

The Governance Institute

Committee Table

Board Committee	Purpose	Responsibilities	Composition	Meeting Schedule
Finance <i>(including investment for independent hospital boards; large system boards often have a separate investment committee)</i>	To oversee all significant financial matters affecting the hospital/system (and its affiliates), including setting financial policy; evaluating financial performance; reviewing assets, transfers, and debt; reviewing financial matters concerning the retirement program; and undertaking financial planning and analysis, including establishing capital and operating targets	<ul style="list-style-type: none"> Receive, review, and make recommendations to the board regarding the annual operating and capital budgets and all other fiscal budgetary matters affecting the hospital/system and its subsidiary corporations Monitor financial results of the hospital/system and its subsidiary corporations Advise the board on the financing of any long-range plans (e.g., debt strategy) Review and recommend approval of major capital expenditures Advise the board on capital financing strategy Advise the board concerning acquisition, construction, utilization, and divestiture of real property/facilities/information technology Oversee the financial plans and results of joint ventures, acquisitions, and other strategic arrangements of the hospital/system and its subsidiaries Oversee managed care contracting, pricing, and revenue management Oversee risk management strategies and exposure Oversee the organization's investment portfolio and policies (if no investment committee) Oversee the organization's pension plans, including funding and investment policies 	Usually five to seven members including the CFO of the system/hospital, and the treasurer (if a different person than the CFO); the treasurer, if a board member, is usually the chair; CFO is staff to the committee	<p>Independent hospital: monthly</p> <p>Health system: four to six times a year</p>
Investment	To provide fiduciary oversight of the funds in the investment program, which includes the retirement fund, the endowment fund, the long-term fund, and the operating fund; also to review performance of and retain consultants and investment managers	<ul style="list-style-type: none"> Recommend an investment policy Select asset classes as well as establish targets and ranges for each asset class with regard to diversification Evaluate the asset allocation and manager structure Retain, review, and assess performance of appropriate experts to support staff and committee (e.g., investment advisor, investment managers, and institutional trustee) Provide annual report and periodic updates to the board on the performance of the investments 	Usually five members including the CEO, the CFO, and some board members	<p>Independent hospital: not applicable</p> <p>Health system: four times a year</p>
Audit and Compliance	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	<ul style="list-style-type: none"> 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) 	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	Usually meets two to four times per year

Board Committee	Purpose	Responsibilities	Composition	Meeting Schedule
Executive Compensation <i>(includes oversight of all highly paid employees including employed physicians)</i>	To oversee matters pertaining to the employment, review, and compensation of the CEO, and reviewing the total compensation program for “highly compensated” executives and employed physicians to ensure they are both competitive and compliant with IRS and other regulatory agencies	<ul style="list-style-type: none"> Establish compensation philosophy statements regarding “highly compensated” employees (executives and employed physicians) base pay, incentives, and benefits Review and recommend compensation for “highly compensated” employees in a manner that qualifies for the rebuttable presumption of reasonableness under the IRS intermediate sanctions rules Establish a plan for CEO succession Monitor the CEO’s plan for senior management development and succession for key executives Work with the CEO to jointly set the CEO’s performance goals and conduct annual evaluation of CEO performance against those goals Ensure the CEO conducts performance assessments of senior executives Monitor the employed physicians’ performance evaluation process Ensure that compensation information is fully and fairly disclosed on the IRS Form 990(s) 	Usually three to five members, including the board chair (note: this cannot include any physicians who are on the active medical staff); must be composed of 100 percent independent board members according to IRC 4958; the CEO is a non-voting member or may attend meetings, but should not be present when his/her compensation is discussed, except to hear results of the committee’s evaluation	Usually meets twice a year, periodically in executive sessions (outside the presence of the CEO) with independent advisors, and annually for the purpose of the executive compensation and performance review
Quality/Safety <i>(includes clinical quality, patient safety, and service/satisfaction/experience)</i>	To oversee the delivery of quality patient care and a patient-centered experience throughout the hospital/system	<ul style="list-style-type: none"> Oversee patient care, clinical quality, patient safety, and satisfaction (of patients, physicians, employees, and payers) for the hospital/all entities in the system Develop hospital/system-wide board-level policies regarding patient care and quality Set hospital/system-wide quality goals, parameters, and metrics Oversee quality improvement systems, priorities, and plans Work with medical staff to set criteria and processes for credentialing and ongoing quality monitoring of clinicians Make recommendations to the board on medical staff appointments, reappointments, and privileges Monitor performance against policies, goals, systems, and plans Review sentinel events and recommend corrective action as appropriate Review management’s plans to address negative performance and serious errors Oversee compliance with quality and safety accreditation standards Monitor medical staff credentialing and privileging; may be able to approve “clean” physician credentials Ensure physician credentialing procedure is disciplined, consistent, and effective 	Usually seven to nine voting members including some board members and physicians/clinicians; for a hospital, may include the chief of the medical staff, chief nursing officer, and senior-most quality executive, as well as three directors from the hospital board, and at least three physicians	Independent hospital: monthly Health system: four or six times a year (depending on how credentialing is handled)
Strategic Planning <i>(some boards prefer to do strategic planning at the full board level)*</i>	To recommend to the board and review performance toward overall long-range strategic plans, as well as provide advice on urgent corporate strategic issues (includes oversight of strategy regarding all technology)	<ul style="list-style-type: none"> Provide advice on corporate policy, strategic issues, management, long-range plans, and, in general, overall strategic direction of the corporation and its subsidiaries and/or affiliates Review proposals and recommend new business ventures and new technology Review and recommend the annual update of the strategic plan Address other matters relating to corporate strategy Review present information systems and recommend systems to more fully integrate corporate-wide clinical, financial, and managerial functions, and to more fully support strategic business objectives and operational needs Monitor implementation of the strategic plan and major strategic initiatives Ensure that the strategic plan reflects and furthers the organization’s mission, vision, and values Ensure that physicians and other key stakeholders are included in the strategic planning process 	Usually seven to nine members including board members and non-board members; vice president of strategy is staff to the committee	Meets two to four times a year

*For more insight on whether to create this committee or use the full board, see *Board Committees* (Second Edition), Elements of Governance, The Governance Institute, February 2016, p. 9.

Board Committee	Purpose	Responsibilities	Composition	Meeting Schedule
Community Benefit (<i>including mission fulfillment and advocacy</i>)	To ensure the hospital/system executes its mission and provides benefit to the communities it serves based on an assessment of community health needs	<ul style="list-style-type: none"> • 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 	Usually 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	Meets two to four times a year
Governance and Nominating	To ensure that the governance of the hospital/system is effective and efficient and consistent with "best practices" and legal and regulatory guidelines	<ul style="list-style-type: none"> • Maintain well-functioning governance structure, practices, and documents • Define competencies needed on boards and committees • Cultivate potential board and committee candidates • Recruit and recommend new board and committee members • Orient and mentor new board and committee members • Review the performance of board members prior to reappointment • Plan for continuing board education and ensure adequate funding • Evaluate board, committee, and subsidiary board performance annually • Develop and monitor achievement of annual goals by board, committees, and subsidiary board(s) • Support board chair in board and board officer succession planning • Develop and update board policies and procedures on a regular basis • Periodically initiate a comprehensive review and recommend enhancements to the organization's governance structures, practices, and documents (e.g., bylaws and committee charters) 	Usually five to seven members, including the board chair and vice chair; often chaired by the vice chair and general counsel is usually staff to the committee	Usually meets four times a year
Executive (<i>this committee requires special care regarding the level of authority it is given to make decisions between board meetings</i>)*	To transact the business of the full board in the interim between meetings	<ul style="list-style-type: none"> • Act on matters that cannot reasonably await action by the full board • Provide a vehicle, if needed, for timely decision making and advice to the CEO or board chair 	Usually five to seven members, including the board chair (who is the committee chair), the CEO, the vice chair, and sometimes the chairs of each committee	As needed, ideally only in emergencies

*See *Board Committees* (Second Edition), Elements of Governance, The Governance Institute, February 2016, p. 10.

Board Committee	Purpose	Responsibilities	Composition	Meeting Schedule
Research and Education (<i>for health system boards, if part of the mission</i>)	To ensure the clinical research and medical education missions of the system are achieved	<ul style="list-style-type: none"> Oversee clinical research for all entities in the system, in coordination with the university/medical school(s) Develop system-wide board-level policies and procedures regarding clinical research Set system-wide clinical research plans, goals, parameters, and metrics Monitor management's implementation of the plans, policies, and procedures Oversee the medical education for all entities in the system, in coordination with the university/medical school(s) Develop system-wide board-level policies and procedures regarding medical education Set system-wide clinical research plans, goals, parameters, and metrics for medical education Monitor management's implementation of the plans, policies, and procedures for medical education 	Usually five to seven members including both researchers and educators; the senior-most executive for research often staffs the committee; it often also includes the dean of the School of Medicine or equivalent university executive	<p>Independent hospital: probably not applicable</p> <p>Health system: four times a year</p>

Notes:

1. Usually, the voting board members do *not* include the employees/staff to the committee; they are ex-officio, non-voting members (e.g., CFO staffs the finance committee as a non-voting committee member).
2. The exception is that usually the CEO and the board chair are ex-officio, voting members of each committee (except the CEO would be a non-voting member of the executive compensation committee). They attend committee meetings as they choose. Often they are not included in the total number of members for the committee.
3. Most committees should include non-board members to add needed expertise and develop a pool of potential candidates for the board. The exceptions are usually the executive committee, executive compensation committee, and sometimes the governance committee. Another exception is committees that have been delegated decision-making authority; they often must be composed entirely of board members.
4. Committees should all be chaired by a board member and most states require at least two other board members. The committee chairs should be appointed by the board chair and approved by the full board.
5. These descriptions have almost all been written under the assumption that none of the committees have been delegated final decision-making authority for any responsibilities. The board should determine whether or not it will delegate any final decision making to any of its committees, and if so, include that in the bylaws and committee charters.
6. Each committee should include at least one expert in that topic (e.g., audit and compliance committee should include a CPA).