

Effective Hospital Boards: Governance v. Management



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Introduction

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Overview

LAST YEAR

- Effective Governance
- Board Responsibilities
- Board Roles
- Effective Members
- Effective Meetings
- Fiduciary Duties
 - Duty of care
 - Duty of loyalty
 - Duty of obedience



TODAY

- Governance v. Management
- Credentialing and corrective Action



Written Resources

- PowerPoint slides
- *Roles and Responsibilities of Hospital Board Members*, Missouri Hosp. Ass'n (2021)
- B. Bader, *Distinguishing Governance from Management*, IHA Trustee Services (2008)
- Board Brief, *Understanding the Difference Between Governance and Management Responsibilities*, Colorado Hosp. Ass'n (2014)

Disclaimer

- I hope this will be more of a discussion than lecture.
 - Please comment, ask question, share best practices.
- This is an overview of some of the principles, rules and laws.
 - Modify as appropriate to your situation.
 - Consider applicable
 - State statutes and regulations
 - Hospital and medical staff bylaws
 - Contracts

Rules may differ depending on type of hospital...



Public (govt owned)

- Subject to state laws regarding operations (e.g., open meeting, public records, elections, finance, etc.).
- Board must act per statutory obligations.
- Govt immunity.

Private nonprofit

- Subject to state and federal laws regarding nonprofit corporations.
- Operate for charitable purpose, community benefit.
- Board must further charitable mission.

Private for profit

- Greater flexibility in operations.
- Subject to state laws regarding corporations.
- May have national and local board.
- National board acts for benefit of shareholders.

Governance v. Management



Hospital Boards

IDAHO

The “**governing** body ... has ultimate authority and responsibility for the operation of the hospital.”

(IDAPA 16.03.14.200; see also 42 CFR 482.12)

WYOMING

“There shall be a **governing** body legally responsible for the management and operation of the hospital.”

(Wyo. Admin. R. Ch. 12 § 6)

Hospital Administration

IDAHO

“The governing body, **through the administrator**, shall provide appropriate physical facilities and personnel required to meet the needs of the patients and the community.”

(IDAPA 16.03.14.200.02)

WYOMING

“The **hospital administrator**, appointed by the governing body, **shall be the executive officer of the hospital...** She shall be responsible directly to such governing entities and shall execute all policies established by the governing body.”

(Wyo. Admin. R. Ch. 12 § 6)

What is the difference?

GOVERNANCE?

MANAGEMENT?



https://www.youtube.com/watch?v=w_OsAPpu6QM

What is the difference?

GOVERNANCE?

Focus on primary responsibilities:

1. Hospital mission
2. Hiring and evaluating CEO.
3. Strategic planning.
4. Community relations.
5. Ensuring:
 - a. Quality patient care.
 - b. Financial stability.
 - c. Regulatory compliance.
6. Credentialing qualified providers.
7. Board education and renewal.

MANAGEMENT?

- Tactical steps to achieve Board's strategic plan.
- Implements and enforces Board policies.
- Manages day-to-day operations.
- Handles employment issues.
- Recommends and reports to Board.

Board's Roles	Management's Roles
Select, evaluate and support the CEO	<ul style="list-style-type: none"> ✓ Run the organization in line with board direction. ✓ Keep the board educated and informed. ✓ Seek the board's counsel.
Approve high-level organizational goals and policies.	<ul style="list-style-type: none"> ✓ Recommend goals and policies, supported by background information.
Make major decisions.	<ul style="list-style-type: none"> ✓ Frame decisions in the context of the mission and strategic vision and bring the board well-documented recommendations.
Oversee management and organizational performance.	<ul style="list-style-type: none"> ✓ Bring the board timely info in concise, contextual or comparative formats. ✓ Communicate with candor and transparency. ✓ Be responsive to request for additional info.
Act as external advocates and diplomats in public policy, fundraising and stakeholder/community relations.	<ul style="list-style-type: none"> ✓ Keep the board informed, bring recommendations, and mobilize directors to leverage their external connections to support the organization.

(B. Bader, *Distinguishing Governance from Management*, IHA Trustee Services, Great Boards (Fall 2008))

What happens if you cross the line?

GOVERNANCE?

MANAGEMENT?



What happens if you cross the line?

GOVERNANCE?

MANAGEMENT?

- Lose perspective and direction
- Act without knowledge or expertise
- Expose self and hospital to liability
- Lose statutory immunity (e.g., peer review, volunteer, etc.)
- Undermine management credibility
- Disrupt operations
- Drive away competent management
- Other?

Governance v. Management

“The role of a director [or trustee] is not to provide management. It is to assure that management is provided.”

- Norman R. Augustine, retired Chairman and CEO of Martin Marietta and Lockheed Martin Corp.; Chair of American Red Cross, National Academy of Engineering, Advisory Committee on the Future of the United States Space Program



How do you tell the difference?

GOVERNANCE?

MANAGEMENT?

“It’s often a challenge for board members to see the fine line between management and governance....

“Micromanagement is a term generally applied to boards that pay too much attention to details, and not enough attention to the ‘big picture’ strategic issues and implications. Board members must understand that they are expected to be the leaders and overseers, not managers and implementers. They should be concerned with the ‘what,’ not the ‘how’. It’s up to everyone on the board to guard against micromanagement. The board chair should ensure its members understand their roles, and consistently adhere to them. In addition, the CEO needs to be willing to candidly discuss problems of micromanagement with the board chair to work out board-driven solutions to this problem, if it exists.”

How do you tell the difference?

GOVERNANCE?

MANAGEMENT?

1. Is it big?
2. Is it about the future?
3. Is it core to the mission?
4. Is a high-level policy decision needed to resolve the situation?
5. Is a red flag flying?
6. Is a watchdog watching?
7. Does the CEO want and need the board's support?

(B. Bader, *Distinguishing Governance from Management*, IHA Trustee Services, *Great Boards* (Fall 2008))

How do you do it?

GOVERNANCE?

MANAGEMENT?

everything
is easier SAID
than done

except for talking

that's about
the same

How do you do it?

GOVERNANCE?

MANAGEMENT?

What do you do when...

- A physician or hospital employee comes to you with a complaint or concern?
- A community member comes to you with a complaint or concern?
- Administration's report raises significant concerns?
- You think Administration is not handling a concern in an appropriate manner?
- Administration is tasked with an item about which you would like to have significant input?
- Other situations?

Governance v. Management Summary

- Focus on items that will enable hospital to accomplish its mission.
- Establish mission, vision, goals, policies and expectations.
- Hire an effective CEO.
- Task CEO with developing plans to achieve mission and goals.
- Review proposed plans.
- Let management manage.
- Review and hold management accountable for performance.



Shared Goals, Different Roles

Board's Roles

1. Sets policies
2. Makes big decisions
3. Oversees management

Governing Board:

“ultimate authority and responsibility for the operation of the hospital.”
(IDAPA 16.03.14.200; IC 39-1395; *see also* Wyo. Admin. R. 12-6)

Administration

“vest[ed] with general managerial powers over the operation of the hospital...”, i.e., day-to-to day operations
(IC 31-3609; *see also* Wyo. Admin. R. 12-6(c))

Medical Staff

“responsible to [Board] for quality of all medical care provided the patients, and for the professional practices ... of the members.”
(IDAPA 16.03.14.250; *see also* Wyo. Admin. R. 12-7)



Additional Resources



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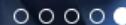
About Trustee Services ▾

NEW RESOURCE

Boardroom 101: Key Strategies and Practical Tools for Orienting New Board Members

This resource from AHA Trustee Services provides information and guidance, including sample agendas and questions for board members to consider as they learn about health care, their hospital and/or health system, and board responsibilities.

Learn More!



Board Responsibilities >

Board Support >

Foundation Board Resources >

Governance Effectiveness >

System Board Resources >

Resources, Tools and Education to Foster High-Performing Hospital and Health System Boards

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<https://trustees.aha.org/sites/default/files/trustees/09-guide-to-good-governance.pdf>

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Resource Repository

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- » Board Meetings
- » Board Structure
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The Guide to Good Governance for Hospital Boards

Home > Resources > Reports > Guide To Good Governance >

The AHA's Center for Healthcare Governance is a community of board members, executives and thought leaders dedicated to advancing excellence, innovation and accountability in health care governance. The Center's mission is to offer new and seasoned board members, executive staff and clinical leaders a host of resources designed to progressively build knowledge, skills and competencies tailored to specific leadership roles, environments and needs to help fulfill its mission the Center is pleased to provide The Guide to Good Governance, a resource for U.S. hospital boards and leaders adapted from the original Canadian version developed by the Ontario Hospital Association.

The Guide contains a comprehensive overview of the key components of good governance practices, as well as templates and tools to support these practices.



The resource materials found in the Guide are intended for use by all hospitals, non-profit, government or for-profit, however, they may need to be adapted to meet the needs of specific institutions. Hospitals are therefore encouraged to customize the tools and templates to meet their unique needs. It is not expected that hospitals will adopt the Guide in its entirety. Further, hospitals may wish to consult the Guide for different purposes. For example, new board members may utilize the Guide to familiarize themselves with governance practices and processes, while more experienced board members and officers may look to the Guide to supplement their practices in a particular area the Guide is not intended, nor should it be construed as legal advice. Hospitals concerned about the applicability of specific governance practices to their organization are advised to seek legal or professional advice based on their particular circumstances.

As hospitals continue to improve their governance processes and practices, additional resources will be needed. The Center looks forward to developing further tools, resources and educational programs that will

[HTTPS://WWW.HOLLAND HART.COM/HEALTHCARE](https://www.hollandhart.com/healthcare)

Free content:

- Recorded webinars
- Client alerts
- White papers
- Other

The screenshot shows the Holland & Hart website's Healthcare section. At the top, the navigation bar includes the firm's logo, "People Capabilities", and a search bar. The main header features the word "Healthcare" in large white text over a dark background with a stethoscope image. Below this is a sub-navigation menu with "Overview", "Expertise", "People", and "News and Insights". A section titled "Areas of Focus" contains five buttons: "Business Litigation", "Corporate", "Employment and Labor", "Mergers and Acquisitions", and "Real Estate". The main content area starts with the text "Healthcare is a massive industry that needs specialized legal advice." followed by three icons and links: "WEBINAR RECORDINGS" (with a computer monitor icon), "PUBLICATIONS" (with a book icon), and "IDAHO PATIENT ACT TIMELINE" (with a caduceus icon). On the right side, there is a "Primary Contacts" section featuring a photo of Kim Stanger and his name.

Questions?



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