



## Roles and Responsibilities of Hospital Board Members

### FOR MORE INFORMATION

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## Introduction

Hospital governance has changed greatly in the last decade as a response to local and national trends in health care. To remain engaged and successful in the leadership role, board members are encouraged to sharpen old skills and acquire new ones. Without a knowledge of, and attention to, the basic components of a board's reason for being, a board may inadvertently abdicate its responsibilities. It is the board's responsibility to map the hospital's course through the establishment and periodic review of its mission, vision and goals (American College of Healthcare Executives). This guide provides guidance on governance trends, barriers and best practices.

Additional Board of Trustee resources and education can be found on [MHA's website](#). Questions about the content of this guide can be directed to **Dana Dahl** at [ddahl@mhanet.com](mailto:ddahl@mhanet.com), or 573/893-3700, ext. 1314.

## Major Trends and Pressure to Change

Today's health care system looks different than it did 20 years ago. The role of the hospital has changed from a strictly inpatient sick care facility to an outpatient and inpatient community health care delivery system. That shift in role has led to major changes in the way that providers across the nation assess and treat their patients. In addition, there continue to be closures, mergers and consolidations of health systems and hospitals throughout the nation. In short, health care is a complex industry with many challenges and an ever-moving strategic plan. This guide will assist Missouri hospital Board of Trustee members to learn how to use their unique skill sets to best support the hospital.

Hospitals are under constant pressure to improve outcomes, increase the bottom line, make staffing more efficient and be proactive in the community. Contributing factors, associated with the changing environment, include the following.

- Information technology presents opportunities along with major cost implications.
- Hospital services vary across the nation, making standardization difficult.
- Public satisfaction with the health care system is low.
- Primary issues like access to care, the cost of delivering and providing services, quality of care, and managed care contracts force hospitals to continually assess their processes.
- Health care reform has become part of the political, social and economic agenda; however, reactions to outcomes have been mixed.

## Board Basics

Each hospital board is unique and has a variety of goals and skill sets. Success is hinged on finding ways to not only address the uniqueness of the group and hospital, but also executing common board responsibilities. Boards are not like Congress or the courts. They need to speak with one voice. There should be much discussion. There may be disagreements, and opinions should be expressed. But, in the end, board members need to unite behind a majority decision (American College of Healthcare Executives).

Public Boards Versus Community Boards		
	Public Hospital	Community Hospital
<b>Selection Process</b>	Elected/Appointed	Hand Selected
<b>Trustee Size</b>	Smaller	Larger
<b>Trustee Expertise</b>	Varies	Targeted
<b>Diversity of Opinion</b>	Limited	Wide
<b>Prior Experience</b>	Varies	Often Serves First on Advisory Board

## Hospital Governance Responsibilities

- Legally, trustees are responsible for everything that happens in the hospital.
  - ✓ policies
  - ✓ quality patient care
  - ✓ financial and institutional oversight
  - ✓ short- and long-range strategic goals
- Trustees do not manage the hospital or deliver patient care, they provide oversight and direction.

### *Governing Board Key Principles*

- works on behalf of the hospital owner, while the CEO is the agent of the board hired to run the operational affairs of the hospital
- delegates the day-to-day management to the CEO and patient care to the medical staff
- formulates policy
- guides the hospital CEO to implement policy
- monitors how the policy is implemented and its outcomes

### *Board Members Must Understand*

- distinctions among board business, management business and medical staff business
- roles and business of the board
- how the board's responsibilities are affected by changes occurring in the health care delivery system
- their individual obligation as a trustee

## Board Responsibilities

The board should:

- have a written strategic plan for the year and/or multiple years. The strategic plan should be assessed for progress during consistent intervals to ensure progress is being made on goals and objectives.
- conduct a performance evaluation of itself and of the CEO on a regular basis.
- expect to receive information, reports and recommendations that are relevant to the board's responsibilities and that will assist it in performing its role.
- define and safeguard the hospital's mission, vision and values.
- promote positive relationships with local, state and federal governments, the community, and funding sources.
- ensure that the hospital meets the community's needs.
- serve as an advocate for the hospital.

### *Pitfalls Boards Should Avoid*

- Failing to keep their eye on critical or timely issues.
- Ignoring the bylaws, board policies or strategic plan.
- Disregarding code of ethics/conflicts of interest.
- Discussing confidential issues in public.
- Demonstrating a lack of support for hospital, fellow trustees or CEO/management team.
- Failing to perform board self-evaluation and/or act on opportunities to improve overall board performance.
- Neglecting to focus on quality care.
- Not tracking benchmark quality performance and outcome measures.
- Not understanding the appropriate roles for trustees and management.
- Lacking continued education in the health care field.

### *Individual Roles/Responsibilities*

Individual board members are responsible for contributing to the advancement of the organization by:

- being committed to the governing board, hospital and community
- understanding and believing in the organization's mission
- avoiding conflicts of interest and rumors
- observing high standards of integrity
- maintaining the confidentiality of board meetings
- preparing for each board meeting by studying the agenda and supporting information
- acquiring a working knowledge of the health care industry and trends
- attending the entire board meeting(s)
- carrying out board assignments and meeting deadlines
- publicly supporting board actions even if you do not agree with the decision
- attending continuing education programs

### *The Board Chair*

Each board chairman will bring a unique skill set and experience to the position. An effective chair learns how to use their skills to get work accomplished and create a positive working environment for fellow trustees.

The board chair has two duties no other trustee has: run the board meeting and manage the behavior of individual trustees during said meetings. An effective board chair can make the difference between an efficient and a nonefficient meeting. A goal of the chair should be creating a focused, yet creative environment.

The chair and the CEO must work as a team, with the board chair being the primary resource and support for the CEO.

Above all, the board chair must ensure that board meetings are fair. A fair board meeting includes compromise; most board members feel as though the rules were enforced consistently and all participants had a fair chance to present their views.

## Board Relations

The hospital Board of Trustees and the CEO must work together closely throughout the course of the relationship. In smaller hospitals, it is easy for the board to oversee and network with other members of the executive leadership team; however, it is imperative that the board focus on the success and evaluation of the CEO. It is the CEO's responsibility to assure the board that succession planning and leadership development is a priority to him/her. The board's focus on the CEO relationship should include the following aspects.

- recruit and select the CEO
- define the CEO's duties and responsibilities
- set executive compensation/incentives
- determine employment contracts/severance provisions
- conduct annual performance reviews
- delegate authority to the CEO
- support the CEO through training and mentoring
- develop a comprehensive succession plan for the CEO
- trust its CEO and management team
- constantly challenge its CEO in ways that are *productive*

Trustees must perform a difficult balancing act. On one hand, trustees support their CEO and allow the management team to lead operations; on the other hand, trustees make sure that management is doing its job well. While being a cheerleader is not enough, being constantly suspicious of management can ruin the organization.

### ***Board – Medical Staff Relations***

The hospital board and medical staff relationship should be a trusting partnership, where both the medical staff and hospital work closely together to provide quality care for patients. But hospitals and medical staffs often have differing perspectives and unique cultures, which can lead to a disconnect between the two. There are actions that board members can take to improve alignment to build a high-functioning, strong hospital and medical staff relationship (The Walker Company).

- Be a good listener. The medical staff are both a collaborator and potentially a competitor — ensure you take the time to listen for their intent.
- Encourage open dialogue and include the medical staff on process improvement teams.
- If priorities begin to vary, refocus the conversation on the hospital's mission, vision and values.

- Support physician leadership development, which will ultimately improve care and communication.
- Sources of possible conflict:
  - ✓ joint ventures
  - ✓ niche providers
  - ✓ quality assurance and patient safety — priorities or events
  - ✓ medical staff credentialing/privileges
  - ✓ malpractice and risk management

## Role of Trustees Versus Management

- Most people have more work experience as managers or business owners than as trustees.
- Often, when difficult decisions have to be made, people fall into comfortable, familiar roles.
- Sometimes, this can cause a blurring of authority between hospital governance and management execution of policy.
- If the hospital is going to do the most good for the most people, it must have managers who manage and trustees who govern.

### *Trustees Should*

- ✓ speak their mind
- ✓ ask hard questions and demand clear answers
- ✓ stay open-minded
- ✓ trust their professional management team
- ✓ trust other board members
- ✓ think about their community first
- ✓ work to help the good of the organization
- ✓ be a hospital advocate

### *Roles – What the Board Decides*

- ✓ Why the hospital exists.
- ✓ Who the hospital’s customers are.
- ✓ What services the hospital should provide to its customers.
- ✓ What cost the hospital will pay to provide the services.
- ✓ What niches the hospital will fill in the future.
- ✓ Who the CEO should be.

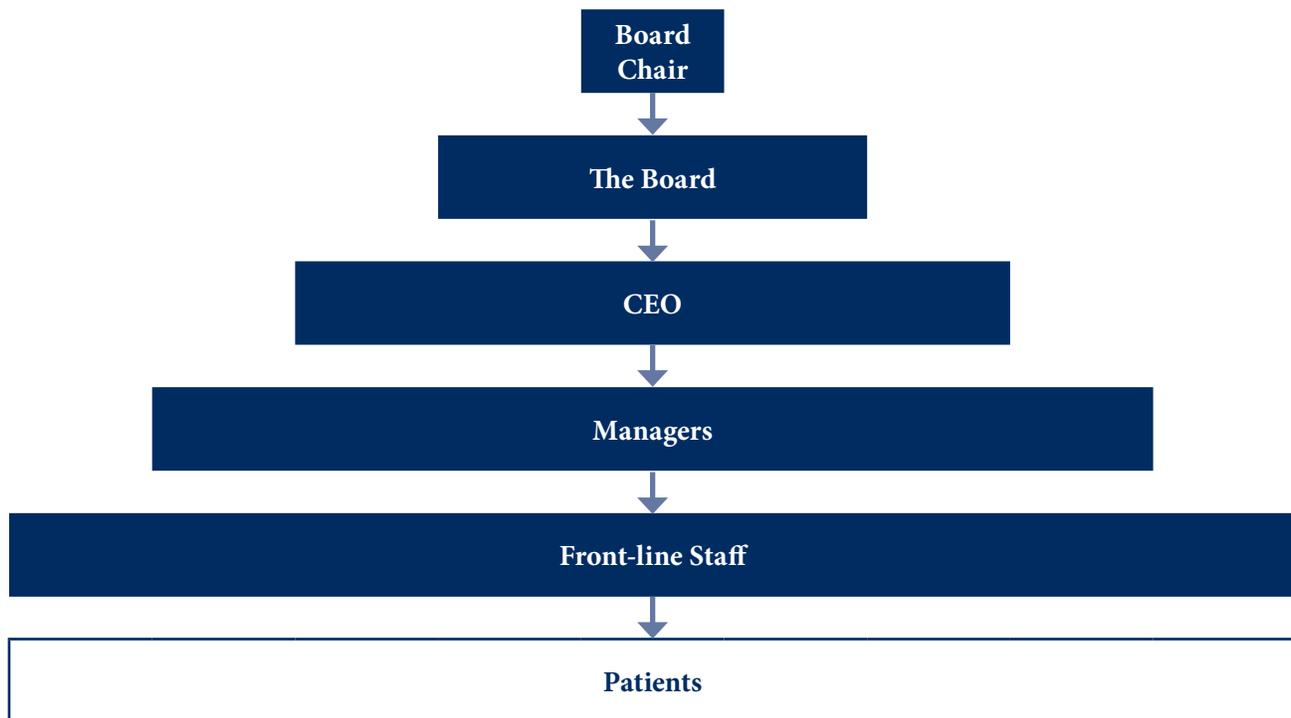
### *Trustees Should NOT*

- ✓ keep their doubts to themselves
- ✓ accept complacency
- ✓ make their mind up before they have the facts
- ✓ go behind the CEO’s/management team’s backs
- ✓ nitpick board work
- ✓ promote special interests
- ✓ sacrifice the greater good for an easy answer
- ✓ speak poorly about the hospital in public
- ✓ undermine the CEO’s authority

### *Roles – What Management Decides*

- ✓ How to reach the hospital’s customers.
- ✓ How to optimize the services the board wants to offer.
- ✓ How to make the hospital efficient.
- ✓ What actions the hospital should take to achieve the board’s goal.
- ✓ Who should work for the hospital.

## Chain of Command



## Board Involvement With Quality of Patient Care

The hospital or health system board can and should delegate the design, implementation and measurement of quality of care to administration and staff. However, the board is legally and ultimately responsible for ensuring quality care is available and provided to patients. As such, the board needs to be comfortable that the systems are in place to make that assurance, and it needs to see indicators that allow a board member to understand the hospital's quality compared with the quality at similar organizations (benchmarking) (American College of Healthcare Executives). There are many ways that the board is involved in quality improvement activities.

- Appoint and maintain an organized, qualified medical staff.
- Ensure that the hospital complies with, and meets, regulatory, legal and accreditation standards and requirements.
- Maintain a professional standard of care.

- Track quality indicators to measure the quality of care patients receive at the hospital. A few examples include the following.
  - ✓ length of stay
  - ✓ hospital-acquired (nosocomial) infections
  - ✓ medical errors
  - ✓ returns to surgery
  - ✓ C-section rates
  - ✓ mortality rates by service line
  - ✓ unplanned readmissions to the hospital and/or operating room
  - ✓ patient falls
  - ✓ patient satisfaction
  - ✓ never events
  - ✓ any key indicator developed by medical staff and management, including staffing metrics such as turnover and vacancy rates
- Regularly review public data comparing hospital quality outcomes to similar hospitals.
- Understand medical staff credentialing process and candidates who apply for privileges.
- Approve appointment of a compliance officer and be confident in the person's ability to perform their job.
- Receive regular compliance updates from the compliance officer and have a compliance plan to ensure that the hospital is operating within the law.

Effective boards believe the importance of quality care is equal to or surpasses the importance of financial matters. This sends the clear message to the administration, medical staff, the nursing staff and others about the board's priorities. These boards strive to run hospitals and health systems that benchmark effectively in all areas of quality measurement (American College of Healthcare Executives).

## Fiduciary Role

The board plays an important role in the management of the hospital's financial health. A trustee's fiduciary duties to the hospital are obedience, care and loyalty.

### *Duty of Obedience*

- Personally obey the law.
- Make sure the hospital obeys the law.
- Carry out the hospital's mission and vision.
- Follow the bylaws and board policies.
- Ensure bylaws set forth how the hospital owners want the board to function — the rules of engagement.

### *Duty of Care*

- Be careful and prudent in managing the hospital's affairs.
- Be informed ... when unsure, ask questions.
- Use independent judgment.
- Act honestly.
- Oversee activities delegated to CEO without getting involved in hospital operations.

### *Duty of Loyalty*

- Board members must always put the hospital's interests ahead of personal interests of business, associates, friends and relatives.
- Be aware and disclose conflicts of interest.
- Avoid insider transactions.
- Maintain confidentiality.

In addition to the above duties, the board should work to protect the financial status of the hospital by reviewing and approving proposed budgets, ensuring that assets are being properly invested and keeping sufficient capital to deal with any future opportunities. This would include providing capital to meet the hospital's mission and vision, and creating philanthropic opportunities when feasible. Financial policy development is also a responsibility of board members — policies such as charity care, bad debt, discounts and community service should all be outlined and approved by the board.

## Legal Protection for Trustees

The potential for corporate and personal liability can cause concern for trustees; however, trustees have protection when their duties are exercised according to the Duty of Care standard.

### *Legal Protection Concepts*

- Duty of Care requires trustees to perform responsibilities in good faith, in a manner reasonably believed to be in the best interest of the hospital and with the care that a prudent person would reasonably expect in a like position and under similar circumstances.
- “Good faith,” “prudent person” and “best judgment” are legal concepts that can be described by your hospital’s legal counsel.



### *How Governing Board Members Can Be Protected From Liability*

- Board members can more easily defend themselves if they follow reasonable governance practices; they cannot stop a lawsuit from being filed.
- Indemnification (essentially self-insurance) covers trustees in the event of legal action.
- Directors’ and officers’ liability insurance covers suits involving actions taken in good faith.
- General hospital liability insurance covers auto, property, malpractice, fiduciary and other areas.

## Effective Board Evaluation Process

A successful board sees the value in self-evaluation. Looking closely at the routine tasks, communication and role of the hospital board will ensure that the committee is functioning in full capacity. The evaluation does not have to be complex.

- Regularly define what the board does and how effectively it performs its duties.
- Evaluate the skills, knowledge and level of participation of individual trustees.
- Determine the areas which need improvement to meet accreditation or regulatory requirements, and improve efficiency.
- Answer questions related to the duties, mission, vision, organization, planning meetings, filling vacancies and the board's authority.
- Conducting a self-evaluation survey should be an annual board activity.
- Encourage participation of all board members.
- Consider the CEO's/medical staff's perspective.
- Assess community reaction to board action, such as newspaper stories and citizen feedback.
- Review and discuss board evaluation results in detail, implement process improvement changes as necessary.

## Surviving and Thriving in the Future

- The need for organizational efficiency and effectiveness will in large measure define hospital success.
- Information technology and medical technology will be key strategic differentiators.
- Value and quality will increasingly define hospital payments, rather than procedures.
- There will be an emphasis on wellness and coordinated care.
- To create focused, strategic priorities, hospitals will have an increased emphasis on data.

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