



Is It Time to Update Your Governance Authorities Matrix?

By Marian C. Jennings, President, M. Jennings Consulting, Inc.

The single most frequent governance question I am asked by health system leaders is “how can we help our board members better understand their roles and responsibilities?”

According to The Governance Institute’s 2017 Biennial Survey of Hospital and Healthcare Systems,¹ most health systems operate under a shared governance model, wherein some authorities and many responsibilities are shared between the system and its subsidiary boards, whether such subsidiary boards are advisory, fiduciary, or even technically committees of the parent board. Importantly, only 61 percent of system respondents to the survey indicated that “the association of responsibility and authority (in the shared governance model) was widely understood and accepted by both local- and system-level leaders.”² While the larger systems in the survey reported a higher level of understanding and acceptance of governance roles, even these organizations reported some gaps in these areas.

1 Kathryn Peisert and Kayla Wagner, *The Governance Evolution: Meeting New Industry Demands, 2017 Biennial Survey of Hospitals and Healthcare Systems*, The Governance Institute.

2 *Ibid*, Exhibit 32.

Key Board Takeaways

If your system operates under a shared governance model, the governance authorities matrix can and should be an important tool to help clarify roles and responsibilities. To enhance its effectiveness:

- Ensure that subsidiary board actions always are framed in the context of that board’s roles as outlined in the matrix.
- Make sure that the definitions of roles used in your matrix are clear.
- During board orientation or in refresher sessions, provide illustrative examples of which board does what along the path to final approval.
- At the system board level, review your governance authorities matrix annually or whenever you have a bylaws change.

Governance Decision Authorities Matrix

Most systems using a shared governance approach reported having a system board approved document/policy specifying the allocation of authority and responsibility between system and local boards.³ Often called a “governance authorities matrix” or a “governance decision authorities matrix,” such a document seeks to clarify “which board does what,” building upon state laws, regulatory requirements, the health system’s and subsidiaries’ bylaws, and system policies.

The core purpose of such a document is to clarify and assign

3 *Ibid*, Exhibit 31.

authority for key decisions that are necessary to manage the affairs of the organization. Many such documents were developed upon system formation but are infrequently reviewed, updated, or discussed. While they may be included as background in a board member’s orientation, they rarely are referenced during the board’s routine work.

Opportunities for Improvement: The Matrix Itself

There are several practical steps that the system board/governance committee can take to update its governance authorities matrix—or to create one, where needed. Of course, all such efforts should actively involve legal counsel.

Most importantly, choose your wording carefully. In our experience, governance authorities matrices are littered with the action word “recommend” as a key role for subsidiary boards but rarely explicate what that word means in the context of shared governance. To “recommend” implies approval; hence, subsidiary boards often perceive that they have more approval authorities than they in fact do.

that it had the authority to “recommend” its operating and capital budgets, perceiving that this was an important role requiring a local finance committee that would establish financial parameters and budget targets. In reality, the hospital board holds only the right to recommend operating and capital budgets *that conform to system targets*. No local finance committee is needed. No financial parameters or targets are set locally.

Similarly, it is helpful to clarify that system board “approval” rights typically include the right to review and either accept, adopt, amend, disapprove, modify, or send back for further consideration an action recommended by a subsidiary or committee. “Ratification,” on the other hand, typically includes only the right to accept or reject a recommendation; such ratification rights typically are found for sponsors or corporate members of health systems. (See **Exhibit 1** for sample terminology for a governance authorities matrix.)

For example, per the governance matrix, a hospital board understood

Exhibit 1: Sample Terminology for Governance Authorities Matrix

Approve	To review and make the final decision (accept, adopt, amend, disapprove, modify, or send back for further consideration), acting in a manner that reflects the system’s mission, vision, and values and is in the best interest of the system; monitor effectiveness of those responsible for carrying out the decision.
Participate	To directly participate in discussion, development, and/or evaluation processes. Where indicated, includes formulating a recommendation for system board approval.
Responsible	To be fully accountable for implementing, monitoring, and/or evaluating. <i>(Note: the matrix would clarify the responsibilities included by decision type.)</i>
Provide Input/ Receive Info	To receive information/provide comments it believes appropriate or necessary to the system board, the system CEO, and/or other system senior management.

Organize the governance authorities matrix around the six core fiduciary responsibilities of the health system board. In the collaborative shared governance model, it is important to be very clear about where fiduciary authorities and responsibilities reside for specific decisions that are necessary for managing the organization. The six responsibilities along with one illustrative example within each are presented below:

Six Fiduciary Responsibilities	Illustrative Example of Related Decisions
Mission/Strategic Planning	Agreement of consolidation and merger for the health system or any subsidiary
Governance	Revisions to or restatement or repeal of bylaws for the health system and all subsidiaries
Quality Policy/Oversight	Establishment of standards for practitioner credentialing across the health system
Financial & Compliance Policy/Oversight	Incurrence of debt (including but not limited to loans, notes, bonds, and mortgages)
Community Benefit & Advocacy	Adoption of a CHNA Implementation Plan, consistent with requirements of federal, state, and/or regulatory requirement
Executive Oversight	Selection and appointment of senior management other than the system CEO

Include in the matrix those parties who hold key decision-making authority. Generally, these include the system’s corporate member(s) or sponsor(s), if any; the health system board; direct subsidiary boards; and the system’s CEO. Some systems also include system board committees but only if they hold selected authorities (for example, some systems delegate authority to their finance committee to approve unbudgeted capital expenditures below a certain dollar threshold). Committee responsibilities would not be included; instead, they are more appropriately outlined in committee charters.

[Download a sample Governance Decision Authorities Matrix template.](#)

Opportunities for Improvement: Understanding and Acceptance of Roles

Creating the right document is an important first step, but a document alone likely will not ensure that the assignment of responsibility and authority in the shared governance model is widely understood and accepted by both local- and system-level leaders.

Again, there are several practical steps that will enhance understanding and acceptance by directors throughout your shared governance model:

- **Foster an understanding that there is a meaningful, albeit**

different, role for a hospital board once it is part of a system. Don’t fall for—or be defensive about—the adage that “you cannot have responsibility without authority” or try to create illusions of greater autonomy and authority than are real. Intentionally help local board leaders understand that their new roles are important to the system’s success and outline the tangible benefits that will accrue to their communities by being part of a successful system.

- **Revamp the processes of subsidiary boards to match their articulated roles and responsibilities.** Often a local board’s meeting frequency; its agendas, motions, and minutes; its local committee structure; and the competencies the local board is looking for in new directors are out of synchrony with the board’s actual roles, responsibilities, and authorities as outlined in the matrix. The local board chair, local executive, and system representatives should collaborate to identify changes that are needed to better align processes with roles.
- **Keep the governance authorities matrix “front and center.”** Post the matrix on your board portal. Make sure that as discussions occur at the subsidiary or system level, the chair intentionally frames the issue within the context of “how this fulfills our responsibility as outlined in our

governance authorities matrix.” In addition, ensure that motions are expressed in a manner consistent with each board’s role as outlined in the matrix. Conduct routine updates/refreshers on the board’s roles and responsibilities at least once a year. In other words, communicate, communicate, and communicate.

Moving Forward

As observed in The Governance Institute’s biennial surveys, since 2013 the shared system governance model is continuing to evolve, with the trend moving toward fewer areas in which local boards hold sole responsibility and almost no areas where local boards hold final authority.

This evolution makes it even more important that system leaders—specifically the system board chair, the system CEO, and members of the system’s governance committee—are clear themselves on expected board roles and responsibilities at all levels, maintain a contemporary document that describes these in the clearest possible language, and identify and support both system- and local-level policies and processes that will enhance board members’ engagement in fulfilling the organization’s fiduciary responsibilities effectively and efficiently.

The Governance Institute thanks Marian C. Jennings, President, M. Jennings Consulting, Inc., and Governance Institute Advisor, for contributing this article. She can be reached at mjennings@mjenningsconsulting.com.