinate regulatory and accrediting body review of system facilities.
- Analyze and evaluate the data trends emerging from the quality management, risk management, and resource management programs, advising system and local boards and chief executive officers on improvement possibilities.
- Assist in the structuring and management of the system's professional/general liability and workers' compensation insurance.

Composition

The committee shall consist of at least two physicians from the system's hospitals, the system CEO, the system executive in charge of quality management, and an outside director of the system board.

Meeting Schedule

The committee shall meet at least 10 to 12 times per year.

5 Excerpted from Michael W. Peregrine, Elements of Governance®: *Governance Policies: Road Maps for Best Practices, Second Edition*, The Governance Institute, 2008.

Sample Committee Charter: Strategic Planning Committee— Freestanding Hospital Board

Purpose

The principal purpose of this committee is to make recommendations to the hospital board of trustees relating to overall corporate business policy, long-range strategic plans, and urgent corporate strategic issues. Two corollary purposes are to recommend specific policies relating to expansion as a regional system and to exercise oversight regarding information systems planning and technology to support an integrated system.

Responsibilities

In fulfilling its charge, the strategic planning committee is responsible for the following activities and functions:

- Provide advice to the hospital board of trustees and counsel the president of the hospital regarding corporate policy, strategic issues management, long-range plans and, in general, the overall strategic direction of the organization.
- Review proposals for and make recommendations regarding new business ventures and alignment opportunities, including affiliation/collaboration proposals, new technology for the organization, and proposals for discontinuing services.
- Review and make recommendations relating to the hospital's annual update of the strategic plan.
- Keep abreast of major state and national issues relating to healthcare and make recommendations to the board, as appropriate, regarding advocacy efforts.
- Address other matters that relate to corporate strategy as may be referred to the committee by the board of trustees.
- Review present information systems in view of current technology and make recommendations regarding systems to more fully integrate clinical, financial, and managerial functions in support of the organization's further development of an integrated regional healthcare delivery system.
- Review and periodically revise the information systems plan to ensure that present and planned systems fully support the strategic business objectives and operational needs of the organization.
- Review significant information systems capital expenditure proposals in view of the information systems plan and make recommendations. Address and make recommendations regarding such information systems issues as may be brought before the committee by the board of trustees or executive management.

Composition

Committee members are appointed in accordance with hospital bylaws by the chairperson of the hospital board. The board chairperson also appoints the committee chair. The committee will consist of no less than three or more than seven members.

Meeting Schedule

Quarterly or as needed.

Sample Committee Charter: Strategic Planning Committee— Health System Board

Purpose

The strategic planning committee of the system board of directors is established to advise the board on major system strategies, directions, and priorities.

Responsibilities

In fulfilling its charge, the strategic planning committee of the system board is responsible for the following activities and functions:

- Keep abreast of major trends and issues in the delivery of healthcare that have implications for the health system/hospital.
- Direct the strategic planning process for the system, which includes:
 - » Updating the system strategic plan every three years.
 - » Monitoring and evaluating the implementation of system strategies on an annual basis in light of a changing healthcare environment.
- Review institutional and regional strategic plans and make recommendations to the board of directors.
- Review proposals related to the dissolution, merger, or closure of a system institution and make recommendations to the board of directors.
- Review proposals to establish a new system organization or division and make recommendations to the board of directors.
- Review proposals to assume sponsorship of non-system institutions through acquisition, lease, or management contract and make recommendations to the board of directors.
- Review institutional master site development plans and make recommendations to the board of directors.
- Review the translation of system strategies into annual objectives for the institutions.
- Review institutional proposals that pose major policy issues for the system in terms of mission, strategic direction, or financial requirements. Examples might include establishing a new corporation or division, acquiring an institution, a fundamental change in the mission and services of an institution, and building projects with significant financial implications for the system.
- Review major public policy issues calling for formal board positions or system actions.

Composition

The committee will consist of five to seven members who represent the perspectives of medicine, finance, planning, community relations, and public affairs. From time to time, external leaders from the market will be invited to explore and discuss trends and issues deemed important to the plans and performance of the system and its component parts.

Meeting Schedule

Quarterly or as needed.

