



Welcome to The Governance Institute's Governance Notes!

This newsletter is designed specifically for governance support professionals with information and expert opinions in the area of hospital and health system governance and updates on services and events at The Governance Institute. We hope you find it beneficial in helping you keep your board performing at its best. We welcome article submissions related to the board support role, ideas for future topics, and feedback on how we can better support you in achieving optimal board performance. Please contact us at kwagner@GovernanceInstitute.com.

In this issue:

Ten Tips to Streamline Information Flow to the Board

Top 10 Governance Trends for Hospitals and Health Systems in 2017

Intentional Governance Solutions for Board Leadership Succession Planning

Ten Tips to Streamline Information Flow to the Board

By Marian C. Jennings, M.B.A., President, M. Jennings Consulting, and Annie Krein and Kori Stanoscheck, Strategic Advisors, The Governance Institute

Increasingly, we are asked to help boards maximize the use of board members' time in effectively stewarding the organization by running more efficient and effective board meetings. The current state of healthcare demands more of board members; however, their time is finite. One process to ensure your board time is optimized and board members can make the most informed decisions possible is through carefully crafted information flows. Below are 10 tips for streamlining the information flow to the board.

1. **Adopt an inverted-style agenda** with strategic and policy discussion items at the meeting's outset and more routine items at the end. This will help ensure that important items are addressed fully and receive the attention needed.
2. **Utilize executive summaries and consistent formatting of presentations to the board.** This can be accomplished by utilizing one or more of the following:
 - Solicit input from all board members related to upcoming board agendas. This can be accomplished via an agenda item submission form where everyone has input. Another approach is to solicit such input during routine committee meetings, since most board members sit on at least one committee.
 - Require an executive-level approval process for information being presented to the board.
 - Minimize content length. Comprehensive yet concise executive summaries that call attention to the most important issues and/or options should be provided at the

outset of each presentation. Additionally, presentations should follow a consistent format. Some boards have gone as far as to limit presentation size to a set number of slides (i.e., no more than five).

- Upload materials to the board portal *at least* one week in advance of meetings.
 - Hold presenters accountable to submitting materials within the appropriate timeframe.
3. **Focus on generative discussions in the boardroom.** While such discussions may be far-ranging, they should not be allowed to go off on tangents. Encourage the board chair to use a "heavy gavel" if needed to keep discussion on track.
 4. **Ensure prudent use of your consent agenda** to free up time for strategic discussions during the meeting. Ask that board members notify the board chair and/or board support staff in advance if they wish to discuss an item on the consent agenda.
 5. **Standardize committee and executive session reporting.** Focus on short verbal reports to the board on key policy issues or areas requiring special board oversight. These should happen as quickly as possible after a committee meeting occurs so that the board is informed promptly of need-to-know items. To help facilitate this:
 - Ask each committee chair to provide a two- to three-minute update to the board related to its last meeting, using a common approach. Of course, remain flexible so that if a committee chair feels that the minutes

suffice or there is nothing meaningful to report, that would be honored.

- Identify any committees that you believe require a regular, more substantive report, typically the finance committee and the quality committees.
 - For any committee presentations, work hard to avoid regurgitating content that could have been read by members prior to the meeting. Instead, focus on key decisions or recommendations made by the committee, providing insights from the committee's discussions, or teeing up complex issues facing the committee.
 - The board chair should encourage questions, clarifications, or comments on committee minutes. It is easy to just "approve" the minutes, but it is important that productive discussion is happening, if necessary.
6. **Develop a board calendar** that outlines the schedule for all board and committee meetings for at least the next 12 months. When putting this together, consider the following:
- All board members should be considered "invited guests" for most committee meetings (with a couple of exceptions, such as executive compensation or those limited to independent members). Intentionally schedule committee meetings so it is easy for board members to attend these meetings if they choose to do so. For example, if your board meets quarterly, schedule committee meetings the day before and the day of the board meeting. If your board meets bi-monthly, schedule two committee meetings back-to-back, starting later the same day.
 - Encourage some committees to meet jointly at least once a year. For example, the quality and the finance committees should convene jointly once annually since quality/value directly impact financial performance and financial resources determine how much is available to invest in quality initiatives. Similarly, the quality committee and the community health/benefits committee could find common ground around outcomes measures related to community health enhancement.
7. **Require that clear board and committee annual work plans are in place.** Work plans should ensure that over the course of each year, the board and each committee accomplishes all its designated responsibilities and duties. These work plans typically are updated annually, approved by the governance committee, and used by the committee chair to ensure that all

elements of the committee's charter are accomplished.

One additional benefit of developing such work plans is that this automatically creates a calendar outlining the focus area of each committee meeting. That way, any board member interested in a specific topic can plan well in advance to attend meetings of a committee of which he/she is not a member.

8. **Each committee with a functional focus (e.g., quality, finance, or audit/compliance, etc.) should have a substantial "report out" to the full board at least once a year** to: a) provide education around/trends impacting its focus area, b) review the issues or areas that are the focus of its current work, and c) outline its proposed work for the upcoming year. This report should be a concise presentation of less than 30 minutes with Q&A. That way, the board gets meaningful input into committee work as well as some education on key areas of the board's responsibilities.
- Use a standard "template" for the update to keep all reports concise but meaningful.
 - Where appropriate, encourage committees with overlapping areas of focus (e.g., the finance and investment committees) to share "center stage."
 - Recognize that committees exist to help the board fulfill its roles. The board should be made aware of the work of each committee and provide meaningful input into focus areas of the committees.
9. **Hold an executive committee meeting regularly between board meetings.** Use this as a vehicle to communicate and connect the work of all committees and to gather input on key agenda items for the next meeting. Provide brief written updates to the full board following this session.
10. **Ask board members for feedback on meetings and be open to making improvements.** Once a quarter do a short post-meeting assessment to keep a pulse on the success and areas of weakness regarding the efforts to streamline the information flow to the board.

Streamlining the flow of relevant information for the board, optimizing your committee structure, and providing robust industry education continue to define optimal board performance. Now, more than ever, engaging in these strategies and taking an intentional governance approach are needed to enable the critical board work required for success.



Top 10 Governance Trends for Hospitals and Health Systems in 2017

By Michael W. Peregrine, Esq., McDermott Will & Emery LLP

It is beneficial for governance support professionals to be knowledgeable about industry trends in order to successfully support their boards. This article provides my perspectives on governance trends for the remainder of 2017 based on current developments in the healthcare industry:

- 1. Addressing uncertainty:** A principal governance responsibility of the hospital or health system board will be to assure the levels of director engagement (including the commitment to ongoing education and monitoring) necessary to team with management as the organization confronts uncertainty and potential instability with respect to both the general U.S. economy, and in particular potential changes to the healthcare financing model, following the change in administrations in Washington. Applicable standards of fiduciary conduct require a much higher level of director diligence in periods of growing external uncertainty and potential business model disruption.
- 2. The “strategic-asset board”:** Boards will be prompted to pursue a “continuous improvement” agenda to facilitate responsiveness to the rapidly evolving legislative and regulatory environment. This perspective is championed by the National Association of Corporate Directors (NACD), which describes it as “building the strategic-asset board.”¹ The underlying theme is that boards are more likely to be successful in adapting to significant change if they hold themselves more accountable for their levels of performance and engagement. The most traditional methods for implementing such accountability are through the various recognized “board refreshment” tools.
- 3. Managing diversification:** The increasing diversification of the healthcare organization’s portfolio—across a broad platform of activities, enterprises, and investments—will place greater pressures on the governing board with respect to a) oversight, and the competencies necessary to effectively monitor management’s operation of the diversification; b) new forms of diversification-prompted conflicts of interest that might arise at both the board and management level; c) financial pressures arising from the nature of the diverse portfolio; and d) unique legal compliance issues associated with particular investments arising from form of entity or line of business.
- 4. Revisiting governance structures:** Many boards will seek, for reasons of effectiveness and efficiency, to revisit the nature and structure

¹ “NACD Issues Guidance for Corporate Directors on Building the Strategic-Asset Board” (press release), September 20, 2016.

of existing governance arrangements. This will be prompted most particularly by: a) an interest in accommodating “best practices” across the continuum of board protocols, b) the willingness to acknowledge the 2016 release of two major commentaries on governance principles,² c) the need to adjust governance structures to accommodate changes to the healthcare organization’s strategic vision and business portfolio, and d) a recognition of the fiduciary standard of periodically revisiting governance structures.

- 5. Corporate streamlining:** The governance burdens, management challenges, administrative costs, and communication barriers associated with complex corporate structures and elongated reporting relationships (i.e., multiple affiliated corporations and their boards and management teams) will prompt health systems to “streamline” by consolidating subsidiary entities, clarifying lines of communication and decision making, and taking other steps to increase centralized management and governance authority. The goal is to enhance the timeliness of the system’s decision-making process, and the effectiveness of its risk management.
- 6. System destabilization:** Health systems will be at an increasing risk of conflict and destabilization from a series of potential internecine concerns. Examples of this include rancorous disputes between parent and subsidiary corporations, expectations that the parent owes a fiduciary duty to the subsidiaries, disagreement over the strategic direction of the system (e.g., as to geography and orientation/scope of service), conflicts with loosely associated development foundations, challenges with constituent directors or other board members who are disruptive or non-performing, and perceptions that specifically negotiated affiliation terms were not fulfilled or satisfied by the system.
- 7. Financial distress:** Healthcare boards may increasingly be called to address issues of system or institution-specific financial distress, arising from a number of anticipated and unanticipated concerns. Particular sources of potential significant financial distress include deepening losses from physician enterprises, the high cost of information technology and

² “Commonsense Principles of Corporate Governance,” July 21, 2016 (available at www.governanceprinciples.org); *Principles of Corporate Governance*, Business Roundtable, August 2016 (available at <https://businessroundtable.org/sites/default/files/Principles-of-Corporate-Governance-2016.pdf>).

population health investment, reduced utilization arising from competitive or geographic/demographic challenges, and unsuccessful diversification and/or joint venture developments. The board will likely be held to a higher standard of fiduciary diligence with respect to matters of financial distress.

8. **Effective conflicts oversight:** Elements of the presidential campaign and related transition, coupled with the increasingly broad investment/diversification portfolio of healthcare organizations, will prompt much closer media and regulatory scrutiny of how conflicts of interest are addressed at the board level. Questions may arise as to whether the organization's existing conflicts disclosure, review, and management processes for the board and senior management are sufficient to address more complex, emerging conflicts issues arising from fulsome board agendas, and to protect the reputations of the hospital or health system and its board and committee members.
9. **Critical committees:** Legal, regulatory, and financial developments suggest that the following committees will play an increasingly critical role in addressing the board's agenda:

the strategic planning committee (especially with respect to changes in the competitive horizon and increased antitrust enforcement); the finance committee (especially with respect to repeal or amendment of the Affordable Care Act); and the compliance committee (especially with respect to continued vigorous anti-fraud enforcement, and the potential for compliance measures and culture to conflict with economic/compensation realities for employees).

10. **Executive compensation:** The executive compensation committee will increase its participation in both executive succession planning for the CEO's departure (whenever that may occur) and emergency succession and leadership development in the entire executive suite. In addition, there will be greater focus on determining the right number and type of executive compensation arrangements to be presented to the committee for review and approval—and the remaining executive arrangements that instead will be reviewed and approved by the CEO. Greater scrutiny will be applied to the composition of the committee as to expertise and disinterest.

The Governance Institute thanks Michael W. Peregrine, Esq., Partner, McDermott Will & Emery LLP, for contributing this article. He can be reached at mperegrine@mwe.com.



Intentional Governance Solutions for Board Leadership Succession Planning

The quality of board leadership is extremely important to the board's ongoing success and sustainability. Just as the skills and experience of the organization's CEO are paramount to the success of the hospital or health system, the board chair's ability to lead the board, drive the mission, and articulate the vision are equally paramount. Board leadership succession planning is essential to protect the organization from potential upheaval in the event a key board member leaves, either suddenly or through the normal process of term limits or retirement. The board should place as much importance on board leadership succession planning as it does on succession planning for the CEO. This article details solutions for each essential element of board leadership succession planning.

A Written Policy Statement

The board leadership succession planning policy can be drafted in a similar format as that of the policy for the CEO succession plan. It should be written in accordance to the bylaws and include the following details:

1. Board leadership positions
2. Terms of each position

3. Guidelines and criteria for each position (i.e., skills necessary for the position and amount of time required for board service prior to serving in the leadership position)
4. The process of selecting board leaders
5. The succession plan for each position, to include timelines
6. An emergency succession plan for the board chair in the event of an unexpected vacancy (usually the vice chair steps in, and the emergency plan can include information regarding participation and assistance as needed by the previous chair)
7. The board committee responsible for maintaining the succession plan and process (usually the governance/development committee)

[Click here](#) for a sample board leadership succession planning grid. This is one way to demonstrate item number five in the above list.

Leadership Position Descriptions

Most healthcare board leadership positions include the board chair, vice chair or chair-elect, secretary, and treasurer. The vice chair is elected by the board

to become the next chair, and the secretary and treasurer could be next in line to be vice chair. Committee chairs and other board members are also considered for leadership positions. As such, all board members that are placed in officer positions should be considered to have the requisite skills to be the board chair.

The board chairperson is the most integral leadership position on the board. 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. The primary responsibilities of the chair include:

- Appointing committee chairs and directing board committees
- Leading the CEO performance evaluation process
- Mentoring upcoming board leaders
- Leading the self-assessment and annual goal setting process
- Developing agendas with the CEO and residing over board meetings

The board chair is ultimately responsible for ensuring that directors with conflicts of interest do not participate in voting or discussions related to such conflicts. The board chair often represents the organization to the general public and at outside events. Good board chairs are diplomatic facilitators and are able to encourage all board members to fully participate in discussions, not allowing some directors to dominate conversations and decisions, and keeping meetings running on time. The board chair works closely with the CEO to prepare board goals and objectives and meeting agendas for the year, and with the governance support staff and management to prepare board materials that have the right level of detail necessary for discussion and decision making. The board chair helps develop the board's annual strategic planning retreat. Most importantly, the board chair is the keeper of the mission and in charge of reminding the board that each decision made must be done with the mission of the organization top of mind.

[Click here](#) for sample position descriptions for board officers and their typical terms.

Selection Criteria

The first step is to identify any gaps in leadership needs that will be immediate or in the near future. What are your board leaders' current terms and when do they end? Do the other board members in the leadership queue (such as committee chairs) understand that they may be asked to serve as a

board leader in the near future? Do those board members have what it takes to be chair?

Then the full board and CEO should agree upon selection criteria for the board chair. In addition to the usual attributes boards seek in director candidates, below is a list of attributes typically sought for a board chair:³

- Strong knowledge of principles, ethics, and practices of successful organizations
- Strong knowledge and understanding of the healthcare industry and the organization's history, position in the industry, market share, competitive position, etc.
- Strong understanding of governance structure and how to facilitate board effectiveness
- Strong connection with the community and the organization's stakeholders
- Excellent verbal communication and interpersonal/relationship building/problem solving skills
- Effective management of staff and board
- Ability to work effectively with a diverse set of stakeholders
- Ability to present, inform, and motivate individuals and groups about the organization's mission and vision
- Clarity and strength in handling confidentiality and conflicts of interest
- Set the standard of behavior for the board and serve as a role model for upcoming officers

Leadership Identification and Development

The identification process of board leaders is cyclical if the board already has in place the usual set of officers mentioned above. Because the other board officers (secretary, treasurer, committee chairs) are often cycled up to become the future board chair, it is important for the current chair and governance/development committee to refer to the agreed-upon selection criteria prior to selecting the other officers and chairs.

Each position should have established criteria for number of years of board service, as laid out in the board leadership succession planning policy. As the committee considers board members for officer positions, they should keep top of mind how each individual will do as board chair now, or several years in the future. In addition, board member terms should be considered. For example, if an ideal candidate for board chair will be termed out relatively soon, it would be important to consider that person for vice chair so they can move up to board chair prior to their term ending.

³ Adapted from Social Venture Partners, "Succession Planning for the Non-Profit Board Chair," February 2012.

In many cases, board members will make excellent committee chairs and officers in the future, but are not yet ready to take on those positions. The development portion of planning for board leadership succession can be tied directly into the ongoing board education plan, which is already a primary responsibility of the governance/development committee. Educational opportunities for each board member should be considered in the context of how those experiences will help the individual prepare to become a board officer or even board chair. Individual director assessment provides another opportunity to create specific development opportunities that address director weaknesses so that they can become leadership candidates, as well as to enable the full board to perform at its highest potential.

[Click here](#) for a sample personal leadership development plan for future board officers.

Leadership Performance Evaluation

The leadership performance evaluation is an essential step in the process of re-election of the

board chair each year. Like with any evaluation, it should be structured using the selection criteria and job description, to allow the board to take a critical look at how the chair has performed against expectations set in advance.

[Click here](#) for a sample board chair evaluation.

When the Board Chair Steps Down

Sometimes the past chair remains on the board to serve as a mentor to the incoming chair, or serve on the executive or governance committee for a year. Depending on term limits and other bylaw considerations, former chairs can continue to serve as appropriate. Regardless, the chair has devoted significant time and energy to the organization, and his or her service and leadership should be appropriately recognized.

If the incoming chair chooses to seek advice and counsel from the former chair, parameters should be defined by the new chair based on his or her comfort level in involving the former chair, even in an informal manner.

This article is an excerpt from Board Leadership Succession Planning: An Intentional Governance Guide: Trends, Tips, and Tools. For leadership succession process guidelines, tips on overcoming challenges, and an Intentional Governance assessment, see the full publication at www.governanceinstitute.com/TGIGuides.



Upcoming Events



[Leadership Conference](#)

Fairmont Scottsdale Princess
Scottsdale, Arizona
April 23–26, 2017



[Governance Support Forum](#)

The Westin Copley Place, Boston
Boston, Massachusetts
August 13–15, 2017



[Leadership Conference](#)

The Broadmoor
Colorado Springs, Colorado
September 10–13, 2017

[Click here](#) to view the complete programs and register for these and other conferences.



New Resources for Supporting Your Board

Community Health, Second Edition

This *Elements of Governance* includes information to assist organizations in their efforts to improve community health, going beyond ACA regulations as a part of the larger response to payment reform and the transformation from reactive, episodic acute care to proactive management of chronic disease and population health. It also discusses how not-for-profit hospitals and health systems can become a major catalyst for health improvement in the local community, particularly with underserved, at-risk populations.

[Click here to view.](#)

BoardRoom Press: Volume 28, No. 2, April 2017

The April issue includes articles on five critical success factors of academic medical centers active in M&A, “rational thinking” and community healthcare governance, effectively using advisory boards in today’s health systems, and board responsibility in the face of a coming tsunami of “late career” physicians. It also includes a special section on the population health secret.

[Click here to view.](#)

E-Briefings, Volume 14, No. 2, March 2017

The March E-Briefings includes articles on clinical integration and what hospital board members need to know, general industry influence on executive compensation in not-for-profit healthcare, and why board chairs and CEOs need to get serious about philanthropy.

[Click here to view.](#)

Board Leadership Succession Planning: An Intentional Governance Guide: Trends, Tips, and Tools

The governing board should have an idea about when board leaders contemplate leaving so that they can effectively identify new members in advance of their departure. The quality of board leadership is extremely important to the board’s ongoing success and sustainability. This guide detail solutions for each essential element of board leadership succession planning.

[Click here to view.](#)

To see more Governance Institute resources and publications, visit our [Web site](#).