

2nd Healthcare Governance Conference: Promoting and Enhancing Board Leadership

ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

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Outline

- ◆ The New Realities for Health Sector Boards
- ◆ Critical Elements for Effective Governance
- ◆ Board Governance Models
- ◆ Board Roles and Responsibilities

The New Realities for Health Sector Boards



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The Context

- ◆ Fundamental changes in understanding of governance in private and public sector in the last decade
 - TSE Report 1994 “Where were the Directors?”
 - Broadbent Report on Voluntary Sector Governance and Accountability 1999
 - Reaching for Excellence – Governance and Performance Reporting at the Princess Margaret Hospital Foundation, 2001
 - Hospital Governance and Accountability, OHA April 2004
 - Best Practice Guidelines: Governance and Disclosure Guidelines for Governing Boards of BC Public Sector Organizations, February 2004

Board Governance (cont'd)

TSE Report – Where Were the Directors?

- ◆ Primary responsibility – stewardship
- ◆ Board responsible for:
 - strategic planning process
 - risk identification and ensuring systems to manage
 - ensuring succession planning for senior management
 - integrity of MIS system

Board Governance (cont'd)

Broadbent Report

- ◆ Responsible for effective governance:
 - processes and structures in place to manage and direct operations
 - ensure effectiveness, credibility and viability of organization
 - fiscal responsibility
 - understands responsibilities and avoids conflicts of interest
 - effective management in place
 - succession planning
 - ensuring assessment and control systems

(See Broadbent Report, Canadian Centre for Philanthropy)

Report on Hospital Governance and Accountability

- ◆ Jointly sponsored by the Ministry of Health and Long-Term Care and the Ontario Hospital Association
- ◆ Positions governance and accountability in the context of the Hospital sector and the broader health system
- ◆ Focuses mutual accountability of providers and government for the effective governance of the health sector
- ◆ Identifies best practices in governance structure and processes as a generic tool for Hospitals , LHIN Boards and other providers
- ◆ Identifies the elements of accountability which will be required of both government and providers in the context of Bill 8 and other
- ◆ Addresses major new challenge of system governance beyond individual organizations
- ◆ OHA Governance Leadership Council using as foundation for Hospital governance renewal

Recurring Themes

- ◆ Governance is a learned discipline
- ◆ Growing body of knowledge on what constitutes “best practice”
- ◆ Good governance doesn’t just happen – essential for Boards to establish systematic framework of governance policies regarding structures and processes for effectively conducting Board business
- ◆ Need for clearly defined Board and individual Directors roles and responsibilities
- ◆ Directors require specific personal attributes and relevant skills and expertise
- ◆ Clear differentiation between governance and management
- ◆ Boards must understand to whom they are accountable and for what
- ◆ Essential to monitor performance of the Board and individual Directors as well as the organization

Health Provider Board Issues

- ◆ Growing accountability requirements across Canada
- ◆ Bill 8 and the establishment of LHINs in Ontario
- ◆ Federal/Provincial/Territorial Health Accords
- ◆ Public and Government demand for health information/outcomes
- ◆ Impact of these reforms on the provider-provider and provider-institutional relationships
 - integration
 - shared services
 - outdated legislation and enablers

The Governance Challenge

- ◆ Boards need to position themselves to address:
 - new accountability expectations
 - oversight of organizational performance against defined indicators
 - balanced budgets
 - growing demand for services
 - interdependency among hospitals and other provider organizations to meet community health needs within available resources
 - alterations in administrative and medical organizational relationships

The Governance Challenge

- ◆ Governance relationships in transition
 - the creation of LHINs, will result in a changed relationship between provider organizations and the MOHLTC
 - LHIN accountability to MOHLTC and provider organization accountability to LHIN
- ◆ LHIN Boards will:
 - establish strategic direction for the system and individual provider organizations
 - direct realignment of provider mandates as appropriate
 - oversee the process of system integration
 - monitor provider performance monitoring against the performance agreement
 - lead to new dynamics and mechanisms for dialogue and management among provider boards, CEOs, and health professionals

The Governance Challenge (cont'd)

- ◆ Providers Boards will be expected to:
 - develop new governance structures and formal agreements to facilitate shared services
 - provide annual provincial reporting to the public and the LHINs
 - develop performance indicators to facilitate Board oversight and monitoring of organizational and clinical performance
 - reconsider mandates and medical staff management
 - develop processes for strengthening governance linkages and integration with other providers, e.g.
 - other Hospitals
 - CCACs
 - family health teams

The Governance Challenge

- ◆ New processes for budget and program approvals
 - programs and services as defined within allocation
 - balanced budget by March 06

Critical Elements for Effective Governance

Governance

- ◆ The exercise of authority, direction and control
- ◆ The act of governing an organization by an ultimately accountable Board, council or commission
- ◆ The fulfillment of responsible ownership on behalf of the community
- ◆ A function which can only be exercised by the Board
- ◆ Increasingly recognized as involving distinct roles and responsibilities
- ◆ A “learned” art or skill
- ◆ Requires priority in the Board’s time and focus if the Board is to be effective

Critical Elements for Effective Governance: Structure

- ◆ Principles of Governance and Board Accountabilities
- ◆ Roles and responsibilities of the Board and individual Directors
- ◆ Guidelines for the selection of Directors
- ◆ Board size and composition
- ◆ Terms of office to facilitate succession planning and renewal
- ◆ Board Committees aligned with roles and responsibilities
- ◆ Corporate membership for meaningful community engagement

Critical Elements for Effective Governance: Process

- ◆ Board policies tied to each area of Board's responsibilities
- ◆ Annual Board goals and work plan
- ◆ Agendas and decision-support documents aligned with Board roles and responsibilities
- ◆ Clear position description and qualifications of Board Officers
- ◆ Nominations process which is systematic, clear and transparent
- ◆ Orientation program and continuing education
- ◆ Annual Performance Evaluation of Board and individual Directors
- ◆ Accountabilities, performance goals and performance evaluation of CEO
- ◆ Performance Indicators for oversight and monitoring organizational performance
- ◆ Processes for linkages with other related organizations

Fundamentals of Governance Renewal

- ◆ Understandable and user-friendly templates to assist and guide Boards of Directors to renew governance policies, practices and by-laws
- ◆ Systematic process to engage Directors in actively debating the fundamentals of governance and to build their ownership and commitment to renewed governance policies and processes

Board Governance Models

Board Governance Models

- ◆ The effective model addresses the organization's history, culture and mandate
- ◆ The model must be appropriate to the circumstances and have flexibility to adapt to change
- ◆ The model must facilitate clarity of accountability and responsibility

Board Governance Models

1. Hands-On Model
2. Traditional Model
3. Carver Policy Governance Model
4. “Hybrid Policy Leadership Model” based on Pointer and Orlikoff

Hands-On Model

- ◆ Board and management roles are combined (common in small voluntary organizations)
- ◆ Board determines, approves and implements policies
- ◆ Board members heavily involved in operations

Traditional Model

- ◆ Lack of clear differentiation between governance and management
- ◆ No defined “Board policies”
- ◆ Board agenda dominated by management priorities and operational matters
- ◆ Board reactive to CEO and Committees - potential for “rubber stamp”
- ◆ Multiple Board Committees - often operational

Carver Policy Governance Model

- ◆ Most extreme separation of governance and management
- ◆ Board is “proactive” - establishes Board policies on “ends” and Board process and monitors performance against them
- ◆ Board oversight of operations limited to Executive Limitations (the CEO shall not)
- ◆ Board functions as a whole - discourages use of Board Committees

Hybrid Policy Leadership Model *

- ◆ Clear separation of governance and management
- ◆ Board focused on providing strategic leadership and direction
- ◆ Board establishes policies and monitors performance related to key dimensions of organization's business as well as its own effectiveness
- ◆ Management focus on development of policy options for Board and management of operations consistent with Board policy
- ◆ Small number of Board Committees tied to key governance responsibilities

** Adapted from Pointer and Orlikoff*

Principles of Governance

- ◆ Set out the Board's overall philosophy and approach to its governance responsibilities
- ◆ Should include
 - a statement of the Board's fiduciary obligations to act in the best interest of the Corporation
 - a statement of the Board's accountabilities to its patients, government and communities served
 - the model of governance which the Board is using
 - provisions with respect to transparency and the approach to decision-making

Board Roles and Responsibilities



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Conceptual Framework – Board Roles and Responsibilities *

	Policy Formulation Role	Decision Making Role	Oversight Role
Responsibility for Ends			
Responsibility for Executive Management Performance			
Responsibility for Quality			
Responsibility for Finances			
Responsibility for Itself			

* Pointer, D.D., Orlikoff, J.E. Board Work: Governing Health Care Organizations. Jossey Bass, 1999.

Board Roles *

- ◆ **Policy formulation** – establish policies to provide guidance to those empowered with the responsibility to manage the organization's operations
- ◆ **Decision-making** – choose from alternatives which are consistent with Board policies and that advance the goals of the organization
- ◆ **Oversight** – monitor and assess organizational processes and outcomes

* Pointer, D.D., Orlikoff, J.E. Board Work: Governing Health Care Organizations. Jossey Bass, 1999.

Board Responsibilities *

- ◆ Formulating organization's strategic direction (ends) including vision, mission and key goals
- ◆ Ensuring high levels of executive management performance
- ◆ Ensuring the quality of organizational performance
- ◆ Ensuring the organization's financial viability
- ◆ Ensuring the Board's own effectiveness and efficiency
- ◆ Building Relationships

*Adpated from Pointer, D.D., Orlikoff, J.E. Board Work: Governing Health Care Organizations. Jossey Bass, 1999.

Strategic Direction (Ends)

◆ Policy

- identify key stakeholders
- establish the vision, mission and core values
- determine approach to strategic planning within the organization
- retain overall accountability for the performance of the organization

◆ Decision-making

- contribute to the development of and approve the strategic plan

◆ Oversight

- ensure that key goals are formulated in the annual operating plans
- monitor performance against the strategic and operating plan

Executive Management Performance

◆ Policy

- process for recruitment and selection of CEO and Chief of Staff?
- executive limitations - delegated authority to CEO
- process for CEO and Chief of Staff performance evaluation
- compensation of CEO and Chief of Staff
- succession planning

◆ Decision-making

- select CEO and Chief of Staff/Chair MAC
- establish measurable annual performance expectations
- delegate responsibility and authority and require accountability to the Board
- approve annual compensation based on performance

◆ Oversight

- appraise CEO and Chief of Staff performance annually
- ensure succession plan is in place

Executive Management Performance (cont'd)

◆ Bill 8

- accountability agreement between “health resource provider” and the Minister
- performance agreement required between the “health resource provider” and the Chief Executive Officer to support achievement by health resource provider of the terms of the accountability agreement
- duty of Board to take all reasonable care to ensure that CEO complies with performance agreement

Quality

◆ Policy

- quality Improvement
- risk management
- performance indicators
- utilization management
- credentialing of professional staff

◆ Decision-making

- credential professional staff on recommendation of MAC
- approve Board level quality goals and performance indicators

◆ Oversight

- monitor indicators of quality of service and clinical outcomes
- ensure processes are in place for utilization and risk management
- provide oversight of credentialed professional staff through reports from MAC

Finances

◆ Policy

- annual financial objectives
- monitoring financial indicators
- annual operating plan
- financial condition
- asset protection
- purchases, contracts, leases
- borrowing
- signing authority
- investment

◆ Decision-making

- approve annual financial objectives, indicators
- approve annual operating plan

Finances

◆ Oversight

- monitor performance against financial objectives/indicators
- ensure financial planning
- ensure operations within resource envelope
- ensure that financial risks are understood by the Board

◆ Interim Accountability Agreement

- provide programs and services as defined within allocation
- balance budget by March 06

Board Effectiveness

◆ Policy – Structure

- principles of governance
- roles, responsibilities of Board and individual members
- guidelines for selection of Directors – generic qualities and specific skills and expertise
- Board size and composition
- Board committees and Terms of Reference
- position descriptions for Board officers and Committee Chairs
- membership in the Corporation

Board Effectiveness (cont'd)

◆ Policy – Process

- nominations process
- code of conduct
- committee/task force principles
- Board orientation
- ongoing Director education
- Board retreat
- Board and individual Director evaluation process
- annual Board work plan

Board Effectiveness (cont'd)

◆ Decision-making

- approve annual nomination of Directors for recommendation to the membership
- periodically review and amend by-laws for approval by the membership
- determine corrective action required arising from evaluation
- to ensure optimal Board functioning

◆ Oversight

- provide for succession planning for Board officers and Directors
- monitor the performance of the Board and individual Directors annually
- ensure ethical behaviours and compliance with laws, regulations and by-laws
- ensure decision-making processes are transparent

Build Relationships

◆ Policy

- process for maintaining relationship with key stakeholders
- Board communications
- mechanisms for collaboration with health system partners

◆ Decision-making

- joint ventures with health system partners

◆ Oversight

- monitor stakeholder feedback on organizational performance

Impact of LHINs on Provider Board Roles and Responsibilities

- ◆ Establishing Strategic Direction
 - LHINs will establish strategic health system plan for geographic area
 - provider strategic plans aligned with system plan and other providers
 - provider organizations meet expectations established through funding and accountability agreements with LHINs
- ◆ Executive Management Performance
 - LHIN CEO accountable to LHIN Board under MOU
 - provider CEO accountability/performance agreement with provider Board under Bill 8
- ◆ Performance monitoring and Indicators
 - LHIN Board monitor system performance
 - provider Board monitor organizational performance

Building on Roles and Responsibilities

- ◆ Board policy manual
- ◆ Board agenda
- ◆ Annual Board goals
- ◆ Board and Committee work plans
- ◆ Board evaluation tool