The Special Challenges of Government-Sponsored Hospital Boards

Special Commentary

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One-quarter of the 2009 survey's respondents were government-sponsored hospitals (defined as county, city, or city and county-owned or district authority hospitals). Given that 25 percent of the 4,250 U.S. not-for-profit acute care hospitals and health systems are government sponsored (public), the survey results probably mirror the general state of affairs for public boards across the county.

Unfortunately, analysis of the survey data suggests that public hospital boards do not perform as well as their private, not-for-profit peers. In fact, public hospital boards' overall scores were lower on all three fiduciary duties and all six core responsibilities. That would suggest that public/government-sponsored hospital boards have special challenges as they attempt to enhance their effectiveness.

Some of the challenges (and low scores) directly result from unchangeable aspects of, and constraints faced by, public boards: the board member appointment/election process and open meetings and records laws. However, these realities do not necessarily prevent public hospital boards from instituting a number of advanced governance practices. The following are some practices many public boards should consider.

Board Composition

One main difference between private and public hospital boards is the amount of control they have over the composition of their boards. Most public hospital board members are either appointed by government officials (e.g., county commissioners) or elected by the public. Therefore, they tend to feel they cannot influence the board member selection process.

And yet, in our experience, public hospital appointing (and electing) bodies are often open to recommendations from the CEO and existing board members regarding the type of members needed. Appointing officials often value a conversation about what skills, perspectives, and competencies the hospital board needs at a particular point in time. Therefore, more public hospital boards should create and routinely revise a master list of all of the competencies and perspectives they need to provide sufficient oversight of the hospital. When it is time for new board member appointment or election, the board should provide an assessment of which additional competencies they could use, given the current composition of the board.

Importantly, public hospital boards are lacking in physician representation. Including more physicians in governance may be difficult for public hospital boards, because many of their organizing documents forbid members of the active medical staff from serving on the hospital board. However, public hospital boards can receive valuable physician input by adding physicians to board committees (especially quality and safety), and by including physicians in board education sessions and retreats.

Board Committee Structure and Composition

Another effective governance practice public hospitals can borrow from private hospital boards is their committee structure. In general, private hospital boards have more committees because they have moved more quickly to establish committees to handle newer governance-related issues. For instance, private hospital boards are more likely to have created audit and compliance, quality and patient safety, and governance committees.

Audit and Compliance

The Sarbanes-Oxley (SOX) Act of 2002 demanded that for-profit corporate boards become more rigorous in their oversight of the audit function and, more recently, the IRS has taken a keen interest in the same issue regarding private, not-for-profit, 501(c)(3) boards. As a result, many for-profit and not-for-profit boards have created audit committees that are separate from their finance committees and whose

members are all "independent" (as defined in the IRS' new Form 990 Instructions).

Of course, most public hospitals are not subject to either SOX or the 501(c)(3) requirements; however, these regulations have heightened the public's awareness of the importance of board members making decisions that benefit only the mission of the organization, and not themselves individually. Thus public hospital boards should consider adopting these requirements, where appropriate.

Quality and Patient Safety

The importance of a board-level (versus hospital or medical staff) quality and patient safety committee was highlighted in a study conducted by AHRQ and The Governance Institute.[16] That research proved a statistically significant relationship between certain board practices and the improvement of quality. One of the key practices was the implementation of a board quality (and patient safety) committee. Given that only half of public hospital boards currently have this type of committee, this seems to be an area that deserves immediate attention.

Governance Effectiveness

The survey results indicate that only 55 percent of government-sponsored hospitals received a high performance rating with respect to practices related to board self-assessment and development. These practices include, but are not limited to:

- Attending external educational conferences
- Completing board self-evaluations and developing action plans based on the evaluations
- Using an explicit process for board leadership succession planning

One way to ensure that public boards increase their focus on board development is to embed into the committee structure a vehicle for ensuring that the board itself is effective. Specifically, they should create a governance committee to handle board member nominations (where possible), new board and committee orientation, continuing education, board self-evaluation, and board leadership succession.

In addition to instituting the above-mentioned committee structure, public hospital boards should revisit the composition of their committees. Even public boards have control over these decisions. So, each committee should determine what competencies and perspectives it needs to ensure it can perform its responsibilities well. The recruitment and appointment of committee members should be based on that list.

Another highly effective governance trend is to add more *non*-board members to each board committee. This practice brings additional expertise to the committees' deliberations and helps to develop a pool of potential board members.

Board Meetings and Culture

The real work of any board is done in its meetings. According to the survey, public hospital boards also have room to improve in this area, including the following recommended meeting practices:

- Use consent agendas to free up time for discussions (55.4%)
- Increase time spent on strategic discussions versus listening to reports (29.4%)
- Devote part of the board meeting time to education (11.8%)

These practices help the board to use its time on vital strategic-level discussions about how to advance the mission, versus getting dragged into a review of operational issues. Both public and private hospital boards would do well to focus on these issues.

Despite this commentary's focus on governance structures and policies, what really makes the difference between good and great boards is that the board has a healthy, open culture. Understandably, it is more difficult for public board members to be totally candid when members of the general public and the media are watching and critiquing their meetings. However, most governance experts agree that what really makes a good board great is a healthy culture in which board members hold each other and senior managers accountable for their performance in furtherance of the mission. This is the bar that all boards, including public hospital boards, should be measuring themselves against.

16 "Board Engagement in Quality: Findings of a Survey of Hospital and Health System Leaders," *Journal of Healthcare Management*, Vol. 53 No. 2, March/April 2008.