NATIONAL ASSOCIATION OF
Community Health Centers®

GOVERNANCE GUIDE
FOR HEALTH CENTER BOARDS

NATIONAL ASSOCIATION OF COMMUNITY HEALTH CENTERS
7501 WISCONSIN AVE, SUITE 1100W
BETHESDA, MD 20814

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ABOUT NACHC

Established in 1971, the mission of the National Association of Community Health Centers (NACHC) is: *"To promote efficient, high quality, comprehensive health care that is accessible, culturally and linguistically competent, community directed, and patient centered for all."*

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Gina Capra, NACHC
Jacqueline C. Leifer, Feldesman Tucker Leifer Fidell LLP
Donald L. Weaver and representatives of the Clinical Affairs Division, NACHC
Gervean Williams, NACHC

Should you have feedback on this *Governance Guide* or have suggestions about topics to be included in future versions, please contact Emily Heard, Director of Health Center Governance Training, at trainings@nachc.org or 301 347 0400.

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Introduction

Boards of directors play a vital role in the overall success and sustainability of community health centers (health centers) serving high-need medically underserved areas and special populations (migratory and seasonal agricultural workers, homeless, and residents of public housing).

A strong board that understands its role and effective governance practices is better able to help its health center adapt and thrive in the changing and increasingly complex health care environment. This *Governance Guide for Health Center Boards* (*Governance Guide*) is designed as a resource for health center boards and board members. While the board's personnel oversight responsibilities extend only to the Chief Executive Officer (CEO), the CEO often designates staff to assist them in supporting the board; the CEO and such staff may also find this *Governance Guide* to be useful.

The *Governance Guide* addresses major areas of board responsibility and contextualizes them, where appropriate, in the requirements of Section 330 of the Public Health Services Act, and implementing regulations (42 CFR, parts 51c and 56), addressed in the Health Resources and Services Administration (HRSA) Health Center Program Compliance Manual (Compliance Manual) and relevant state and federal laws. In particular, the *Governance Guide* includes hyperlinks to the Compliance Manual, which are best utilized when reading an electronic version of this document.[1] The *Governance Guide* also reflects the latest effective governance practices for nonprofit boards. An Appendix at the end of this document contains key governance terms (Appendix 1).

Health centers may use this *Governance Guide* in a variety of ways:

- Individual board members or staff members may review the *Governance Guide* independently. Each chapter contains questions for reflection by individual learners.
- A board may opt to use this resource as part of its own ongoing board education. For example, a board may assign a chapter as a pre-read and have a conversation about the content at a board meeting or during a board retreat. Each chapter contains questions for reflection by the board.
- It can be used in conjunction with a facilitated board training.

Note: In the workbook the term "**health center**" refers to public or private nonprofit entities that: (1) receive an award under Section 330 of the Public Health Service Act (Section 330), including Sections 330(e), 330(f), 330(g) and 330(h) (collectively "Health Center Program Awardees"); and (2) entities that have been determined by the United States Department of Health and Human Services (DHHS) to meet the requirements to receive funding without actually receiving an award ("**look-alikes**").

[1] Links and citations were accurate at the time this document was written.

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Health Center Program Overview

It is important for health center board members to have an understanding of the history of the health center Movement and knowledge of the Health Resources and Services Administration (HRSA) Health Center Program. This short section addresses:

A. A Brief History of Health Centers
B. A Brief Overview of the Health Center Program

A. A Brief History of Health Centers[2]

America's Health Centers owe their existence to a remarkable turn of events in U.S. history, and to a number of determined community health and civil rights activists who fought more than 50 years ago to improve the lives of Americans living in deep poverty and in desperate need of health care.

Among those determined to change these conditions was H. Jack Geiger, then a young doctor and civil rights activist who, while studying in South Africa with British public health experts Sidney and Emily Kark, witnessed how a unique community-based health care model had brought about astonishing health improvements for the poorest citizens of that country.

Moving on the opportunity presented by President Lyndon B. Johnson's major War on Poverty initiatives in the early 1960s, Dr. Geiger and other health care pioneers submitted proposals to the federal Office of Economic Opportunity to establish health centers in medically underserved inner city and rural areas of the country based on the same health care model Geiger had studied in South Africa. Funding for the first two "Neighborhood Health Centers" (as they were then called) – one in Boston, Massachusetts, and the other in Mound Bayou, Mississippi – was approved in 1965, and the Community Health Centers Program was launched. Drs. Count Gibson, John Hatch, and Robert Smith, among many others, played a critical role in the creation of the health center Movement.[3]

The Community Health Center Model was designed to remove barriers and challenges to care such as the lack of transportation, different languages, literacy, and race, by providing services in communities where people would otherwise not have access to doctors, primary care, and other essential health services. Community Health Centers were also among the first to go beyond the four walls of medicine to address the causes of chronic and poor health conditions such as nutrition and food insecurity, homelessness, dangerous environmental conditions, and unemployment.

In 1975, Congress passed legislation that authorized the creation of the nation-wide Health Center Program under Section 330 of the U.S. Public Health Service Act. The law specifically defined how organizations receiving grants under the Health Center Program should function. A unique and distinguishing element of health centers was, and remains, governance by consumer-majority governing boards.

Over 1,400 health centers serve as the primary medical home for more than 28 million people across America. Health centers enjoy longstanding bipartisan support by Administrations and policymakers at all levels, as well as in both the private and public sectors.

[2] This history is primarily from www.nachc.org and NACHC's *Community Health Forum*, America's Community Health Centers 50 Years (Spring 2015).

[3] Extensive additional resources and information on the health center movement's history can be found at https://www.chcchronicles.org/.

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B. A Brief Overview of the Health Center Program

Under the Health Center Program, Congress appropriates federal dollars for awards to health centers and tasks the U.S. Department of Health and Human Services (DHHS) to oversee award-supported activities. Within DHHS, the Program is administered by the Health Resources and Services Administration (HRSA) through its Bureau of Primary Health Care (BPHC). Organizations that meet the requirements of the Health Center Program submit an application for funding and, based on availability of funds and an objective review of the application, HRSA may provide an award to help cover the costs of providing health care services in its community.

Health Center Program "look-alikes" are organizations which do not receive an award but are eligible for other benefits available to Health Center Program awardees.[4] The HRSA website notes: "Look-alikes were established to maximize access to care for medically underserved populations and communities by allowing entities that do not receive Health Center Program funding to apply to become part of the Health Center Program;" more information on look-alikes, including the application process, can be found on the HRSA website.[5]

Additional information about the Health Center Program can be found on the HRSA website (https://bphc.hrsa.gov/about/index.html).[6]

Health Center Program Compliance Manual

HRSA is responsible for monitoring awardees and look-alikes to assure that they are in compliance with certain applicable Federal laws, regulations, and policies. These requirements are addressed in HRSA's Health Center Program Compliance Manual (often referred to as the "Compliance Manual").[7] The Compliance Manual supersedes many former Policy Information Notices (PINs) and Program Assistance Letters (PALs), including PIN 2014-01: Health Center Program Governance.

Health Centers should now look to the Compliance Manual for all Health Center Program requirements including governing board-related requirements. Each program requirement-related chapter in the Compliance Manual includes various sections:[8]

- Authority: Lists the applicable statutory and regulatory citations.
- Requirements: States the statutory and regulatory requirements.
- Demonstrating Compliance: Describes how health centers would demonstrate to HRSA their compliance with the requirements.
- Related Considerations: Describes areas where health centers have discretion with respect to decision-making or that may be useful for health centers to consider when implementing a requirement.

It is important for boards to be familiar with the Compliance Manual in its entirety. In this *Governance Guide*, Chapter 19: Board Authority and Chapter 20: Board Composition of the Compliance Manual are highlighted because they are particularly applicable to boards; both of these chapters also include references to various other chapters that contain additional relevant details for boards.[9] Also of particular note to boards are Chapter 11: Key Management

[4] See Section 1861(aa)(4) of the Social Security Act.
[5] See https://bphc.hrsa.gov/programopportunities/lookalike/index.html for more information on look-alikes.
[6] For more information about the Health Center Program, visit https://bphc.hrsa.gov/about/index.html.
[7] HRSA's Health Center Program Compliance Manual can be accessed at https://bphc.hrsa.gov/programrequirements/compliancemanual/index.html.
[8] Descriptions are from the "Introduction" of the HRSA Health Center Program Compliance Manual available at https://bphc.hrsa.gov/programrequirements/compliancemanual/introduction.html.
[9] Chapter 19 of the HRSA Health Center Program Compliance Manual can be accessed at https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-19.html#titletop and Chapter 20 can be accessed at https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-20.html#titletop. Chapter 19 includes references to: Chapter 4: Required and Additional Health Services; Chapter 6: Accessible Locations and Hours of Operation; Chapter 9: Sliding Fee Discount Program; Chapter 10: Quality Improvement/Assurance; Chapter 12: Contracts and Subawards; Chapter 15: Financial Management and Accounting

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Staff and Chapter 13: Conflict of Interest. Throughout this *Governance Guide,* excerpts from and hyperlinks to the Compliance Manual are included where relevant to board roles and responsibilities.

Operational Site Visit

HRSA conducts periodic site visits of health centers, called Operational Site Visits (OSV), as part of its oversight responsibility under the Health Center Program. HRSA's Health Center Program Site Visit Protocol (SVP) is the tool used to assess compliance with the Health Center Program requirements during such visits; the SVP establishes a standardized methodology for the OSV that aligns with the Compliance Manual.[10] Various governing documents, such as the bylaws and board meeting minutes are assessed during the OSV and board members participate in interview(s).

Public Health Center Governance

Public agencies, such as county or city health departments and universities, among others, may receive grant funding under the Health Center Program. As noted in Chapter 19: Board Authority, footnote 12 of the Health Center Program Compliance Manual: "Public agencies are permitted to utilize a co-applicant governance structure for the purposes of meeting Health Center Program governance requirements. Public centers may be structured in one of two ways to meet the program requirements: 1) the public agency independently meets all the Health Center Program governance requirements based on the existing structure and vested authorities of the public agency's governing board; or 2) together, the public agency and the co-applicant meet all Health Center Program requirements."

To learn more about public health center governance, see the Public Centers Monograph available from NACHC (https://mylearning.nachc.com).

Systems; Chapter 17: Budget; Chapter 18: Program Monitoring and Data Reporting Systems. Chapter 20 includes references to: Chapter 4: Required and Additional Health Services; Chapter 6: Accessible Locations and Hours of Operation; Chapter 9: Sliding Fee Discount Program; Chapter 17: Budget. The full Compliance Manual can be found at https://bphc.hrsa.gov/programrequirements/compliancemanual/index.html.

[10] HRSA's Site Visit Protocol can be accessed at https://bphc.hrsa.gov/programrequirements/svprotocol.html.

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Chapter 1: The Role of the Health Center Board and Board Members

Executive Summary

The majority of health centers are incorporated in their respective states as a non-profit organization and have a board of directors which governs the organization. Governance refers to the legal process carried out by the board as a collective to ensure the efficiency and sustainability of the health center on behalf of the community it serves.

Health center boards must comply with relevant state and federal laws. As a condition of receiving an award under the Health Resources and Services Administration (HRSA) Health Center Program, health center boards must also follow various requirements of that program.[11] The most effective boards are also aware of and implement good governance practices.

This chapter discusses some of the fundamentals of governance. Specific topics include:

A. Health Center Board Roles and Responsibilities
B. Individual Board Member Duties and Roles
C. Governance versus Management
D. Pillars of High-Performing Boards

Tips for Using this Section

Using This Chapter as a Board

If your board is reviewing and discussing this chapter as a group, consider the following discussion questions:

- Is our board fulfilling its roles and responsibilities? What responsibilities do we want to learn more about?
- How are individual board members doing in fulfilling their responsibilities?
- How well do we understand the board's role versus that of the CEO (and staff)? If we tend to overstep and focus on tasks that should be handled by the CEO, how can we identify and address it as a group?
- What pillars of high-performing boards do we currently have in place? What practices of high-performing boards might we want to implement or learn more about?

Using This Chapter as an Individual

If you are reviewing this chapter on your own, consider the following questions:

- What did I learn from this chapter and how will it help me?
- What did I learn from this chapter that may be helpful to the board that I serve on or support?
- How well does the board I serve on or support understand its role versus that of CEO?
- What pillars of high-performing boards does the board I serve on or support not currently have in place that might enhance the board's performance?
- Would additional information be helpful and, if so, on what topics?

[11] For more information, visit https://bphc.hrsa.gov/.

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A. Health Center Board Roles and Responsibilities

The vast majority of health centers are nonprofit organizations, which are required by law to have a board of directors that assumes fiduciary responsibility for the well-being of the organization. Governance is unique because authority is placed in the board of directors as a collective and this authority is exercised when the board formally convenes at its board meetings. The board steers the organization and provides oversight. Individual board members have duties and responsibilities (discussed later in this chapter) but alone have no authority for decision-making on behalf of the health center.

In general terms, a health center board's responsibilities fall into the areas below, which will also be discussed in greater detail in other parts of this *Governance Guide*. It is recommended that boards have a description that outlines the collective role of the board (see Appendix 2 for a sample).

- **Strategic Board Composition –** The board is responsible for its own size and strategic composition (ensuring the board meets requirements of the Health Center Program and is composed of members that can help the board govern now and in the future), recruiting and vetting board members, electing members, and ensuring board members are oriented and engaged. The board is also responsible for preparing and ensuring it elects board officers.

- **Strategic Planning and Strategic Thinking –** The board approves the health center's mission, vision, and values; engages in, approves, and provides oversight of the strategic plan; and engages in ongoing strategic thinking in partnership with the CEO.

- **Various Forms of Oversight –** The board provides oversight of various areas including financial, quality, corporate compliance, the Health Center Program, and the CEO. The board also assures plans are in place to manage risks faced by the health center.

- **CEO Oversight and Partnership –** The board hires the CEO, works with the CEO to establish annual performance goals, periodically evaluates the CEO's performance, approves the compensation of the CEO and the CEO's contract, and is responsible for partnering with the CEO to ensure day-to-day management is aligned with board-established priorities and policies.

- **Policies –** The board approves the organization's bylaws and other key policies.

- **Effective Board Functioning –** The board ensures its meetings and committee structure (if it opts to have committees) are effective, and that the board has a healthy culture. It also ensures that it understands and engages in good governance practices.

- **Resources and Partnerships –** The board helps ensure various types of resources for the health center, which may include reputational resources with the community and/or (optionally) financial resources if the organization engages in fundraising.

State and federal law establish parameters for how nonprofit corporation boards should be structured and function. Health center boards must also comply with additional requirements, most notably the HRSA Health Center Program requirements. These requirements are addressed in HRSA's Health Center Program Compliance Manual (often referred to as the "Compliance Manual").[12] It is important for boards to be familiar with the Compliance Manual in

[12] HRSA's Health Center Program Compliance Manual can be accessed at https://bphc.hrsa.gov/programrequirements/compliancemanual/index.html.

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its entirety. In the *Governance Guide*, Chapter 19: Board Authority and Chapter 20: Board Composition of the Compliance Manual are highlighted because they are particularly applicable to boards; both of these chapters also include references to various other chapters that contain additional relevant details for boards.[13] Also of particular note to boards are Chapter 11: Key Management Staff and Chapter 13: Conflict of Interest. Throughout this *Governance Guide,* excerpts from and hyperlinks to the Compliance Manual are included where relevant to board roles and responsibilities.

Public Health Center Governance
Public agencies, such as county or city health departments and universities, among others, may receive grant funding under the Health Center Program. As noted in Chapter 19: Board Authority, footnote 12 of the Health Center Program Compliance Manual: "Public agencies are permitted to utilize a co-applicant governance structure for the purposes of meeting Health Center Program governance requirements. Public centers may be structured in one of two ways to meet the program requirements: 1) the public agency independently meets all the Health Center Program governance requirements based on the existing structure and vested authorities of the public agency's governing board; or 2) together, the public agency and the co-applicant meet all Health Center Program requirements."

To learn more about public health center governance, see the Public Centers Monograph available from NACHC (https://mylearning.nachc.com).

B. Individual Board Member Duties and Roles

In nonprofit corporation law, individual board members each have legal responsibilities, commonly described as the:

- Duty of Care
- Duty of Loyalty
- Duty of Obedience

Carrying out these duties creates trust among board members, staff, and the community. Each may be applied in a court of law or by the Internal Revenue Service to determine if an individual board member acted properly. From a legal standpoint, a board member who does not abide by these duties could be considered negligent and personally liable for actions or inactions. More detail on each duty follows:

- **Duty of Care –** When engaging in health center business, board members must use good judgment and a level of care that an "ordinary prudent person" would exercise in a similar situation under like circumstances. Board members are not expected to know everything about a topic they are asked to consider and may rely on the advice of management and of outside advisors. But board members are legally expected to be aware of what is going on and to make reasonable inquiry so they can act in a manner that they reasonably believe is in the best interests of the health center.

[13] Chapter 19 of the HRSA Health Center Program Compliance Manual can be accessed at https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-19.html#titletop and Chapter 20 can be accessed at https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-20.html#titletop. Chapter 19 includes references to: Chapter 4: Required and Additional Health Services; Chapter 6: Accessible Locations and Hours of Operation; Chapter 9: Sliding Fee Discount Program; Chapter 10: Quality Improvement/Assurance; Chapter 12: Contracts and Subawards; Chapter 15: Financial Management and Accounting Systems; Chapter 17: Budget; Chapter 18: Program Monitoring and Data Reporting Systems. Chapter 20 includes references to: Chapter 4: Required and Additional Health Services; Chapter 6: Accessible Locations and Hours of Operation; Chapter 9: Sliding Fee Discount Program; Chapter 17: Budget. The full Compliance Manual can be found at https://bphc.hrsa.gov/programrequirements/compliancemanual/index.html.

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Examples of how a board member fulfills the Duty of Care include:
- Attend board and committee meetings.
- Be prepared for meetings. Read meeting packets completely before attending meetings.
- Think independently. Ask for training where particular skill sets are needed to thoughtfully review particular analyses and reports.
- Get all relevant data and information before making a decision or voting to take a specific action.
- Review health center finances, programs, and quality results on a regular basis.

- **Duty of Loyalty –** This duty prohibits board members from using their board positions to benefit themselves, their immediate family members, or their businesses. It requires that board members place the health center's needs and interests above all else when making decisions on behalf of the health center. This is demonstrated by being objective and unbiased when making decisions, being free of any conflict of interest when discussing issues or making decisions, and maintaining confidentiality when dealing with health center matters.

  Examples of how a board member fulfills the Duty of Loyalty include:
  - Review conflict of interest policies annually.
  - Require disclosure from candidates for board membership and annually for sitting board members to identify key affiliations, including immediate family members and employers.
  - Include a policy that when a conflict arises, any individual discloses the conflict and recuses themself from deliberation as well as the vote.
  - Avoid use of any board opportunities for personal gain or benefit.
  - Maintain confidentiality about patient and health center business matters at all times.

- **Duty of Obedience –** This duty requires board members to be faithful to the health center's mission; to follow all state, federal, and local laws; and to abide by board bylaws when representing the interests of the health center. This duty is demonstrated when board members protect limited resources to ensure the maximum benefit to meet the community's needs.

  Examples of how a board member fulfills the Duty of Obedience include:
  - Participate in a comprehensive orientation and understand all documents that pertain to board governance such as bylaws.
  - Understand the health center's mission and how it is being achieved by the health center.
  - Always act in a manner consistent with the health center's mission, goals, and objectives, as well as the decisions of the board (even if you disagree).
  - Advance the mission when representing the health center within the community (as authorized).

  In today's context, it is important to acknowledge that the term "obedience" can have many negative connotations and on its surface this term may be confusing when used in relation to board member responsibilities. What is most important to underscore about the intent of this duty is that board members must ensure the organization follows its own mission, policies, priorities, as well as applicable laws.

Each board member must keep the three "duties" front of mind in every interaction. These three duties apply to all decision making, to every action, and to strategic planning. Board members are responsible even if they do not attend meetings regularly or participate in the discussions.

Many boards will also have a list of individual board member responsibilities that it expects members to fulfill (see Appendix 3 for a sample). It is not uncommon for such tools to include elements that reflect the various legal duties of board members (e.g., attend board meetings); for a health center board, this document also often sets expectations on how members can share the unique perspective that both consumer board members and

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community board members bring to the boardroom. Some boards ask members to annually review the list of Individual Board Member Responsibilities and sign an agreement indicating that they will fulfill them.

C. Governance versus Management

It has been said that "effective boards understand the difference between governing and managing."[14] It is important that boards and board members understand the board governs while the CEO is responsible for the overall management of the health center. The CEO is the only employee hired by and overseen by the board and the board delegates the day-to-day operational responsibilities to the CEO. Staff – led by the CEO – manage and implement the priorities and policies set by the board.

The following table illustrates some specific examples of the board's role versus that of the CEO.[15]

	Board /Governance	CEO/Management
Strategic Board Composition	• Ensures its own strategic composition • Ensures composition complies with requirements of the Health Center Program	• Supports board in ensuring its strategic composition, has voice in recruitment
Strategic Planning and Strategic Thinking	• Participates in establishing the strategic plan • Approves strategic plan • Monitors progress of strategic plan • Engages in ongoing strategic thinking	• Engages board and staff, as well as other stakeholders, in developing strategic plan • Implements strategic plan with staff • Works with board chair to include strategic issues on board agendas
Financial Oversight	• Approves budget • Monitors financials • Oversees audit • Approves certain policies	• Prepares and proposes budget to board along with key financial staff • Manages health center in alignment with financial policies and budget guidelines
Quality Oversight	• Approves and revises quality assurance (QA) and quality improvement (QI) policies • Ensures follow-up taken regarding quality, patient grievances, etc.	• Ensures staff manage the quality program
CEO & Staff	• Hires, provides oversight of CEO • Establishes CEO compensation • Approves certain personnel policies	• Hires, manages rest of staff • Coaches staff
Policy	• Approves bylaws and certain policies	• Makes recommendations to board regarding policy • Implements policies
Effective Board Functioning	• Ensures own functioning via effective meetings, committees, board culture • Demonstrates a commitment to effective governance practices	• Supports board in accomplishing work by helping focus on important issues, advising on trends and compliance, providing information, etc.
Ensuring Resources and Partnerships	• Supports positive reputation • Approves major partnerships	• Hires and oversees staff that handle communications • Manages partnerships

[14] Barry S. Bader, "Distinguishing Governance from Management," *Great Boards* (Fall 2008).

[15] This table originally appeared in a NACHC Community Health Institute & Expo session titled, "Building and Maintaining an Effective Board-CEO Partnership" (2018).

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It is also important to note that there are areas of shared responsibility between a board and CEO. Both are participants in the governance process and steward resources, guide health center strategy, and ensure effective board functioning.

At times, it is possible for well-meaning board members to get "into the weeds" of operational details (sometimes called "micromanagement") creating frustration for the CEO and leaving "big picture" work unattended. It is important to remember that effective boards do not meddle or "micromanage."

Micromanagement can be caused by a variety of factors such as a lack of understanding of the board's role, a lack of board orientation to reinforce the board's role, and board member "interest" in operational issues. It is important for a board to have conversations about how it will manage such instances so it can employ agreed-upon techniques when or if micromanagement happens. Some boards rely on the board chair to point it out and redirect conversation while others empower all board members to identify this. Ongoing micromanagement can have significant adverse consequences and can result in CEO and board turnover as well as ineffective governance, so boards are encouraged to identify and address it when it does occur.[16]

D. Pillars of High-Performing Boards

In addition to fulfilling baseline board roles and responsibilities and complying with state, federal, and local laws, as well as the Health Center Program requirements, high-performing boards embrace effective governance practices. Some commonly agreed upon practices of high-performing boards include:[17]

- Board-CEO Partnership – The board and CEO understand that an effective partnership supports good governance and a strong health center. Key elements of a strong partnership include role clarity, mutual goals and accountability, open communication, trust, respect, and an ability to navigate difficult situations.

- Accountable to the Mission and a Focus on Organizational Sustainability – An effective board understands it has a fiduciary responsibility to make decisions in the best interest of the health center's stakeholders. The board reviews relevant data, considers various sides of an issue, and makes decisions that are both in alignment with the mission and focused on organizational sustainability.

- Strategic and Diverse Board Composition – A good board dedicates significant time and energy to recruiting the members it needs to govern the health center now and into the future. The ongoing work involved is delegated to a Governance Committee (or equivalent committee). Diversity is embraced and the board prioritizes inclusion among its members. Robust orientation and ongoing education ensure all members feel comfortable contributing to board oversight and strategic deliberations.

- Intentional Board Practices – An effective board is intentional about the structure of its meetings – ensuring that there is enough time for the board to carry out its duties and provide meaningful opportunities for board members to participate. The board is also intentional about designing a committee structure (if it opts to utilize committees) that supports the work of the board.

- Healthy Board Culture – An effective board is deliberate about defining its culture – which are the practices and norms the board will follow in carrying out its governance role.

[16] Melanie Lockwood Herman and Erin Gloeckner, "Let's Work Together: The Sweet Sounds of a Board-CEO Partnership" (available at www.nonprofitrisk.org).

[17] Based on and adapted from AHA Trustee Services, "Top Ten Principles and Practices of Great Boards" and BoardSource, *The Source: Twelve Principles of Governance That Power Exceptional Boards*.

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- Ongoing Learning – A strong board undertakes a periodic self-assessment to reflect on how it can enhance its own performance. It dedicates time and resources to learning as a group and ensures members are informed about the health care environment in which the center is operating.

- Strategic Focus – An effective board spends significant time looking forward. It allocates time on board meeting agendas and at retreats to address strategic challenges and opportunities.

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Chapter 2: Strategic Board Composition, Recruitment, Orientation, and Engagement

Executive Summary

A high-performing board consists of members who collectively have the competencies, values, and commitment required to govern the health center. The goal is to have a board that is diverse and independent that brings a broad range of perspectives to health center governance. Ideally, the board continually assesses its composition needs especially in the context of current and upcoming gaps, as well as in relation to the Health Resources and Services Administration (HRSA) Health Center Program and its requirements, and approaches member recruitment as an ongoing activity.

It is recommended that a board have a robust orientation that prepares members to immediately contribute to the board and a focus on ongoing board education. Additionally, it is important that a board consider how it will handle rotation and the inclusion of new voices and perspectives on the board. Finally, it is good practice to prepare and elect members to serve as board officers and committee chairs. While an overall board responsibility, this work is often delegated to the Governance Committee (sometimes called a Board Development Committee) that reports to the board.

This section covers the following topics:

A. Roles and Responsibilities Related to Board Composition
B. The Health Center Program and Board Composition
C. Identifying Board Composition Needs
D. Building a Pipeline & Recruiting and Vetting Board Candidates
E. Orientation and Mentorship
F. Ongoing Education and Engagement
G. Rotation and Term Limits
H. Officer Roles, Selection, and Succession

Tips for Using this Section

Using This Chapter as a Board

If your board is reviewing and discussing this chapter as a group, consider the following discussion questions:

- Does our board have a Governance Committee (or similar committee) that leads ongoing work related to strategic board composition, recruitment, orientation, education, and board rotation? If not, do we want to establish such a committee or expand the focus of an existing committee?
- Does our board take a strategic look at its future board composition needs when considering new members? What additional considerations might we focus on?
- How do we recruit new members? What is working? Are there any new practices we may wish to try?
- How effective is the board's current orientation? What is working? Are there any new practices we may wish to try?
- Does our board have a mechanism for board member rotation? Does the board have term limits? Why has it opted to adopt or forego this practice?

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- Do we have a system in place to prepare future officers? What is our philosophy related to board officer succession?
- What additional topics would the board like to learn about?

Using This Chapter as an Individual
If you are reviewing this chapter on your own, consider the following questions:

- What did I learn from this chapter?
- What practices addressed in this chapter may be helpful to the board I serve on or support?
- Would additional information be helpful and, if so, on what topics?

A. Roles and Responsibilities Related to Board Composition

Subject to the Health Center Program requirements, discussed in the next section of this chapter, the board is responsible for its own composition. It is recommended that a board ensure it has proactive efforts to: assess and identify future board composition needs; build a pipeline of candidates; vet and prepare candidates for the board; train and engage members once on board; and ensure rotation to provide a mechanism to bring new ideas and perspectives to the board.

It is recommended the focus on board composition, recruitment, orientation, and rotation no longer be episodic work but rather an area of ongoing focus. If a board makes use of standing committees (discussed in greater detail in Chapter 9 of the *Governance Guide*), it is widely considered to be a good governance practice for a board to form a Governance Committee (sometimes called a Board Development Committee) that is responsible for identifying future board composition needs and building a pipeline of candidates.[18] This committee also often leads efforts essential for member onboarding and retention, including board member orientation, the board self-assessment process, board member mentoring programs, and educational programs aimed at strengthening the work of the board. For years, boards had Nominating Committees tasked with episodic recruitment and nominations of new board members. While not required, a board may wish to consider forming a Governance Committee or transitioning a Nominating Committee into a Governance Committee (or equivalent).

The following table outlines good practices for the role of the board, board members, Governance Committee (or equivalent), and CEO related to board composition and succession.

Role	Responsibilities
Board	• Ensure that board composition and succession is an ongoing focus • Consider establishing a committee to lead the work • Vote on slate of candidates (often recommended by the Governance Committee or an equivalent committee) • Decide on the board's approach to rotation and renewal
Board Members	• Serve on the Governance Committee based on interest and committee assignments • Recommend board members (note: It is important to be sure members understand that they may recommend candidates but not extend an invitation to serve; the authority for selecting members rests with the board)
Governance Committee	• Assess board composition needs with board input • Identify, recruit, and vet possible members • Organize board member orientation and board mentoring programs

[18] BoardSource, *Leading with Intent: 2017 National Index of Nonprofit Board Practices* and BoardSource, "Recommended Governance Practices" available on www.boardsource.org.

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Role	Responsibilities
(or equivalent; this type of committee is recommended, but not required)	• Facilitate the board self-assessment process • Collaborate with the CEO and board chair on ongoing board education aimed at strengthening the work of the board • Focus on developing a pipeline of board officers and committee chairs • Present a slate of new members and board officers to the board for vote when needed and required by the bylaws
CEO[19]	• Partner with the board in providing critical input and support throughout the board recruitment, orientation, and succession processes • Provide input on board recruitment • Participate in conversations with prospective members • Play key role in new member orientation • Assign other staff leaders to work closely with the Governance Committee • Serves as an ex-officio non-voting member of the board

B. The Health Center Program and Board Composition

The HRSA Health Center Program Compliance Manual (Compliance Manual) sets forth a number of requirements that health center boards must comply with related to board composition in Chapter 20: Board Composition. An excerpt from the Compliance Manual that discusses how a health center would demonstrate compliance with these requirements is included below for ease of reference.[20]

Excerpt from HRSA Health Center Program Compliance Manual, Chapter 20: Board Composition. Please note the footnotes in this excerpt are from and link directly to the Compliance Manual.

Demonstrating Compliance

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

a. The health center has bylaws or other relevant documents that specify the process for ongoing selection and removal of board members. This board member selection and removal process does not permit any other entity, committee or individual (other than the board) to select either the board chair or the majority of health center board members,[7] including a majority of the non-patient board members.[8]

b. The health center has bylaws or other relevant documents that require the board to be composed as follows:
   - Board size is at least 9 and no more than 25 members,[9] with either a specific number or a range of board members prescribed;
   - At least 51% of board members are patients served by the health center. For the purposes of board composition, a patient is an individual who has received at least one service in the past 24 months that generated a health center visit, where both the service and the site where the service was received are within the HRSA-approved scope of project;
   - Patient members of the board, as a group, represent the individuals who are served by the health center in terms of demographic factors, such as race, ethnicity, and gender;
   - Non-patient members are representative of the community served by the health center or the health center's service area;
   - Non-patient members are selected to provide relevant expertise and skills such as:

[19] BoardSource, "CEO "Do's and Don'ts" https://boardsource.org/wp-content/uploads/2017/01/CEO_Dos_Donts.pdf.

[20] For more information see the HRSA Health Center Program Compliance Manual, Chapter 20 at https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-20.html#titletop.

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        - Community affairs;
        - Local government;
        - Finance and banking;
        - Legal affairs;
        - Trade unions and other commercial and industrial concerns; and
        - Social services;
    - No more than one-half of non-patient board members derive more than 10% of their annual income from the health care industry; and
    - Health center employees,[10] [11] and immediate family members (i.e., spouses, children, parents, or siblings through blood, adoption, or marriage) of employees may not be health center board members.

c. The health center has documentation that the board is composed of:
    - At least 9 and no more than 25 members;
    - A patient[12] majority (at least 51%);
    - Patient board members, as a group, represent the individuals who are served by the health center in terms of demographic factors, such as race, ethnicity, and gender, consistent with the demographics reported in the health center's Uniform Data System (UDS) report;[13]
    - Representative(s) from or for each of the special population(s)[14] for those health centers that receive any award/designation under one or more of the special populations section 330 subparts, 330(g), (h), and/or (i); and
    - As applicable, non-patient board members:
        - Who are representative of the community in which the health center is located, either by living or working in the community, or by having a demonstrable connection to the community;
        - With relevant skills and expertise in areas such as community affairs, local government, finance and banking, legal affairs, trade unions, other commercial and industrial concerns, or social services within the community; and
        - Of whom no more than 50% earn more than 10% of their annual income from the health care industry.[15]

d. The health center verifies periodically (for example, annually or during the selection or renewal of board member terms) that the governing board does not include members who are current employees of the health center, or immediate family members of current health center employees (i.e., spouses, children, parents, or siblings through blood, adoption, or marriage).

e. In cases where a health center receives an award/designation under section 330(g), 330(h)and/or 330(i), does not receive an award/designation under section 330(e), and requests a waiver of the patient majority board composition requirements, the health center presents to HRSA for review and approval:
    - "Good cause" that justifies the need for the waiver by documenting:
        - The unique characteristics of the population (homeless, migratory or seasonal agricultural worker, and/or public housing patient population) or service area that create an undue hardship in recruiting a patient majority; and
        - Its attempt(s) to recruit a majority of special population board members within the past three years; and
    - Strategies that will ensure patient participation and input in the direction and ongoing governance of the organization by addressing the following elements:
        - Collection and documentation of input from the special population(s);

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- Communication of special population input directly to the health center governing board; and
- Incorporation of special population input into key areas, including but not limited to: selecting health center services;[16] setting hours of operation of health center sites;[17] defining budget priorities;[18] evaluating the organization's progress in meeting goals, including patient satisfaction;[19] and assessing the effectiveness of the sliding fee discount program.[20]

f. For health centers with approved waivers, the health center has board minutes or other documentation that demonstrates how special population patient input is utilized in making governing board decisions in key areas, including but not limited to: selecting health center services; setting hours of operation of health center sites; defining budget priorities; evaluating the organization's progress in meeting goals, including patient satisfaction; and assessing the effectiveness of the sliding fee discount program.

Special Population Input
The excerpt of the Health Center Compliance Manual (above) addresses various requirements related to special population representation on boards of health centers that receive funding or designation under sections 330(g), (h), or (i) of the PHS Act. In cases where a health center receives a waiver related to special population representation on its board, it is required that other mechanisms be utilized to gain input from the special population on health center strategy and policy. The health center has discretion over ways to surface this input; some opt to use an advisory council or hold focus groups with representatives of the special population.

C. Identifying Board Composition Needs

There are various items a board must consider related to composition – including board size, demographics, and the personal and professional competencies needed by the board.

Thinking Strategically About Board Size

As noted above, Chapter 20: Board Composition of the Compliance Manual specifies: "Board size is at least 9 and no more than 25 members" and goes on to note the board may either select "a specific number or a range of board members." [21]

The following considerations may be helpful when considering or reflecting on board size:

- *Specifying a Range of Members versus a Number of Board Members* – Including a range of board members (e.g., 9-13, 11-15) in the bylaws provides a board with more opportunity to be flexible in case of unanticipated board member departures and/or in case the board wants to strategically size up or down.

[21] For more information see the HRSA Health Center Program Compliance Manual, Chapter 20 available at https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-20.html#titletop.

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- *Board Size* – Research demonstrates that the average size of a nonprofit board is 15 members[22] and one study suggested that the average health center board was 12 to 13 members.[23] Ideally a board identifies a size range that allows it to effectively exercise its various oversight and strategic duties, ensure critical diversity and expertise on the board, enable each member to actively contribute, and is manageable such that the board can ensure robust dialogue in the boardroom.

Health center boards will want to be cautious about having 9 board members; if a member leaves for any reason, the board will immediately be out of compliance with the Health Center Program requirement related to board size.

Considering the Composition Needs of the Board

All board members – whether they are community or patient members – are multi-dimensional individuals that bring their own experiences, personal and professional backgrounds, and connections to contribute to the success of the board.

Often, the Governance Committee (or equivalent committee) takes a strategic approach when identifying future board composition needs. The Governance Committee may want to periodically – meaning at least annually – assess the board's current composition, consider planned rotation, and anticipate the future needs of the board based on such factors as:

- Health Center Program Requirements – Are we meeting the board composition requirements? Has the center's scope of service changed? Are we serving a new special population (e.g., homeless people, migrant and seasonal farm workers, or people living in public housing) that impacts the type of representation we need on the board?

- Planned and/or Anticipated Rotation – What members are slated to rotate off the board? What gaps might this create on the board?

- Health Center Strategic Plan – What types of new or different expertise or connections in the community may be helpful to have on the board given items in the health center's strategic plan?

- Changing Community Needs – What changes or shifts are occurring in the community? What new or different types of community perspectives may be helpful to the board?

- Other Demographics and Diversity – In addition to considering race, ethnicity, and gender when selecting its board members, the health center board can determine other relevant demographic or geographic factors to consider when selecting patient or non-patient board members. What other forms of diversity are important to the board and why? Some boards, for example, are committed to focusing on age diversity and the next generation of board leaders.

- Health Care Landscape – The health care landscape is constantly evolving. What type of expertise might be helpful to the board (keeping in mind the limitations on the percentage of community board members who can earn a portion of their personal income from the "health care industry")?

- Needed Expertise – Many boards find certain types of experience helpful to have on the board so members can provide a particular perspective in board discussions. For example, many boards opt to have at least some members with deep financial knowledge. Is any particular expertise needed or is the board anticipating a member to rotate off who brings important expertise?

[22] BoardSource, Leading with Intent: 2017 National Index of Nonprofit Board Practices available at www.boardsource.org.

[23] Brad Wright, "Who Governs Federally Qualified Health Centers," *Journal of Health Politics, Policy and Law* (October 10, 2012).

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- Needed "Soft Skills" – Increasingly, boards are looking for members who can think strategically and, in the health care sector, members who are comfortable with ambiguity and making decisions at times with incomplete information given the pace of change in the sector.

Board Matrix

Many boards utilize a grid – often called a matrix – that helps them keep track of current members, member terms, member type (e.g., patient or community member), the professional backgrounds of members, patient demographics or other demographics desired by the board, connections members may have, along with leadership skills needed on the board (see Appendix 4 for a sample).

Looking at current composition, anticipated rotation, and considering future needs helps define board recruitment priorities. However, it is important that the matrix not become a static document but rather that the Governance Committee (or equivalent committee) – with board input – periodically update this tool based on the changing healthcare environment and changes in the community, as well as the health center's strategic plan.

D. Building a Pipeline & Recruiting and Vetting Board Candidates

Identifying the types of members that a board needs helps the Governance Committee build a pipeline of candidates. Reaching out to multiple networks and finding members from various sources is important during this phase.

Patient Members

Training health center staff on the importance of patient board members, what the board currently needs related to consumer members, and training staff on how to start a conversation with a patient who may be a good fit for the board are helpful techniques to employ.

One health center uses various techniques to build a pipeline of possible patient board members.[24] The health center leverages an internal recruitment orientation to ensure health center staff are routinely informed about future board composition needs. If a clinician, for example, recognizes a patient that could potentially be an ideal candidate for the board, they may discuss this possibility of such an opportunity with the patient and convey any interest to senior staff who in turn can inform the board. This health center also has strong existing partnerships with organizations in its service area that support agricultural workers; it turns to these partners for recommended candidates to be approached and considered as a representative of this special population on the board.

Community Members

Various channels may be used to find non-consumer board members from the community that meet the needs of the board; a committee may:

- Ask current board members, committee members, and staff for suggested candidates but do not stop there
- Reach out to organizational partners and social service organizations to solicit recommendations of candidates with needed backgrounds or skills
- Contact the state Primary Care Association for suggestions
- Reach out to local associations or community organizations for suggestions
- Talk with businesses or other related organizations in the community that may encourage staff members to serve on boards in the community
- Leverage relationships with those in the health care sector

Having non-board members serve on board committees, when permitted by state law, can also be a good way to engage and vet possible future board members.

[24] For more information, see NACHC, "Governing Board Succession Planning: A Case Study on Cherry Health" (2018) available on http://mylearning.nachc.com.

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Once identified, invite candidates to submit a background information form or resume developed by your health center (see Appendix 5 for an example).

It is ideal to have several conversations about board service as part of the recruitment and candidate vetting process. CEO involvement and getting the CEO's input during this phase is crucial. Asking candidates a core set of questions can help the Governance Committee (or its equivalent) compare prospective members (see Appendix 6 for sample questions). The following tips may be helpful to consider:

- Talk candidly about board responsibilities and be sure the candidate is able to fulfill them
- Explore the candidate's interest and motivations for serving on the board
- Take time to answer questions they may have

Some boards also utilize a ratings form to capture information on conversations with candidates and to use when the Governance Committee formulates a slate of board members to present for the board's vote and approval. [25]

Board Member Background Checks
While it may be an uncomfortable topic, it is a good practice for the board to have a policy in place that addresses background checks for board members. These can be conducted prior to inviting an individual to formally join the board and periodically throughout a member's service.

As part of this policy, it is important a board require checking members against the Office of the Inspector General's exclusion list – which lists individuals and entities excluded from Federally funded health care programs for various reasons such as a conviction for Medicaid or Medicare fraud – so as not to put the center's federal award at risk. Some organizations also opt to conduct a criminal background check.

It is important to seek permission of potential and current board members prior to undertaking such checks. It is also suggested that a health center consult with qualified legal counsel about any requirements or restrictions on this process in the state in which the health center is based.

E. Orientation and Mentorship

Once elected to the board, it is important to orient new board members. It is good practice to have a multi-faceted approach that might include:

- Providing the board's handbook – The handbook may include items such as:[26]
  - Mission, vision, and values statements
  - Organizational chart
  - A copy of the health center's articles of incorporation and bylaws
  - A copy of the board of director role description
  - A copy of the health center's expectations of individual board members
  - Board roster (list of all members and contact information)
  - Committee descriptions, chairs and co-chairs/vice chairs, and committee assignments

[25] BoardSource has a "Candidate Rating Form" as publicly available resource on its website at https://boardsource.org/wp-content/uploads/2016/10/board-candidate-rating-form-new.pdf.

[26] List adapted and updated from NACHC resource, "Developing and Maintaining Effective Health Center Boards of Directors," written for NACHC by Marcie H. Zakheim, Esq. with Feldesman Tucker Leifer Fidell.

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- Current board and committee meeting calendars
- Copy of the strategic plan
- A copy of the health center's conflict of interest policy and annual disclosure form
- Copies of relevant statutes, regulations and guidance from the U.S. Department of Health and Human Services and key state agencies – such as, Section 330, Health Center Program Compliance Manual
- A copy of minutes from the board meetings from the last six months to one year
- A copy of the budgets
- A copy of the most recently submitted Section 330 Service Area Competition application or look-alike designation application (as applicable), as well as other relevant submissions to HRSA since submission of the last full application
- A copy of the last set of audited financial statements
- A copy of the current Quality Assurance / Quality Improvement plan and sample Quality Dashboards (if relevant)
- Information on the health center's corporate compliance program and risk management plans
- As applicable, a copy of the current board work plan and/or a board culture statement
- Any other information that the board feels is appropriate

- Having in-person orientation session(s) with the board chair, CEO, and others as relevant – In-person orientation – which may be one long session or several shorter sessions – can review and underscore information in the board handbook but can also go a step further to equip board members with the knowledge and skills needed to begin contributing immediately during board meetings. Topics to address may include:
  - the requirements the board and health center must fulfill based on receiving federal funding,
  - how to read financial reports and quality data,
  - the board's culture and nuances about serving on a board – including that it is a group of equals where everyone has one vote,
  - health center issues and trends,
  - health care industry issues and trends,
  - particular opportunities and challenges facing the health center so that the member feels comfortable contributing immediately to any dialogue or discussion.

  Some boards invite all members to attend in case individuals may find the additional education to be helpful.

- Supporting a mentor or board buddy program – Assigning new board members a mentor or buddy who has served on the board for a period of time can be a tool for helping new members become comfortable in their board role. Often the mentor/buddy will call the new member in advance of their first meeting to answer questions and sit next to them during the new member's first few meetings so they can ask questions or provide additional information. Having an informal "sounding board" can be helpful to a new member especially for individuals who have never served on a board or who are new to health centers. Below are a few considerations:[27]

  - Mentor Role – A mentor can help a new board member learn about the board and how it operates. They can help provide some of the overarching context for board discussions, provide support, and help the mentee set expectations.

  - Mentee Role – A mentee is ideally committed to learning more about their role on the board, respects the mentor's suggestions, and appreciates the mentorship relationship.

[27] Considerations are adapted from a presentation at NACHC's CHI 2017 on "Using Mentors to Engage Consumer Board Members" by Kimberly McNally, McNally & Associates.

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- Determine parameters for the relationship – It can be helpful to determine the goals of the relationship, how often to meet (e.g., once a month), how meetings will be scheduled, and create a process for checking in on the relationship.

F. Ongoing Education and Engagement

Allocating time for ongoing board education is critical for a few reasons. First, effective governance takes work and periodically talking about different facets of governance is good practice for any board. Additionally, the complexity of the health care and regulatory environments in which health centers operate mean there is continuous need to share information with boards.

Topics for board education may be identified based on:

- Board Self-Assessment Results: A board's self-assessment may reveal areas in which a board rates its performance low and/or identify areas of training that may be helpful. See Chapter 10 of the *Governance Guide* for a discussion of Board Self-Assessments.
- Future decisions: What decisions does the board need to make in six to twelve months that require up-front education? Is the health center, for example, considering joining an Accountable Care Organization?
- Changing health care landscape: What changes in the community, health care sector, and/or regulatory landscape does the board need to know about?

Some boards allocate time before or during board meetings or during board retreats for such education. Appendix 8 includes a list of Board Member Competencies which can be referenced for skills/knowledge board members may need and can serve as a resource for providing ideas on board education topics.

G. Rotation and Term Limits

Every board can decide how it will approach rotation and renewal on the board, including whether it will adopt term limits. While term limits are a good practice, they are not a required practice and each board will want to consider whether or not to adopt them if it has not done so already.

Adopting Term Limits

It is worth noting that "term limits have become the norm" among U.S.-based nonprofit organizations with 72% of boards adopting this practice and term limits are generally a recommended governance practice.[28] Term limits provide a mechanism to bring new ideas and new perspectives to the board and its decision-making; they also create the opportunity to adjust the board's membership to align with the organization's changing needs.

Of those boards that have term limits, the most common configuration is two, three-year terms.[29] Some boards opt for three, three-year terms and still others have an initial year-long term followed by two or three longer terms with the rationale that an initial year-long commitment allows both the member and organization time to try out the fit.

Once the term allotment is complete, some boards require members come fully off the board for at least a year but, allow former members to be considered for membership again once that period has passed. In order to realize the benefits of rotation, however, it is important to use this option sparingly and for the truly exceptional board members whose background and skills meet the future needs of the board.

At times, boards and board members resist term limits; for example, boards may fear losing a valued member and board members rotating off may fear losing a connection to members staying on and/or no longer being of service

[28] BoardSource, *Leading with Intent: 2017 National Index of Nonprofit Board Practices* and BoardSource, "Recommended Governance Practices" available at www.boardsource.org.

[29] BoardSource, *Leading with Intent: 2017 National Index of Nonprofit Board Practices* available at www.boardsource.org.

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to the health center. However, there are many ways that former board members can stay connected to the health center. For example:

- Committees – Former members may serve on board committees if service by non-board members is permitted by state law and the health center's bylaws.
- Foundation Board – If the health center has a connected Foundation, former health center board members may be a good fit for that board.
- Fundraising and Advocacy – Board members are often some of a health center's best ambassadors. Engaging former members in fundraising and/or allowable advocacy efforts can be a great way to continue to utilize this critical skill set.

A board instituting term limits for the first time will want to divide the board into groups so that all members do not have terms that expire at once. For example, the board may be divided into three groups that are slated to rotate off in different years (e.g., group 1 has terms that expire in 1 year, group 2 has terms that expire in 2 years, group 3 has terms that expire in 3 years).

Opting Not to Adopt Term Limits

Some boards opt not to adopt term limits – often because the board values the institutional memory of longer-serving members. One board that does not have term limits ensures that its board culture emphasizes active and engaged participation, ensures a robust vetting process is in place so that it brings on members who will actively participate, and has various mechanisms for removing members who are not meeting expectations and/or attending meetings.

Generally, a board without term limits will want to pay attention to signs that it may need to revisit the issue. If the board is experiencing stagnation, power is concentrated with a few members, or new members are not welcome or do not stay, revisiting this issue can help. The purpose is not term limits for the sake of rotation but rather to build systems and structures that allow the health center to thrive now and in the future.

Removing Board Members

Regardless of whether or not a board adopts term limits, the health center bylaws or other relevant documents must specify a process for the removal of board members. The following excerpt is from the Health Center Compliance Manual, Chapter 20: Board Composition, Demonstrating Compliance, a:

> "The health center has bylaws or other relevant documents that specify the process for ongoing selection and removal of board members. This board member selection and removal process does not permit any other entity, committee or individual (other than the board) to select either the board chair or the majority of health center board members, including a majority of the non-patient board members."

A health center can define the criteria for removal and it is considered good practice to include a provision that allows board members to be removed if they are not fulfilling their duties. For example, a board may wish to specify that members that miss a certain number (e.g., four) consecutive board meetings without providing notice shall be deemed to have resigned.

No automatic re-election

Some boards establish culture of "no automatic re-election" – meaning that before a member can be re-elected to another term (if eligible) there is some assessment of whether the board member wants to continue serving, is fulfilling board member responsibilities, and is the right fit for the board's needs. The individual board member assessment (discussed in Chapter 10 of the *Governance Guide*) can be a tool for informing such discussions and decisions.

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Starting a Conversation about Term Limits

If your board has not previously adopted term limits and has members who have served for 10 or more years, the thought of discussing term limits may be too uncomfortable to raise. However, it is a board's responsibility to address important issues regardless of level of difficulty. These conversations can be broached in a way that still honors and respects the many contributions of long-serving members.

The following questions may help:

- What have our long-serving members brought to the health center? What would it mean for the board if long-serving members were to rotate off of the board and serve the health center in other ways? What might we lose?
- What might we gain from instituting rotation and making room for new members?
- What might we have missed out on by not creating space for new members?
- How can we continue to engage members that rotate off?

H. Officer Roles, Selection, and Succession

Board officers play an important role in leading the board and ensuring it is governing effectively.

Officer Roles

Boards typically have officers who provide leadership to the board. Common roles include:

- Chair – The chair leads board meetings and provides overall leadership of the board. The chair partners with the CEO to design board meeting agendas and takes the leadership in building a strong partnership with the CEO. Appendix 9 lists key board chair competencies.
- Vice Chair – The vice chair supports the chair and fills in when the chair is unable to carry out duties.
- Secretary – The secretary ensures board actions are recorded – which may involve taking minutes or, more likely, reviewing minutes taken by staff, among other duties.
- Treasurer – The treasurer chairs the Finance Committee and provides board leadership related to financial oversight.

Often, officers are assigned to chair particular committees (e.g., the Treasurer chairs the Finance Committee). Additional members of the board may serve as committee chairs as well and these individuals also play a critical role in the overall efficacy of the board's committees.

Officer Selection

Typically, the formal process of identifying officers is guided by the Governance Committee (or equivalent committee) which presents a roster for board approval.

Officer Succession[30]

Many boards implement term limits for officers which is also considered a good governance practice. Terms vary and are selected by each individual board; for example, a board may implement limits of two consecutive two-year terms. This does not preclude a member from serving in the role again after stepping away for a period of time; in particular, a former board chair may be nominated to serve in the role again during challenging times such as in cases of emergency or crisis for the organization (e.g., unplanned CEO transition).

[30] Information in this section related to officer succession is adapted from a NACHC Webinar titled, "Board Chair Succession" completed by Kimberly McNally, McNally & Associates (2018) available on http://mylearning.nachc.com/.

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Just as a board plans for rotation among its members and takes action to plan for CEO succession (discussed in Chapter 7 of the *Governance Guide*), proactively addressing officer succession helps assure leadership continuity, promotes strength through diversity, provides leadership stability, and illustrates the importance of this practice throughout the organization.

Ideally the board will make a commitment to identify and develop potential new board officers ahead of vacancies. This process may entail:

- Ensuring roles are clearly defined and role descriptions are written down.
- Identifying board members who are potential successors to the chair and other officers; this entails both helping those interested in such roles develop skills as well as encouraging members who may not naturally consider such a role to consider them.
- Recognizing gaps between current sets of competencies and competencies required to credibly step up to chair position, and actively investing in opportunities to develop necessary perspectives and skills to assume future leadership positions.
- Focusing on future potential board leadership as the board recruits.

The goal is not to identify a single leader, but rather to have several board members in leadership "pipeline" at all times. Appendix 10 contains a sample board officer succession plan.

Addressing Board Chair Succession

If your board has a dedicated and long serving board chair, it may have some difficulty in broaching officer succession. Some common challenges include:

- Other board members may wonder how they could ever fill the capable shoes of the current chair. In such instances, a candidate for board chair can shadow the current chair for a year – participating in meetings with the CEO, helping to plan agendas, and even facilitating board meetings. Some boards use a "chair-elect" designation to denote this approach.
- Boards may be hesitant to raise the issue with a beloved, long-serving, and strong chair. In such circumstances, it may help to consider questions such as: What risks do we face if we don't have this conversation? Don't we want to model effective succession planning for the CEO?

Talking about rotation and succession does not in any way diminish the significant and meaningful contributions of long-serving leaders.

Source: Information in this section related to officer succession is adapted from a NACHC Webinar titled, "Board Chair Succession" completed by Kimberly McNally, McNally & Associates (2018) available on http://mylearning.nachc.com/.

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Chapter 3:
Strategic Planning and Strategic Thinking

Executive Summary

A board is responsible for ensuring the long-term sustainability of the health center and that the center meets the needs of the community it serves. The board ensures the mission, vision, and values are relevant and that decision-making is in alignment with these key statements. Each health center must undertake a community health needs assessment to understand critical needs in its community at least once every three years as required in the Health Resources and Services Administration (HRSA) Health Center Compliance Manual (Compliance Manual), Chapter 3: Needs Assessment, Demonstrating Compliance, b.[31] Additionally, each health center must conduct long-range/strategic planning at least once every three years, which at a minimum addresses financial management and capital expenditure needs as required in the Compliance Manual, Chapter 19: Board Authority, Demonstrating Compliance, c;[32] this plan should be approved and monitored by the board.

As a critical link between the health center and the community, the board plays a key role in ensuring that the patient "voice" is integrated into overall strategic planning. Boards that are in tune with community health needs and emerging issues can explore potential options and plan accordingly. In an era of constant change in health care, strategic thinking also does not end at the conclusion of the strategic planning process but, rather, is ongoing work for the board in collaboration with the CEO.

This section covers the following topics:

A. Roles and Responsibilities Related to Strategic Planning and Strategic Thinking
B. The Health Center Program and Strategy
C. Mission, Vision, and Values
D. Community Health Needs Assessment
E. Strategic Planning
F. Ongoing Strategic Thinking

[31] See Chapter 3: Needs Assessment of the HRSA Health Center Program Compliance Manual at https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-3.html#titletop.

[32] Chapter 19 at https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-19.html#titletop.

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Tips for Using this Section

Using This Chapter as a Board
If your board is reviewing and discussing this chapter as a group, consider the following discussion questions:

- Are we all familiar with the health center's mission, vision, and values? Do we use these statements to guide our decision-making?
- Is the health center undertaking a needs assessment at least once every three years?
- Is the health center conducting strategic planning at least once every three years? Does the plan address financial management and capital expenditure needs?
- Are we periodically monitoring progress on the health center's strategic plan?
- Are there any practices related to establishing and monitoring the strategic plan that we would like to start, maintain, or stop?
- Are we incorporating time for strategic and generative conversations in our board meetings or retreats? If not, is this something we want to try?

Using This Chapter as an Individual
If you are reviewing this chapter on your own, consider the following questions:

- What did I learn from this chapter?
- What practices addressed in this chapter may be helpful to the board I serve on or support?
- Would additional information be helpful and, if so, on what topics?

A. Roles and Responsibilities Related to Strategic Planning and Strategic Thinking

The board is accountable for the health center's long-term success in meeting the health care needs of the community it serves. Key board responsibilities related to strategic planning and thinking include:

- approving the organization's mission, vision, values and revisiting these as needed;
- using the mission, vision, and values to guide decision-making;
- ensuring a community needs assessment takes place at least once every three years and informs strategic planning;
- engaging in the strategic planning process along with the CEO and staff who typically lead the planning process;
- approving the strategic plan;
- providing oversight of the implementation of the strategic plan;
- engaging in ongoing strategic thinking in partnership with the CEO.

As a critical link between the health center and the community, the board plays a key role in ensuring that the patient "voice" and community perspective is integrated into governance activities and overall strategy.

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B. The Health Center Program and Strategy

The Compliance Manual includes some requirements that apply to health center strategy. Details can be found in Chapter 3: Needs Assessment and Chapter 19: Board Authority; excerpts from the Compliance Manual that discuss how a health center would demonstrate compliance with these requirements are included below for ease of reference.[33]

Excerpt from Health Center Program Compliance Manual, Chapter 3: Needs Assessment. Please note the footnotes in this excerpt are from and link directly to the Compliance Manual.

Demonstrating Compliance

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

a. The health center identifies and annually reviews its service area[1] based on where current or proposed patient populations reside as documented by the ZIP codes reported on the health center's Form 5B: Service Sites. In addition, these service area ZIP codes are consistent with patient origin data reported by ZIP code in its annual Uniform Data System (UDS) report (for example, the ZIP codes reported on the health center's Form 5B: Service Sites would include the ZIP codes in which at least 75 percent of current health center patients reside, as identified in the most recent UDS report).

b. The health center completes or updates a needs assessment of the current or proposed population at least once every three years,[2] for the purposes of informing and improving the delivery of health center services. The needs assessment utilizes the most recently available data[3] for the service area and, if applicable, special populations and addresses the following:
   - Factors associated with access to care and health care utilization (for example, geography, transportation, occupation, transience, unemployment, income level, educational attainment);
   - The most significant causes of morbidity and mortality (for example, diabetes, cardiovascular disease, cancer, low birth weight, behavioral health) as well as any associated health disparities; and
   - Any other unique health care needs or characteristics that impact health status or access to, or utilization of, primary care (for example, social factors, the physical environment, cultural/ethnic factors, language needs, housing status).

Excerpt from Health Center Program Compliance Manual, Chapter 19: Board Authority. Please note the footnotes in this excerpt are from and link directly to the Compliance Manual.

The most relevant parts of the excerpt that apply to the board's role related to strategic planning are bolded below; this emphasis was added by NACHC.

Demonstrating Compliance

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

[33] See Chapter 3: Needs Assessment of the HRSA Health Center Program Compliance Manual at https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-3.html#titletop and Chapter 19 at https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-19.html#titletop for additional information on these requirements.

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a. The health center's organizational structure, articles of incorporation, bylaws, and other relevant documents ensure the health center governing board maintains the authority for oversight of the Health Center Program project, specifically:
   - The organizational structure and documents do not allow for any other individual, entity or committee (including, but not limited to, an executive committee authorized by the board) to reserve approval authority or have veto power over the health center board with regard to the required authorities and functions;[11]
   - In cases where a health center collaborates with other entities in fulfilling the health center's HRSA-approved scope of project, such collaboration or agreements with the other entities do not restrict or infringe upon the health center board's required authorities and functions; and
   - For public agencies with a co-applicant board;[12] the health center has a co-applicant agreement that delegates the required authorities and functions to the co-applicant board and delineates the roles and responsibilities of the public agency and the co-applicant in carrying out the Health Center Program project.

b. The health center's articles of incorporation, bylaws, or other relevant documents outline the following required authorities and responsibilities of the governing board:
   - Holding monthly meetings;
   - Approving the selection (and termination or dismissal, as appropriate) of the health center's Project Director/CEO;
   - Approving the annual Health Center Program project budget and applications;
   - Approving health center services and the location and hours of operation of health center sites;
   - Evaluating the performance of the health center;
   - Establishing or adopting policy[13] related to the operations of the health center; and
   - Assuring the health center operates in compliance with applicable Federal, State, and local laws and regulations.

c. The health center's board minutes and other relevant documents confirm that the board exercises, without restriction, the following authorities and functions:
   - Holding monthly meetings where a quorum is present to ensure the board has the ability to exercise its required authorities and functions;
   - Approving the selection, evaluation and, if necessary, the dismissal or termination of the Project Director/CEO from the Health Center Program project;
   - Approving applications related to the Health Center Program project, including approving the annual budget, which outlines the proposed uses of both Health Center Program award and non-Federal resources and revenue;
   - Approving the Health Center Program project's sites, hours of operation and services, including decisions to subaward or contract for a substantial portion of the health center's services;
   - Monitoring the financial status of the health center, including reviewing the results of the annual audit, and ensuring appropriate follow-up actions are taken;
   - **Conducting long-range/strategic planning at least once every three years, which at a minimum addresses financial management and capital expenditure needs**; and
   - Evaluating the performance of the health center based on quality assurance/quality improvement assessments and other information received from health center management,[14] and ensuring appropriate follow-up actions are taken regarding:
     - Achievement of project objectives;
     - Service utilization patterns;
     - Quality of care;
     - Efficiency and effectiveness of the center; and

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- Patient satisfaction, including addressing any patient grievances.

d. The health center board has adopted, evaluated at least once every three years, and, as needed, approved updates to policies in the following areas: Sliding Fee Discount Program, Quality Improvement/Assurance, and Billing and Collections.[15]
e. The health center board has adopted, evaluated at least once every three years, and, as needed, approved updates to policies that support financial management and accounting systems and personnel policies. However, in cases where a public agency is the recipient of the Health Center Program Federal award or designation and has established a co-applicant structure, the public agency may establish and retain the authority to adopt and approve policies that support financial management and accounting systems and personnel policies.

C. Mission, Vision, and Values

For a nonprofit organization, the mission, vision, and values are expressed in specific statements that become the touchstone for making decisions. When thinking through challenges and choices at a meeting, board members can ask questions such as "how will this action/activity/decision affect our mission and vision?" and "is our behavior consistent with our stated values?" Some good practices to consider include:

- Have the mission statement printed on the top of meeting agendas.
- Have the board review the mission, vision, and values on a regular basis, such as at the start of a new strategic planning process, to be sure the statements are still relevant.

Mission

The mission is the core purpose of the organization, describing why the health center exists and what it intends to accomplish. The mission is often a brief, convincing, and meaningful statement that inspires employees to see how they play a critical role in achieving the mission. The mission at one health center in Indiana states that the health center "*improves its communities by expanding access to exceptional health care."*

Vision

The vision is a description of what the health center wants to become in the future or the ideal future it envisions for the community. It is written in a way to convey a mental image of where the organization is headed and that provides a "pull" to the desired future. The statement may be out of immediate reach and serves as a basis for developing stretch goals for the CEO who in turn can develop stretch goals for the health center's team. Powerful visions inspire enthusiasm and commitment from everyone who is part of or interacts with the organization. The vision of one health center is to: *…become the provider of choice for comprehensive primary healthcare by achieving excellence in quality, access for all who seek care and the improvement of the health of the communities we serve by utilizing innovative health solutions.*

Values

Values are the beliefs and guiding principles that drive behavior throughout the organization – from the boardroom to the reception desk to the exam room. Values can:

- communicate what an organization stands for and what it cares about;
- help staff and board members make choices that support and reinforce the mission and vision; and
- create the organizational culture – "the way we do things around here" – and tell everyone how to act, serve, and work with one another.

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The values of one health center in California are:

Advocacy—*We champion for social change to promote equality in health care.*
Access—*We dedicate ourselves to increasing access to health care for the underserved.*
Efficiency—*We provide our services in a prompt, courteous and cost effective manner.*
Respect—*We respect the inherent value of each and every person with whom we interact.*
Innovation—*We commit to the creative and intelligent use of new technology and clinical practices.*
Excellence—*We strive to provide the best possible health care to our patients.*

Discussion Questions

Mission Statement
- Is the mission statement persuasive and clear?
- Does the mission statement describe the health center's uniqueness?
- Can patients, staff, and the community relate to the mission statement?

Vision Statement
- Is the vision statement inspiring about improving the community's health?
- Is the vision statement realistic but also a "stretch" to achieve?
- Is the vision statement connected to the mission and values?

Value Statement
- Are the values understandable and a guide for staff and board for doing "the right thing"?
- Are the values supportive of the mission and vision?

D. Community Health Needs Assessment

A community health needs assessment is a review of the health needs of people living in the area served by the health center, including an analysis of how the existing heath care facilities are meeting those needs and any gaps not currently addressed. It is important to review the Health Center Program Compliance Manual, Chapter 3: Needs Assessment when undertaking this work (an excerpt is included at the start of this chapter).

Typically, the assessment addresses access to care issues based on: income, ethnicity, race, gender, location, literacy/education, language, and insurance. Community-level information on health issues and risk factors like asthma, diabetes, obesity, violence, mental illness, and substance abuse can be used to plan and implement targeted services to improve health. Because every community is different, careful study of this data allows the health center to focus on the most important services. For example, a rural health center in the southeast found that preventing and reducing obesity was the greatest need to address. An urban heath center in the northwest found that access to adolescent mental health services was a priority.

A board will want to ensure the health center undertakes a needs assessment at least once every three years and otherwise complies with the Health Center Program requirements related to Needs Assessment (discussed above), as well as that the needs assessment is used to inform the strategic plan.

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E. Strategic Planning

Strategic planning is the board and management team's attempt to create the health center's future, achieve its vision, advance its mission, and exert some influence over an uncertain future. Board members bring their unique perspectives to the planning process with management.

It is both a good governance practice to have a strategic plan in place, as well as a requirement of the Health Center Program.[34] A good strategic planning process enables the board and management to assess the present environment, and create a plan to advance the mission and vision of the organization. A common tool to assess the environment is called a "SWOT" analysis, which is an analysis of the strengths, weaknesses, opportunities and threats (SWOT) facing the health center; it helps determine existing capabilities as well as potential challenges and obstacles. The community needs assessment is also used to identify gaps and issues. A health center is not going to be able to address all unmet needs for primary care, so available resources and staff energy have to be prioritized. This can be done using not only data about health problems, but also feedback from community leaders and members about what the health care priorities are in the community and among vulnerable populations. The board's role is to be curious and to challenge assumptions and conclusions during the planning process.

Strategic Planning Consultant
Many health centers use a consultant to assist in the strategic planning process. Assessing prior experience, consultant fees, and ability to understand the health center landscape can all be critical factors in selecting a consultant.

Terminology can vary in strategic planning but some commonly used terms follow:

- Goal statements are the overarching expected outcomes of the organization which can be general and fairly broad.

  Example: Provide patients with an excellent patient experience.

- Strategies are the action plans that describe the individual steps required to achieve a specific goal. Strategies close the gap between current state and future state. Example:

  Objective 1: Provide a welcoming atmosphere for all cultures, ages, faiths, and sexual orientations.
  Objective 2: Increase efficiency through innovative patient care that decreases wait time.
  Objective 3: Better orient, educate, and support patients to manage their own care.

- Performance measures outline the specific metrics for achieving the strategies and goals. They identify a specific timeline for completion, and allow a board to assess progress on the strategy and hold the CEO accountable for delivering on the plan.

  Examples: Patient survey results will demonstrate improvement by at least 15% in a particular year. Wait times for initial appointments will decrease to less than 3 days by year-end.

[34] See Chapter 19: Board Authority of the HRSA Health Center Program Compliance Manual at https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-19.html#titletop for additional information on these requirements.

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A board may participate in strategic planning by:

- Being actively involved the strategic planning development process – Often the board will also participate in some form of strategic planning retreat. The board may also form a Strategic Planning Task Force to take the lead in partnering with staff on the development of the plan.

- Considering what to include about the board in the strategic plan – A board may identify areas of board focus to elevate in a strategic plan (e.g., a focus on ongoing board development and education).

- Approving the plan – The board formally approves the plan. This approval should appear in the board's meeting minutes.

- Monitoring the implementation of the plan – The board periodically evaluates the health center's progress in meeting the plan's objectives. A board can consider addressing aspects of the plan at every meeting. If the plan is not on track, the board needs to understand why, and what actions will be taken to get the plan back on course. Questions a board can ask include:

  - Are the strategies proposed being implemented? If not, why?
  - Are there goal areas or strategies that are receiving less attention than others?
  - Is there a need to change the plan?
  - Is the plan creating the impact we expected?

- Ensuring that the plan is updated (if needed) due to changing conditions – Health care is changing rapidly as are local communities. If a particular challenge or need emerges, the board and CEO may opt to revisit and update the strategic plan so it continues to be a relevant document for the organization. For example, if a community sees a surge in a need for treatment of substance use disorder, a plan could be updated with a strategy on this item.

More information about strategic planning can be found in "Creating a Dynamic and Useful Strategic Plan: A Toolkit for Health Centers" from Capital Link and NACHC.

F. Ongoing Strategic Thinking

A strategic plan is a critical document for guiding the health center's direction. However, strategic thinking is not limited to the planning process. Rather, it is ideally ongoing work of the board.

The health care sector has experienced and continues to experience considerable change which impacts the overall strategy and approach for health centers. Board chairs and CEOs can collaborate to ensure there are moments to educate the board on key concepts and changes and to engage the board on critical issues at board meetings or during board retreats. Appendix 11 contains some questions a board can ask and some definitions related to the health care environment that board members may want to be aware of.

An important governance publication called, *Governance as Leadership: Reframing the Work of Nonprofit Boards,* frames three modes of governance: fiduciary, strategic, and generative. Most boards are comfortable in the fiduciary mode which is primarily about exercising oversight; the two other key modes for the board's work are:[35]

[35] Richard Chait, William Ryan, and Barbara Taylor, Governance as Leadership: Reframing the Work of Nonprofit Boards (John Wiley & Sons, 2005). Also see Cathy Trower, The Practitioner's Guide to Governance as Leadership: Building High-Performing Nonprofit Boards (John Wiley & Sons, 2013).

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- Strategic Mode – This mode is focused on strategy and guides the organization from current to future state in partnership with the CEO. While a board often engages in this during strategic planning, it is not reserved solely for that process. This mode focuses on setting priorities, modifying strategic plans, and considering the future. Strategic questions include: How will new payment systems impact our health center? What new partnerships merit consideration?

- Generative Mode – This mode is when the board functions as "meaning-maker" and is when the board tackles questions core to its mission, vision, and values. When the board asks questions such as "How does it fit with our mission?" or "If we pursue this strategy, is it consistent with our values?" the board is operating in generative mode; answers to these big questions shape fiduciary oversight and strategy.

Both the strategic and generative modes offer a tool to help a board focus on critical issues in the changing health care environment.

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Chapter 4: Financial Oversight

Executive Summary

The board has a fiduciary responsibility for the health center – it oversees the ongoing sustainability of the organization so that the health center can continue to fulfill its mission. Accordingly, the board should ensure that health center activities are conducted in a manner that achieves operating results (operating income and cash flow) sufficient to sustain the organization financially. Collectively, the board approves and monitors the budget, regularly reviews financial status, ensures financial controls are in place, reviews the results of the audit to ensure appropriate follow-up actions are taken and approves the audit, and approves important financial policies. All board members must be able to understand basic financial terminology, review and understand financial statements, monitor financial performance, and to ask questions in order participate in making informed decisions that will benefit the organization.

This section covers the following topics:

A. Financial Roles and Responsibilities
B. The Health Center Program and Financial Oversight
C. Approval of the Budgets
D. Monitoring Financial Performance & Financial Status
E. Accounting and Internal Control Systems
F. Approving Policies
G. Audit
H. IRS Form 990
I. Strategic Financial Planning

Tips for Using this Section

Using This Chapter as a Board

If your board is reviewing and discussing this chapter as a group, consider the following discussion questions:

- Is the board fulfilling all of its duties related to financial oversight?
- Would additional information be helpful and, if so, on what topics?

Using This Chapter as an Individual

If you are reviewing this chapter on your own, consider the following questions:

- What did I learn from this chapter?
- What did I learn from this chapter that may be helpful to the board I serve on or support?
- Would additional information be helpful and, if so, on what topics?

A. Financial Roles and Responsibilities

Board members are stewards of the health center's finances and must act with care to avoid harm to the health center and the investment of public dollars in the organization. Sometimes board members assume that ensuring financial health is the responsibility of the CEO and the CFO and/or the treasurer and Finance Committee. However,

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that assumption is not correct. A board is not fulfilling its fiduciary or strategic responsibilities when it passively accepts finance reports or defers to management or a subset of the board to solely monitor finances.

By learning the basics of health center finance, board members are able to provide proper oversight to ensure the health center's future. All board members must be able to understand basic financial terminology, review and understand financial statements, monitor financial performance, and above all, to ask questions in order to judge financial soundness and ultimately make informed decisions that will benefit the organization.

It is critical that both board and staff act as good stewards of the health center's financial and other resources and that such resources – whether they come from public funds, private donations, or other sources of income – are used efficiently and in support of the health center's mission.

The following table outlines good practices for the role of the board, board members, Finance Committee, Audit Committee (if the board has this committee), Treasurer, and staff related to the health center's financials.[36] It is important to check laws in the state in which the health center operates to see if a separate Audit Committee is required; it is also considered a good governance practice to separate the Finance and Audit Committees if the organization conducts outside audits.[37]

Role	Responsibilities

Board	• Approve budget and monitor budget
	• Review financial status of the health center through regular review of:
	  • Income statement
	  • Balance sheet
	  • Cash flow statement
	• Ensure financial controls are in place
	• Review audit, meet in executive session with the auditor
	• Approve policies and update policies that support financial management and accounting systems

Board Members	• Understand financial terminology • Review and understand financial statements • Ask questions to inform decisions
Finance Committee (common committee)	• Revise budget and make recommendations • Meet regularly to review financial information reported by health center staff • Review accounting and control policies and make recommendations • Oversee audit engagement (if no separate Audit Committee)
Audit Committee (if the board has this committee)	• Oversee the independent audit process
Treasurer	• Head of the Finance Committee • Provide financial reports at board meetings in collaboration with center staff • Answer questions from board members
Staff	• Prepare the budget and present it to the finance committee and board • Monitor the finances on daily basis, prepare accurate and timely financial reports • Implement financial policies • Provide information and offer recommendations to the Finance Committee

[36] Information adapted from National Council of Nonprofits, "Board's Role & Audit Committees," NACHC presentation on Financial Responsibilities, and BoardSource, "Finance Committee Fundamentals."

[37] BoardSource, "Recommended Governance Practices" available at www.boardsource.org.

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Role	Responsibilities
	• Monitor efficient management of cash flow • Interact with outside agencies • Comply with regulatory requirements and center policies

B. The Health Center Program and Financial Oversight

The Health Resources and Services Administration (HRSA) Health Center Program Compliance Manual (Compliance Manual) sets forth a number of requirements that relate to financial oversight in Chapter 19: Board Authority. An excerpt from the Compliance Manual that discusses how a health center would demonstrate compliance with these requirements is included below for ease of reference.[38] It is important to note that Chapter 19: Board Authority also links to several additional chapters, including Chapter 9: Sliding Fee Discount Program, Chapter 16: Billing and Collections, and Chapter 17: Budget which contain additional information on various requirements.

Excerpt from Health Center Program Compliance Manual, Chapter 19: Board Authority. Please note the footnotes in this excerpt are from and link directly to the Compliance Manual.

The most relevant parts of this excerpt related to the board's financial oversight role are bolded below; this emphasis was added by NACHC.

Demonstrating Compliance

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

a. The health center's organizational structure, articles of incorporation, bylaws, and other relevant documents ensure the health center governing board maintains the authority for oversight of the Health Center Program project, specifically:
   - The organizational structure and documents do not allow for any other individual, entity or committee (including, but not limited to, an executive committee authorized by the board) to reserve approval authority or have veto power over the health center board with regard to the required authorities and functions;[11]
   - In cases where a health center collaborates with other entities in fulfilling the health center's HRSA-approved scope of project, such collaboration or agreements with the other entities do not restrict or infringe upon the health center board's required authorities and functions; and
   - For public agencies with a co-applicant board;[12] the health center has a co-applicant agreement that delegates the required authorities and functions to the co-applicant board and delineates the roles and responsibilities of the public agency and the co-applicant in carrying out the Health Center Program project.

b. The health center's articles of incorporation, bylaws, or other relevant documents outline the following required authorities and responsibilities of the governing board:
   - Holding monthly meetings;
   - Approving the selection (and termination or dismissal, as appropriate) of the health center's Project Director/CEO;
   - **Approving the annual Health Center Program project budget and applications;**

[38] See Chapter 19: Board Authority of the HRSA Health Center Program Compliance Manual at https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-19.html#titletop for additional information on these requirements. Chapter 19 also includes cross-references to applicable sections of Chapters 9: Sliding Fee Discount Program, 16: Billing and Collections, and 17: Budget. Note: In the financial realm, compliance with Medicare, Medicaid, and federal grant requirements is essential.

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- **Approving health center services and the location and hours of operation of health center sites;**
- **Evaluating the performance of the health center;**
- **Establishing or adopting policy[13] related to the operations of the health center; and**
- **Assuring the health center operates in compliance with applicable Federal, State, and local laws and regulations.**

c. The health center's board minutes and other relevant documents confirm that the board exercises, without restriction, the following authorities and functions:
   - Holding monthly meetings where a quorum is present to ensure the board has the ability to exercise its required authorities and functions;
   - Approving the selection, evaluation and, if necessary, the dismissal or termination of the Project Director/CEO from the Health Center Program project;
   - **Approving applications related to the Health Center Program project, including approving the annual budget, which outlines the proposed uses of both Health Center Program award and non-Federal resources and revenue;**
   - Approving the Health Center Program project's sites, hours of operation and services, including decisions to subaward or contract for a substantial portion of the health center's services;
   - **Monitoring the financial status of the health center, including reviewing the results of the annual audit, and ensuring appropriate follow-up actions are taken;**
   - **Conducting long-range/strategic planning at least once every three years, which at a minimum addresses financial management and capital expenditure needs**; and
   - Evaluating the performance of the health center based on quality assurance/quality improvement assessments and other information received from health center management,[14] and ensuring appropriate follow-up actions are taken regarding:
     - Achievement of project objectives;
     - Service utilization patterns;
     - Quality of care;
     - Efficiency and effectiveness of the center; and
     - Patient satisfaction, including addressing any patient grievances.

d. **The health center board has adopted, evaluated at least once every three years, and, as needed, approved updates to policies in the following areas: Sliding Fee Discount Program**, Quality Improvement/Assurance**, and Billing and Collections**.[15]

e. The health center board has adopted, evaluated at least once every three years, and, as needed, approved updates to policies that support financial management and accounting systems and personnel policies. However, in cases where a public agency is the recipient of the Health Center Program Federal award or designation and has established a co-applicant structure, the public agency may establish and retain the authority to adopt and approve policies that support financial management and accounting systems and personnel policies.

C. Approval of the Budgets

The board is responsible for reviewing and approving the annual organizational operating budget, which is the health center's financial plan for achieving its health service program and financial goals.

It is important that the budget aligns with the overall priorities and strategic plan for the center. In reviewing and approving the budget, a board considers items such as the current year's expected results, anticipated changes in funding, changes in expenses, as well as provider vacancies and anticipated changes in patient volumes. The health

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center's operating budget must be approved by the board; it should also be reviewed throughout the year and adjusted, as necessary, by the center's management and the board.

Health centers submit an annual grant application that includes a budget, also called a "total budget," to HRSA that reflects the revenues and costs needed to support the health center's proposed or HRSA-approved scope of project. The total budget must show projected costs supported by the Section 330 award and projected costs supported by non-award revenues including payments generated from the delivery of services; other state, local, or Federal awards such as Ryan White HIV/AIDS or Head Start; and private operational support generated from fundraising or contributions.

Questions a board can ask include:

- Is the goal of this year's budget to achieve break-even operating results or better?
- What are the key assumptions in the budget and are they reasonable given known conditions and circumstances? For example, is there a realistic expectation of increasing numbers of patients?
- Are expenses listed in the budget consistent with the health center's mission, goals, and objectives?
- How does the center's current year-to-date "bottom line" or net income compare to the current year budget?
- What current year expenses are exceeding budget or last year's levels? Why?

D. Monitoring Financial Performance & Financial Status

The board is responsible for ongoing monitoring of the center's financial status through regular review of the balance sheet, income statement, and cash flow statement, as well as assessment of other financial performance measures. Boards review this information together to get an overall "picture" of the center's financial position.

Not every board member is a financial expert, however, it is important that every board member be able to understand financial statements in order to assess their reliability and to recognize warning signs that might indicate a change in the financial condition of the organization. Common statements include:

- **Balance Sheet** (also called Statement of Financial Position) – The Balance Sheet lists the assets (what the health center owns -- usually cash, grants receivables, patient accounts receivables, equipment and property owned by the health center) and liabilities (what the center owes or debts such as a line of credit or a building mortgage). It provides a snapshot of the health center's financial health at a particular point in time.

- **Income Statement** (also called Statement of Activities or Statement of Operations) – The Income Statement identifies revenue and expenses over a period of time. The report should include comparison to budgets amounts and to actual results for the same time period in the previous year. If income is higher than expenses, there is a profit; if less, there is a loss. While not required, it may be helpful to have information by site and/or service line to aid in decision-making.

- **Cash Flow Statement** – The Cash Flow Statement records the amounts of cash entering such as payment for services (shown as a positive number) and cash leaving the health center such as payment for salaries (shown as a negative number). If the bottom line is positive, the organization has on-hand cash or liquid assets, meaning it can quickly sell assets to get cash. This measure is useful in determining short-term viability, for example, the center's ability to pay its bills.

The board of directors can use financial statements to monitor the financial status of the health center, and if necessary, to change the center's financial goals and objectives. There are many ways to assess financial performance, but for board member review, there are several measures that are commonly used to provide a general picture of the health center's financial well-being.

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Financial Ratios

A ratio is a way to express the relationship between one measure to another. When looked at over a period of time, financial ratios are useful to assess an organization's financial situation – whether the financial picture is getting better or worse. Ratios are also useful to compare financial measures at your health center to those of other similar organizations and to industry standards.

Financial Viability/Costs measures required by HRSA/BPHC are:[39]

Measure Name	What it measures	Target/desired direction
Total cost per patient	Measures the dollar value of services provided to a patient	Decrease is desired
Medical cost per medical visit	Measures medical cost efficiency	Decrease is desired
Health Center Program grant costs per patient	Measures Federal grant dollar efficiency	Decrease is desired

HRSA requires that health centers submit clinical and financial performance measures in the center's Budget Period Progress Report (BPR) and in applications that respond to HRSA Service Area Competition (SAC) funding opportunities.

Other Key Financial Measures

Other key financial measures include:

Measure Name	What it measures	Target/desired direction
Operating Margin	Measures the performance of the health center over a period of time, and is calculated by dividing operating income by total revenues.	2 to 4%, over 5% if possible
Days Cash on Hand	Measures how many days a health center can pay its expenses if income were to cease.	45 to 60 days minimum; best practice 90-120 days
Unrestricted Net Assets	Total unrestricted net assets less net investment in fixed assets	Measure should be positive and not decrease over time
Current Ratio	Current assets divided by current liabilities	Minimum 1.5, ideally 2.0
Days in Accounts Receivable	Measures how long it takes for a health center to collect its patient accounts receivable.	Less than 45 days (lower number is better)
Days in Accounts Payable	Measures the days that a health center takes to pay its vendors.	30-45 days or less than 45 days
Net Revenue By Payer[40]	Measures revenue by payer (self-pay, Medicaid, Medicare, Private Insurance) after contractual	Higher is better.

[39] For more information, see https://bphc.hrsa.gov/qualityimprovement/performancemeasures/financialviability.html.

[40] This is anticipated to change. See https://www.fasb.org/cs/Satellite?c=Page&cid=1176169257359&d=Touch&pagename=FASB%2FPage%2FImageBridgePage#section_7 for more information.

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Measure Name	What it measures	Target/desired direction
	adjustments and bad debt allowance.	

Monitoring Performance with Dashboards

Dashboards are visual tools for monitoring an organization's performance. A dashboard can highlight what the board needs to know to fulfill its oversight responsibilities so that at a glance, members can see what is on track and what is not. Dashboards can translate the organization's goals – quality, financial strength, patient experience – into activities and processes that can be measured and monitored.

Some common financial indicators that you might see on a dashboard include number of patient visits, payer mix, days cash on hand, days in account receivable, actual revenue in relation to budgeted revenue, and operating expenses in relation to budgeted expenses.

Questions that boards can ask include:

- Have the sources of our health center's income changed?
- Is the center running a gain or loss when comparing income to expenses?
- What is our patient account receivables balance? What percent are we likely to collect?
- Is our cash flow projected to be adequate? How many days can we operate if revenue were to cease (due to Federal award restrictions or a natural disaster)?
- Do we have financial reserves available to support future health center needs (both planned strategic investment needs and unplanned potential emergency needs)?

E. Accounting and Internal Control Systems

Health centers must have in place systems for collecting income, paying bills, determining eligibility for sliding fee discounts, and providing accurate and timely reports. These systems are expected to reflect "Generally Accepted Accounting Principles (GAAP)," which is a standard way for organizations to record and report accounting information.

Internal controls are functions established by the health center to provide checks and balances to ensure reliable financial reporting, effective operations, and compliance with applicable laws and regulations, as well as to prevent fraud. Internal control activities at a health center include segregating duties among staff so that, for example, a person who collects patient payments is not the same person who deposits cash in the bank.

Checking your health center's internal controls.

- Do the accounting systems reflect GAAP?
- What are the center's checks and balances to prevent errors, fraud, and abuse?

F. Approving Policies

It is important for boards to approve various financial policies, which may include policies on reserves, investments, gift acceptance, the audit, among others.

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Under the Health Center Program, health center boards must approve various financial policies. Health center boards will want to review Chapter 19: Board Authority, as well as Chapter 9: Sliding Fee Discount Program and Chapter 16: Billing and Collections for discussion of relevant requirements.[41]

G. Audit

Health centers are required to engage an audit firm to perform an annual, independent audit in accordance with federal audit requirements. The audit is an essential step to validate information found in the center's financial statements. The board's role in the audit is to: select the auditor, who must perform the audit in compliance with Federal requirements; review the audit; ask questions of the auditor; and approve the audit. If there are findings or material weakness, the board is responsible for ensuring that the CEO and staff develop and implement a corrective action plan.

H. IRS Form 990

The Internal Revenue Services (IRS) requires that most federally tax-exempt organizations annually file the IRS Form 990. Form 990 provides information that allows the IRS to determine whether or not an organization continues to fill the requirements for its tax-exempt status. The form inquires about the independence of board members, the community benefit of the organization, and the reasonableness of executive compensation. In addition to filing the Form 990 with the IRS, some non-profit organizations must also provide the Form to state taxing authorities, and possibly the state's attorney general, for additional review. Specific oversight of the completion of Form 990 is generally the responsibility of the board's finance committee or audit committee, however the Form includes questions related to the entire governing board. The board typically reviews the Form 990 prior to it being filed by the health center.

For more information about Form 990, see "Governance, Management, Disclosure," on the Form 990 Return of Organization Exempt Form Income Tax at http://www.irs.gov/.

I. Strategic Fiscal Planning

In order to ensure fiscal soundness, it is important to have an overall financial plan that is linked to the strategic plan. The board is key in working with management to develop fiscal goals and ensuring that strategic and operational decisions are guided by those established goals. These financial goals should be evaluated through the review and evaluation of the monthly financial statements and key financial measures.

Questions a board can ask include:

- What are the financial goals in our strategic plan?
- Is our current financial position consistent with those goals?

[41] For more information and guidance, see Chapter 9: Sliding Fee Discount Program in the HRSA Health Center Program Compliance Manual at https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-9.html#titletop and Chapter 16: Billing and Collections at https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-16.html#titletop.

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Chapter 5: Quality Oversight

Executive Summary

Providing quality healthcare services is central to improving the health of patients and the community. Achieving improved community and patient health involves paying attention to quality measures and improving the excellence of patient care and organizational operations. A health center's approach to assuring and improving quality is based on the steps it takes to design, implement, monitor, and improve patient care. Those steps are expressed in a Quality Assurance/Quality Improvement (QA/QI) plan. The health center's board is responsible for setting the tone to communicate the importance of quality, reviewing and approving the QA/QI plan, monitoring quality and safety indicators, and approving key policies, among other duties.

This section covers the following topics:

A. The Board's Role in Quality Oversight
B. The Health Center Program and Quality Oversight
C. The Quality Assurance/Quality Improvement Program

Tips for Using this Section

Using This Chapter as a Board

If your board is reviewing and discussing this chapter as a group, consider the following discussion questions:

- Is the board fulfilling all of its duties related to quality oversight?
- Would additional information be helpful and, if so, on what topics?

Using This Chapter as an Individual

If you are reviewing this chapter on your own, consider the following questions:

- What did I learn from this chapter?
- What did I learn from this chapter that may be helpful to the board I serve on or support?
- Would additional information be helpful and, if so, on what topics?

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Defining Quality

There is no universal definition of "quality." The Federal Agency for Healthcare Research and Quality defines quality as "doing the right thing for the right patient, at the right time, in the right way to achieve the best possible results." The right thing means a treatment plan that science shows actually works (referred to as "evidence-based"). It also means care that fits with the patient's values and lifestyle. In the right way means not too little and not too much care. At the right time means getting care that prevents illness or the progression of a disease. For example, screening children for obesity can prevent long-term issues with poor health.

The Institute of Medicine describes quality as care that is safe, effective, patient-centered, timely, efficient, and equitable.

A. The Board's Role in Quality Oversight

Providing quality health care services is central to the mission, goals, and policies of all health centers. Just like financial performance, the board is responsible for the oversight of the quality, safety, service, and access to care. Below are ways for the board to meet its responsibility to assure quality and safety:

- Set the tone by ensuring quality is a strategic priority and communicating the board's commitment to quality and safety to physicians, employees, community partners, and the public.

- Assure resources (e.g., staff) are budgeted for quality and safety.

- Approve and periodically update QA/QI policies that address items such as:
  - The quality and utilization of health center services,
  - Patient satisfaction and patient grievance processes,
  - Patient safety, including adverse events.

- Monitor quality and safety indicators and the progress to achieve performance goals. Using dashboards can be a helpful tool for monitoring metrics.

- Put patient safety and quality on the board's meeting agenda frequently (e.g., monthly, every 2 months). Review quality measures, discuss benchmarks, and discuss corrective action plans for poor quality or adverse events. Questions a board can consider asking include:
  - What are we learning from the data?
  - Where are there gaps?
  - Are our quality goals strategically important?
  - What will be different about how our health center measures quality in five years?

- Ensure appropriate follow-up actions are taken and include discussion of follow up actions in board meeting minutes.

- Discuss quality and safety standards related to staff and facilities in addition to services.

- Recruit board members with QA/QI expertise (this can be QA/QI expertise from health care or other industries that focus on quality).

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- Orient board members to quality and the QA/QI plan, as well as provide ongoing learning to ensure all board members understand and feel equipped to discuss quality. It can be helpful to ensure board members know the answers to questions such as:
  - Who are the management and clinical leaders on staff who are responsible for the quality and safety programs?
  - How do we know our staff is competent to take care of patients?
  - Are patients satisfied with the care they get at the health center? How do you know?
  - What is the process for reporting quality concerns and errors?
  - How is our health center doing on the required clinical performance measures?
  - What actions is the health center undertaking to improve our quality?

The board may also form a Quality (or QA) Committee to review and recommend policies related to patient care. This committee may also oversee the quality management plan and reviews, and may also recommend the clinical privileges of health center provider staff (for more on Credentialing and Privileging, see Chapter 6 of the *Governance Guide*). Often, the staff liaison for the Quality Committee is the medical director or chief medical officer.

It is important to note that the line between governance and management can sometimes blur when it comes to quality oversight. It is important for a board to understand that it is not the board's role to fix or address issues directly – but rather to hold the CEO accountable for ensuring the management team is following up on issues.

Clinical Workforce

No community health center would be able to deliver on its promise of high-quality, affordable, accessible, and culturally competent care without its most valuable resource: its workforce. High-quality patient care, especially in the underserved areas health centers serve, demands an integrated, multidisciplinary team, drawing on a range of clinical disciplines and administrative expertise. Because of a persistent national shortage of clinicians, particularly in rural and underserved areas, most health centers currently struggle to recruit and retain the clinical workforce necessary to meet patient needs.[42]

Workforce challenges are something to be sure the board is aware of so it can do what it can from a strategy or policy perspective to guide management to address any needs and challenges. For example, issues related to workforce may appear in the board-approved strategic plan.

Board members can also serve as ambassadors in the community. For example, board members may engage in activities such as welcoming potential providers. It is important that the members understand they are wearing their "volunteer hat" when engaging in this work and not acting in a formal board capacity. In addition, make sure messaging about the health center is thought through and consistent.

B. The Health Center Program and Board Oversight of Quality

The Health Resources and Services Administration (HRSA) Health Center Program Compliance Manual (Compliance Manual) establishes some requirements related to the board's oversight of quality. Chapter 19: Board Authority

[42] NACHC Policy Paper, The Workforce Needed for Quality Care, http://www.nachc.org/wp-content/uploads/2016/02/NACHC-2017-Policy-Paper-Workforce.pdf.

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discusses the board's quality oversight role and links to several additional chapters, including Chapter 10: Quality Improvement/Assurance. Excerpts from the Compliance Manual that discuss how a health center would demonstrate compliance with these requirements are included below for ease of reference.[43]

Excerpt from Health Center Program Compliance Manual, Chapter 19: Board Authority. Please note the footnotes in this excerpt are from and link directly to the Compliance Manual.

The most relevant parts of the excerpt related to the board's quality oversight role are bolded below; this emphasis was added by NACHC.

Demonstrating Compliance

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

a. The health center's organizational structure, articles of incorporation, bylaws, and other relevant documents ensure the health center governing board maintains the authority for oversight of the Health Center Program project, specifically:
   - The organizational structure and documents do not allow for any other individual, entity or committee (including, but not limited to, an executive committee authorized by the board) to reserve approval authority or have veto power over the health center board with regard to the required authorities and functions;[11]
   - In cases where a health center collaborates with other entities in fulfilling the health center's HRSA-approved scope of project, such collaboration or agreements with the other entities do not restrict or infringe upon the health center board's required authorities and functions; and
   - For public agencies with a co-applicant board;[12] the health center has a co-applicant agreement that delegates the required authorities and functions to the co-applicant board and delineates the roles and responsibilities of the public agency and the co-applicant in carrying out the Health Center Program project.

b. The health center's articles of incorporation, bylaws, or other relevant documents outline the following required authorities and responsibilities of the governing board:
   - Holding monthly meetings;
   - Approving the selection (and termination or dismissal, as appropriate) of the health center's Project Director/CEO;
   - Approving the annual Health Center Program project budget and applications;
   - Approving health center services and the location and hours of operation of health center sites;
   - Evaluating the performance of the health center;
   - Establishing or adopting policy[13] related to the operations of the health center; and
   - Assuring the health center operates in compliance with applicable Federal, State, and local laws and regulations.

c. The health center's board minutes and other relevant documents confirm that the board exercises, without restriction, the following authorities and functions:
   - Holding monthly meetings where a quorum is present to ensure the board has the ability to exercise its required authorities and functions;

[43] See Chapter 19: Board Authority of the HRSA Health Center Program Compliance Manual at https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-19.html#titletop and Chapter 10: Quality Improvement/Assurance at https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-10.html#titletop for additional information on these requirements.

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- Approving the selection, evaluation and, if necessary, the dismissal or termination of the Project Director/CEO from the Health Center Program project;
- Approving applications related to the Health Center Program project, including approving the annual budget, which outlines the proposed uses of both Health Center Program award and non-Federal resources and revenue;
- Approving the Health Center Program project's sites, hours of operation and services, including decisions to subaward or contract for a substantial portion of the health center's services;
- Monitoring the financial status of the health center, including reviewing the results of the annual audit, and ensuring appropriate follow-up actions are taken;
- Conducting long-range/strategic planning at least once every three years, which at a minimum addresses financial management and capital expenditure needs; and
- **Evaluating the performance of the health center based on quality assurance/quality improvement assessments and other information received from health center management,[14] and ensuring appropriate follow-up actions are taken regarding:**
  - **Achievement of project objectives;**
  - **Service utilization patterns;**
  - **Quality of care;**
  - **Efficiency and effectiveness of the center; and**
  - **Patient satisfaction, including addressing any patient grievances.**

d. **The health center board has adopted, evaluated at least once every three years, and, as needed, approved updates to policies in the following areas:** Sliding Fee Discount Program, **Quality Improvement/Assurance**, and Billing and Collections.[15]

e. The health center board has adopted, evaluated at least once every three years, and, as needed, approved updates to policies that support financial management and accounting systems and personnel policies. However, in cases where a public agency is the recipient of the Health Center Program Federal award or designation and has established a co-applicant structure, the public agency may establish and retain the authority to adopt and approve policies that support financial management and accounting systems and personnel policies.

Excerpt from Health Center Program Compliance Manual, **Chapter 10: Quality Improvement/Assurance**. The relevant parts of this excerpt that related to the board's quality oversight role are bolded below; this emphasis was added by NACHC.

Demonstrating Compliance

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

a. The health center has a board-approved policy(ies) that establishes a QI/QA program.[1] This QI/QA program addresses the following:
- **The quality and utilization of health center services;**
- **Patient satisfaction and patient grievance processes; and**
- **Patient safety, including adverse events.**

b. The health center designates an individual(s) to oversee the QI/QA program established by board-approved policy(ies). This individual's responsibilities would include, but would not be limited to, ensuring the implementation of QI/QA operating procedures and related assessments, monitoring QI/QA outcomes, and updating QI/QA operating procedures.

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c. The health center has operating procedures or processes that address all of the following:
   - Adhering to current evidence-based clinical guidelines, standards of care, and standards of practice in the provision of health center services, as applicable;
   - Identifying, analyzing, and addressing patient safety and adverse events and implementing follow-up actions, as necessary;
   - Assessing patient satisfaction;
   - Hearing and resolving patient grievances;
   - Completing periodic QI/QA assessments on at least a quarterly basis to inform the modification of the provision of health center services, as appropriate; and
   - **Producing and sharing reports on QI/QA to support decision-making and oversight by key management staff and by the governing board regarding the provision of health center services.**

d. The health center's physicians or other licensed health care professionals conduct QI/QA assessments on at least a quarterly basis, using data systematically collected from patient records, to ensure:
   - Provider adherence to current evidence-based clinical guidelines, standards of care, and standards of practice in the provision of health center services, as applicable; and
   - The identification of any patient safety and adverse events and the implementation of related follow-up actions, as necessary.

e. The health center maintains a retrievable health record (for example, the health center has implemented a certified Electronic Health Record (EHR))[2] for each patient, the format and content of which is consistent with both Federal and state laws and requirements.

f. The health center has implemented systems (for example, certified EHRs and corresponding standard operating procedures) for protecting the confidentiality of patient information and safeguarding this information against loss, destruction, or unauthorized use, consistent with Federal and state requirements.

C. The Quality Assurance/Quality Improvement Program

To support the provision of high quality patient care and improved health outcomes for patients and the community, health centers establish a QA/QI program that reflects the health center's mission. A QA/QI program generally includes a plan to:

- Describe areas to target for assessing quality and safety.
- Identify externally-valid, evidence-based metrics for monitoring. Metrics can relate to areas such as health center performance, patient outcomes, patient satisfaction, and/or achievement of quality recognition such as accreditation.
- Establish a performance threshold for each area. Performance is never expected to go below that threshold.
- Collect and analyze data to identify opportunities for improvement.
- Identify staff to implement, track, and report (including to the board) on the improvement.
- Periodically re-analyze performance to assure that the improvement is sustained.

Quality Assessment Measures

The health center's QA/QI plan identifies measures to monitor levels of performance. Measures may be driven by the health center's mission, such as "access to quality health care." For each measure, the health center establishes a goal that it strives to achieve. For example:

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Measure	Goal
Access to care	x% of patients are able to get an appointment within two days
Clinical quality	90% of hypertension patients have blood cholesterol documented within the last 12 months
Coordinated care	85% of patient referrals are tracked for patient follow-through
Patient engagement	x% of patients report a positive patient experience

Required Clinical Performance Measures

In order to demonstrate the value of care delivered by health centers, the Health Resources and Services Administration (HRSA) has identified Quality of Care Measures and Health Outcomes and Disparities Measures that relate to services provided, common clinical conditions, and the broad range of people served by health centers. These measures are reported to HRSA by the health center as part of the Uniform Data System (UDS). These measures of quality are also used by other organizations such as payers that want to assess the value of care provided by health centers, including Medicaid, Medicare, and health insurance/managed care organizations.

Quality of Care and Health Outcome and Disparities measures include:[44]

- Percentage of patients 18-75 years of age with diabetes who had hemoglobin A1c >9.0% during the measurement period.
- Percentage of patients 18-85 years of age who had a diagnosis of hypertension and whose blood pressure was adequately controlled (less than 140/90 mmHg) during the measurement period.
- Percentage of prenatal care patients who entered treatment during their first trimester.
- Percentage of children 2 years of age who are fully immunized by their 2nd birthday.
- Percentage of patients aged 50 to 75 who had appropriate screening for colorectal cancer.

Measures on oral health and behavioral health are also collected. In addition to tracking these core health indicators, health centers also report data by race/ethnicity on birth weight, diabetes, and hypertension in order to demonstrate progress towards eliminating disparities in health outcomes.

It is important to be aware that HRSA provides Quality Improvement Awards (QIA) to health centers; these awards recognize the highest performing health centers nationwide as well as those health centers that have made significant quality improvement gains from the previous year.[45]

[44] To learn more about HRSA/BPHC Performance Measures to go https://bphc.hrsa.gov/qualityimprovement/performancemeasures/qualitycare.html.

[45] More information on the Quality Improvement Awards can be found at https://bphc.hrsa.gov/programopportunities/fundingopportunities/quality/index.html.

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Chapter 6:
Oversight of Health Center Risks

Executive Summary

The board has a responsibility to provide oversight of the Health Center Program, the corporate compliance program, and ensure various personnel policies are in place. It is the board's responsibility to assure that the health center has adequate plans to protect its assets from damage or loss. The board is encouraged to be intentional about its role in provider credentialing and privileging, and be particularly mindful of the requirements of the Federal Tort Claims Act (FTCA). This chapter identifies steps the board can take to provide oversight related to various health center risk areas.

This section covers the following topics:

A. Health Center Program Oversight and Operational Site Visit
B. Federal Tort Claims Act (FTCA)
C. Risk Management
D. Corporate Compliance
E. Employment Practices
F. Provider Credentialing and Privileging

Tips for Using this Section

Using This Chapter as a Board

If your board is reviewing and discussing this chapter as a group, consider the following discussion questions:

- What type of board education on the Health Center Program would be helpful?
- When is our next Operational Site Visit and how can we prepare as a board?
- Have we approved the risk management plan? What questions do we have about risk management?
- What questions do we have about corporate compliance, board-approved personnel policies, or the FTCA?
- What role does the board play and/or want to play related to provider credentialing and privileging?

Using This Chapter as an Individual

If you are reviewing this chapter on your own, consider the following questions:

- What did I learn from this chapter?
- What did I learn from this chapter that may be helpful to the board I serve on or support?
- Would additional information be helpful and, if so, on what topics?

A. Health Center Program Oversight and Operational Site Visit

The health center board has specific responsibility for oversight of the Health Center Program project.[46] The Health Resources and Services Administration (HRSA) Health Center Program Site Visit Protocol (SVP) is the tool for assessing compliance with applicable legal requirements as set forth in the Health Center Program Compliance

[46] See Chapter 19: Board Authority of the HRSA Health Center Program Compliance Manual at https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-19.html#titletop for additional information on these requirements.

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Manual (Compliance Manual) during the Operational Site Visit (OSV). As part of this process, certain governance records – including bylaws, board meeting minutes, and others – will be reviewed by the OSV reviewers to assess compliance. Additionally, the board will participate in an interview as part of this process.[47]

Boards can prepare by incorporating education on the Compliance Manual and OSV into board meetings and retreats. The SVP can be used to monitor continuous compliance. It is important to underscore that meeting requirements for the Health Center Program is a baseline for compliant governance performance and a board must ensure it is also meeting applicable requirements of additional state and federal laws as well as ideally also adopting and incorporating effective governance practices.

B. Federal Tort Claims Act (FTCA)

According to the HRSA website, the Federal Tort Claims Act (FTCA), established in 1946, is the legal mechanism for compensating people who have suffered personal injury due to the negligent or wrongful action of employees of the U.S. government.[48]

Health Centers must complete an initial deeming application and, subsequently, an annual redeeming application. The application requires the submission of several board items such as proof the health center board has received and reviewed risk management reports, attestation that the board has certain policies in place related to Quality Improvement and Quality Assurance, among others.[49] An Annual Board Work Plan can help ensure these activities take place (see Chapter 10 of the *Governance Guide* for more discussion on Work Plans).

Additionally, health centers that are "FTCA deemed" are assessed during the OSV and, possibly through an FTCA Site Visit. The Compliance Manual addresses FTCA in Chapter 21: Federal Tort Claims Act (FTCA) Deeming Requirements; an excerpt is included below. Information on the FTCA Site Visit Protocol can be found at https://bphc.hrsa.gov/sites/default/files/bphc/ftca/pdf/ftca-hcp-svp.pdf.[50]

Excerpt from Health Center Program Compliance Manual, Chapter 21: Federal Tort Claims Act (FTCA) Deeming Requirements. Please note the footnotes in this excerpt are from and link directly to the Compliance Manual.

Demonstrating Compliance

A health center would demonstrate compliance with the FTCA requirements by providing documentation in its annual deeming application, in the form and manner prescribed by HRSA, and consistent with (but not necessarily limited to) the following:

Credentialing and Privileging / Quality Improvement and Quality Assurance

a. The health center is currently compliant with all of the credentialing and privileging requirements of Chapter 5: Clinical Staffing and all requirements within Chapter 10: Quality Improvement/Assurance prior to the deeming determination.

[47] See the Site Visit Protocol and resources from HRSA on the Operational Site Visit at https://bphc.hrsa.gov/programrequirements/svprotocol.html.

[48] Information adapted from https://bphc.hrsa.gov/ftca/index.html; please visit this website for more information.

[49] See PAL 2019-02 Calendar Year 2020 Requirements for Federal Tort Claims Act (FTCA) Coverage for Health Centers and their Covered Individuals, https://bphc.hrsa.gov/sites/default/files/bphc/ftca/pdf/pal-2019-02.pdf.

[50] PAL 2019-02 Calendar Year 2020 Requirements for Federal Tort Claims Act (FTCA) Coverage for Health Centers and their Covered Individuals, https://bphc.hrsa.gov/sites/default/files/bphc/ftca/pdf/pal-2019-02.pdf. Also see Federal Tort Claims Act (FTCA) Health Center Site Visit Protocol https://bphc.hrsa.gov/sites/default/files/bphc/ftca/pdf/ftca-hcp-600000000000svp.pdf.

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Risk Management

a. The health center has and currently implements an ongoing health care risk management program to reduce the risk of adverse outcomes that could result in medical malpractice or other health or health-related litigation and that requires the following:
   - Risk management across the full range of health center health care activities;
   - Health care risk management training for health center staff;
   - Completion of quarterly risk management assessments by the health center; and
   - Annual reporting to the health center board which includes: completed risk management activities; status of the health center's performance relative to established risk management goals; and proposed risk management activities that relate and/or respond to identified areas of high organizational risk.

b. The health center has risk management procedures that address the following areas for health center services and operations:
   - Identifying and mitigating the health care areas/activities of highest risk within the health center's HRSA-approved scope of project, including but not limited to tracking referrals, diagnostics, and hospital admissions ordered by health center providers;
   - Documenting, analyzing, and addressing clinically-related complaints and "near misses" reported by health center employees, patients, and other individuals;
   - Setting and tracking progress related to annual risk management goals;
   - Developing and implementing an annual health care risk management training plan for all staff members based on identified areas/activities of highest clinical risk for the health center (including, but not limited to, obstetrical procedures and infection control) and any non-clinical trainings appropriate for health center staff (including HIPAA medical record confidentiality requirements); and
   - Completing an annual risk management report for the board and key management staff.

c. The health center provides reports to the board and key management staff on health care risk management activities and progress in meeting goals at least annually, and provides documentation to the board and key management staff showing that any related follow-up actions have been implemented.

d. The health center has a health care risk management training plan for all staff members and documentation showing that such trainings have been completed by the appropriate staff, including all clinical staff, at least annually.

e. The health center designates an individual(s) (for example, a risk manager) who oversees and coordinates the health center's health care risk management activities and completes risk management training annually.

Claims Management

a. The health center has a claims management process for addressing any potential or actual health or health-related claims, including medical malpractice claims, that may be eligible for FTCA coverage. In addition, this process ensures:
   - The preservation of all health center documentation related to any actual or potential claim or complaint (for example, medical records and associated laboratory and x-ray results, billing records, employment records of all involved clinical providers, clinic operating procedures); and
   - Any service-of-process/summons that the health center or its provider(s) receives relating to any alleged claim or complaint is promptly sent to the HHS Office of the General Counsel, General Law

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Division, per the process prescribed by HHS and as further described in the FTCA Health Center Policy Manual.

b. The health center has a designated individual(s) who is responsible for the management and processing of claims-related activities and serves as the claims point of contact.
c. The health center informs patients using plain language that it is a deemed Federal PHS employee[5] via its website, promotional materials, and/or within an area(s) of the health center that is visible to patients.
d. If a history of claims under the FTCA exists, the health center can document that it:
    - Cooperated with the Attorney General, as further described in the FTCA Health Center Policy Manual; and
    - Implemented steps to mitigate the risk of such claims in the future.

C. Risk Management

A risk management program protects the health center's assets by having a structured system and procedures in place to reduce risks that may result in loss, such as the loss of financial resources or staff time. Risks may be related to many areas including medical malpractice, noncompliance with federal and state laws and regulations, safety of patients and employees, or charges by staff of discrimination and harassment.

Examples of how a board may fulfill its risk management oversight responsibility include:

- If FTCA deemed, ensure compliance with requirements for the deeming application, requirements associated with the Operational Site Visit, and, as appropriate, with the requirements of the FTCA Site Visit Protocol. This may include, for example, undertaking risk management activities associated with the FTCA (discussed above) including ensuring the board annually hears a report on health care risk management activities, keeps quality improvement/quality assurance policies updated, hears reports on QI/QA, and maintains board meeting minutes that demonstrate this activity.

- Review and approve the health center's risk management program; the program may include risk assessment protocols and steps to manage or eliminate risks such as having the facility inspected at least annually for fire and safety risks and having an independent review of the health center's insurance coverage.

- Assure effective communication by establishing a system for staff (a designated point person -- the "Risk Manager") to report to the board about the risk management program and progress for improvement and for the board to communicate with the CEO about key expectations.

Questions a board can ask include:

- Is there a staff person designated as the individual responsible for risk management?
- Does the risk management plan include a risk assessment to identify areas that are at high risk or may present risk?
- Does the plan identify methods (including policies and procedures) to control or reduce risks?

A board can also model a commitment to risk management by ensuring that its own work is done in a legal and appropriate manner. A board can consider how it manages risks related to its own actions by asking questions such as:

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- Do board meeting minutes document every action taken? Are dissenting views and votes reflected?
- Do the minutes reflect which members were in attendance?
- Is adequate notice of meetings provided in accordance with the bylaws?
- Does the board explore options before arriving at a decision?
- Do board deliberations reflect a "culture of inclusion and openness" where board members feel they are permitted and encouraged to ask difficult questions and discuss controversial topics facing the health center?
- Do board members stay informed about activities at the health center? Are background materials provided in advance of each meeting?

D. Corporate Compliance

With the implementation of the Affordable Care Act (health care reform), health centers and other health care providers are required to implement a corporate compliance program as a condition of enrollment in Medicare, Medicaid, and the Children's Health Insurance Program (CHIP). The implementation of a robust compliance program helps assure that the board is meeting its obligation under Section 330's implementing regulations to ensure that the health center is operating in compliance with applicable Federal, state, and local laws.

There are various elements that must be in place in a compliance program including: [51]

1. Designate a compliance officer/contact.
2. Conduct internal monitoring and audits.
3. Develop written standards and policies to implement the Compliance Program and govern health center operations.
4. Conduct culturally and linguistically competent training and education programs.
5. Develop effective, clear, open lines of communication between compliance and health center personnel - open door policy and policy prohibiting retaliation.
6. Investigate detected problems and develop corrective action.
7. Publicize and enforce disciplinary standards.

The Office of the Inspector General (OIG) of the Department of Health and Human Services (DHHS) has developed several resources developed various resources to help board members further understand their oversight role.[52]

E. Employment Practices

As employers, health centers must comply with Federal, state, and local employment laws. To assure compliance, organizations establish personnel policies to define the treatment, rights, obligations, and relations of people working in the organization. These policies are intended to ensure that everyone is treated fairly and equitably regardless of their race, creed, color, gender, or sexual orientation.

For example, Title VII of the Civil Rights Act of 1964 requires that employers provide a work environment that is free from any form of sexual harassment. Based on this requirement, some organizations have established a "zero tolerance" sexual harassment policy that can lead to immediate termination in some cases. The Equal Employment Opportunity Act prohibits discriminating against any present or potential employee on the basis of race, sex, religion,

[51] List courtesy of Jacqueline C. Leifer, Feldesman Tucker Leifer Fidell LLP. See "OIG Compliance Program for Individual and Small Group Physician Practices" at https://oig.hhs.gov/compliance/compliance-guidance/index.asp for more information.

[52] View "Practical Guidance for Health Care Governing Boards on Compliance Oversight," at https://oig.hhs.gov/compliance/compliance-guidance/docs/practical-guidance-for-health-care-boards-on-compliance-oversight.pdf. See suggested questions for board members to ask under section V (page 6) of the OIG guidance "Corporate Responsibility and Corporate Compliance: A Resource for Health Care Boards of Directors," at https://oig.hhs.gov/fraud/docs/complianceguidance/040203corpresprsceguide.pdf.

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country of origin, and color. In response, organizations have strict policies for recruiting, selecting, and treating employees.

In order to assure compliance, health center boards approve personnel policies that are appropriate for their organization. The Health Center Program requires that the board approves and monitors policies and procedures that include certain personnel policies.[53] State laws may extend protections beyond federal laws for examples prohibiting discrimination based on personal appearance or political affiliation.

F. Provider Credentialing and Privileging

In order to protect patients and the health center organization from incompetent health care providers, health centers complete a process known as credentialing in which health center staff thoroughly review and verify the licensure, certification, education, training, competence, health fitness, immunization status, and hospital admitting privileges for all licensed or certified health center practitioners, employed or contracted, volunteers and locum tenens, at all health center sites. After assuring a practitioner's credentials and performance, each practitioner must be granted privileges to provide specific services at the health center's care delivery settings.

It is no longer a requirement of the Health Center Program that the board must have authority to approve each practitioner's credentials and to award or deny privileges to the practitioner. However, a board may still want to consider what role it wants to play in this process. For example, the board may wish to consider keeping this practice as-is as many boards of health care delivery organizations consider this to be a good and important practice. In addition to or alternatively, the board may opt to approve a credentialing and privileging policy periodically (e.g., every 3 years).

[53] See Chapter 19: Board Authority of the HRSA Health Center Program Compliance Manual at https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-19.html#titletop for additional information on these requirements.

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Chapter 7:
CEO Oversight and Partnership

Executive Summary

Finding and maintaining a strong Chief Executive Officer (CEO) for the health center is one of the most important roles a board plays. The organization's CEO has tremendous responsibilities in management and operations, leadership, and development of the health center. A strong CEO maintains strong working relationships with the community that the health center serves, staff, and the board.

Once hired, the board's role in evaluating, compensating, supporting, and recognizing excellent service by the CEO (when appropriate) is essential for a productive relationship that results in safeguarding the health center's mission and achieving its vision and goals. It is good practice for a board to undertake CEO succession planning so that it has a plan in place when action is needed to find the next CEO.

While the CEO is the only health center employee who is selected, evaluated, and, if necessary, dismissed by the board, it is inevitable that the board and senior staff of the health center will interact; what is important is having parameters in place for this interaction that respects the roles and authority of the board and CEO and proactively addresses common challenges in board-staff interaction.

This section covers the following topics:

A. Roles and Responsibilities Related to CEO Oversight and Partnership
B. The Health Center Program and CEO Oversight
C. Selecting and Hiring the Health Center CEO
D. Establishing Goals and Evaluating CEO Performance
E. CEO Compensation
F. CEO Succession Planning
G. Pillars of Board-CEO Partnership
H. Board and Staff Interaction

Tips for Using this Section

Using This Chapter as a Board

If your board is reviewing and discussing this chapter as a group, consider the following discussion questions:

- Does our board ensure the CEO has performance goals that are connected to the strategic plan?
- Does the board periodically evaluate the CEO's performance? What practices do we want to maintain, stop, or start related to CEO evaluation?
- Does the board approve the CEO's compensation?
- Has the board developed and approved an emergency CEO succession plan and a CEO succession policy?
- Do we have an effective partnership with the CEO?
- Does the board understand the parameters that are important to follow related to interaction with staff?

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Using This Chapter as an Individual
If you are reviewing this chapter on your own, consider the following questions:

- What did I learn from this chapter?
- What did I learn from this chapter that may be helpful to the board I serve on or support?
- Would additional information be helpful and, if so, on what topics?

A. Roles and Responsibilities Related to CEO Oversight and Partnership

The CEO, who may be called the Executive Director or "Project Director," is the only employee who is selected by the board.[54] The board is responsible for selecting the CEO and, if necessary, terminating the CEO. The board should work with the CEO to establish annual performance goals and provides a routine evaluation of CEO performance. It is also good governance practice for the board to approve the compensation of the CEO – and the Internal Revenue Service (IRS) asks specific questions about the process for determining such compensation on the Form 990 (discussed below) - as well as to undertake CEO succession planning.

Ideally, the board and CEO have a strong partnership as neither can do its job effectively without the support of the other. Markers of a strong board-CEO relationship include mutual trust and respect, shared understanding of roles, clear communication, and mutual accountability.

The CEO is responsible for hiring and oversight of the health center's staff. Senior staff members often attend board meetings and/or are designated by the CEO to serve as the staff liaison for a board committee. It is important that both board and staff understand parameters for appropriate board-staff communication.

B. The Health Center Program and CEO Oversight

The Health Resources and Services Administration (HRSA) Health Center Program Compliance Manual (Compliance Manual) includes some requirements related to CEO oversight in Chapter 11: Key Management Staff and Chapter 19: Board Authority; excerpts from the Compliance Manual that discuss how a health center would demonstrate compliance with these requirements are included below for ease of reference.[55]

Excerpt from Health Center Program Compliance Manual, Chapter 11: Key Management Staff. Please note the footnotes in this excerpt are from and link directly to the Compliance Manual.

Demonstrating Compliance

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

a. The health center has determined the makeup of and distribution of functions among its key management staff[2] and the percentage of time dedicated to the Health Center Program project for each position, as necessary to carry out the HRSA-approved scope of project.
b. The health center has documented the training and experience qualifications, as well as the duties or functions, for each key management staff position (for example, in position descriptions).

[54] Project Director is a title that appears in the HRSA Health Center Program Compliance Manual (see Chapter 11: Key Management Staff).
[55] See Chapter 19: Board Authority and Chapter 11: Key Management Staff of the HRSA Health Center Program Compliance Manual at https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-19.html#titletop and https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-11.html#titletop for more information.

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c. The health center has implemented, as necessary, a process for filling vacant key management staff positions (for example, vacancy announcements have been published and reflect the identified qualifications).
d. The health center's Project Director/CEO is directly employed by the health center,[3] reports to the health center's governing board[4] and is responsible for overseeing other key management staff in carrying out the day-to-day activities necessary to fulfill the HRSA-approved scope of project.
e. If there has been a post-award change in the Project Director/CEO position,[5] the health center requests and receives prior approval from HRSA.

Excerpt from Health Center Program Compliance Manual, Chapter 19: Board Authority. Please note the footnotes in this excerpt are from and link directly to the Compliance Manual.

The most relevant parts of this excerpt as they apply to the board's CEO oversight role are bolded below; this emphasis was added by NACHC.

Demonstrating Compliance

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

a. The health center's organizational structure, articles of incorporation, bylaws, and other relevant documents ensure the health center governing board maintains the authority for oversight of the Health Center Program project, specifically:
   - The organizational structure and documents do not allow for any other individual, entity or committee (including, but not limited to, an executive committee authorized by the board) to reserve approval authority or have veto power over the health center board with regard to the required authorities and functions;[11]
   - In cases where a health center collaborates with other entities in fulfilling the health center's HRSA-approved scope of project, such collaboration or agreements with the other entities do not restrict or infringe upon the health center board's required authorities and functions; and
   - For public agencies with a co-applicant board;[12] the health center has a co-applicant agreement that delegates the required authorities and functions to the co-applicant board and delineates the roles and responsibilities of the public agency and the co-applicant in carrying out the Health Center Program project.

b. The health center's articles of incorporation, bylaws, or other relevant documents outline the following required authorities and responsibilities of the governing board:
   - Holding monthly meetings;
   - **Approving the selection (and termination or dismissal, as appropriate) of the health center's Project Director/CEO;**
   - Approving the annual Health Center Program project budget and applications;
   - Approving health center services and the location and hours of operation of health center sites;
   - Evaluating the performance of the health center;
   - Establishing or adopting policy[13] related to the operations of the health center; and
   - Assuring the health center operates in compliance with applicable Federal, State, and local laws and regulations.

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c. The health center's board minutes and other relevant documents confirm that the board exercises, without restriction, the following authorities and functions:
   - Holding monthly meetings where a quorum is present to ensure the board has the ability to exercise its required authorities and functions;
   - **Approving the selection, evaluation and, if necessary, the dismissal or termination of the Project Director/CEO from the Health Center Program project;**
   - Approving applications related to the Health Center Program project, including approving the annual budget, which outlines the proposed uses of both Health Center Program award and non-Federal resources and revenue;
   - Approving the Health Center Program project's sites, hours of operation and services, including decisions to subaward or contract for a substantial portion of the health center's services;
   - Monitoring the financial status of the health center, including reviewing the results of the annual audit, and ensuring appropriate follow-up actions are taken;
   - Conducting long-range/strategic planning at least once every three years, which at a minimum addresses financial management and capital expenditure needs; and
   - Evaluating the performance of the health center based on quality assurance/quality improvement assessments and other information received from health center management,[14] and ensuring appropriate follow-up actions are taken regarding:
     - Achievement of project objectives;
     - Service utilization patterns;
     - Quality of care;
     - Efficiency and effectiveness of the center; and
     - Patient satisfaction, including addressing any patient grievances.

d. The health center board has adopted, evaluated at least once every three years, and, as needed, approved updates to policies in the following areas: Sliding Fee Discount Program, Quality Improvement/Assurance, and Billing and Collections.[15]

e. The health center board has adopted, evaluated at least once every three years, and, as needed, approved updates to policies that support financial management and accounting systems and personnel policies. However, in cases where a public agency is the recipient of the Health Center Program Federal award or designation and has established a co-applicant structure, the public agency may establish and retain the authority to adopt and approve policies that support financial management and accounting systems and personnel policies.

C. Selecting and Hiring the Health Center CEO

The CEO is the only health center employee selected by the board; the CEO – in turn – is responsible for selecting the other members of the staff. Selecting the CEO has a significant impact on the success of the health center. A board has the opportunity to shape the health center's future by selecting the best candidate to lead the organization. There are various reasons a board may need to search for and select a new CEO – including retirement, resignation, termination, and death, among others. Ideally a board has an Emergency Succession Plan and a CEO Succession Policy in place (discussed later in this chapter) which it can look to in order to provide guidance on steps to take during a CEO search process.

In the case of a sudden event – which may include death or termination – a board will likely implement its emergency CEO succession plan and name an interim leader while it determines how to proceed with a CEO search. In this and other circumstances, a board may also first wish to conduct an organizational assessment to assess the overall sustainability of the organization. Such an assessment often focuses on the health center's business model and

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strategy, leadership, resources, and culture and can inform what is needed in the next leader. NACHC's "Essential Guides to Sustainability, Succession, and Transition Planning" has guidance on conducting this type of assessment.[56]

Understanding the Type of Transition

An assessment can help a board understand the health center's situation. There are four classic transition types:

1. Sustained success – The organization is well led and performing well. The board needs to resist the temptation to find someone "just like" the departing executive. High-performing executives are often times hard to follow. The board will want to ensure that the job is doable for the successor. That does not mean changing the job, but rather empowering the new leader to delegate.

2. Underperforming – The organization is performing poorly or is about to go into decline. The challenge here is to properly diagnose the issues and make sure that they are addressed during the transition. There is also a challenge to align the chief executive job duties with the real leadership needs of the organization. Finally, the board will want to guard against "hiding" the situation from candidates. Transparency is the best policy.

3. Turnaround – The organization is in active decline. The board's challenge is to stabilize the organization first. This is ideally be done before launching the search. This is a time to promote or hire strong interim leadership to help turn the organization around, and focus on improving staff morale.

4. Long tenured executive – The organization is facing the departure of the founder or a long tenured executive. It is vital that the committee reassess the job and empower the new CEO to delegate some of the executive's accumulated responsibilities. Finally, the board will need to break out of the business-as-usual mentality and reimagine the board-executive relationship with a new executive in place.

Source: Adapted from NACHC's "Essential Guides to Sustainability, Succession, and Transition Planning" written for Transition Guides (prior to merging with Raffa) on behalf of NACHC available on http://mylearning.nachc.com/.

When starting a CEO search, typically a board will consider:

- CEO role expectations based on the health center's most urgent priorities and goals and/or findings of an organizational assessment.
- Essential kinds of experience.
- The personal style needed to fit the health center's mission and culture.
- Whether or not to consider individuals from within the organization, along with external candidates.
- Whether to hire a search firm or conduct the search themselves. Many health centers retain professional search firms who can assist them with the CEO search process. A major benefit of a search firm is its ability to proactively identify candidates – including those who may not actively be looking for a new role.
- Who will serve on the search task force.
- How to assure the board is kept informed of the process.

Typically, a board will form a CEO Search Task Force (sometimes called a CEO Transition Task Force). This Task Force often consists of approximately five board members and takes the lead in preparing the position/job description,

[56] NACHC's "Essential Guides to Sustainability, Succession, and Transition Planning" available on (http://mylearning.nachc.com/).

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interviewing candidates, and ultimately recommending a final candidate to the board for consideration and approval. Input from the board members not on the Task Force and key staff leaders is also sought along the way. For example, staff are typically consulted regarding the type of competencies needed in a CEO and the Senior Leadership Team often participates in interviews with final candidates – providing the board with feedback. It is not recommended that staff formally serve on the search committee.

Prior to hiring a candidate to serve as CEO, the CEO Search Task Force typically ensures reference checking occurs and consider a background check if permitted by state law. Robust reference checking may include talking with several former supervisors and, if the person has previously served as a CEO, member(s) of the board of directors of that organization. Sometimes this may also entail conversations with direct reports and colleagues. If the candidate has previously worked at another health center, talking with that center can be helpful. A formal background check – conducted in accordance with the health center's personnel policies and state law – is also a good practice. Such background checks are typically conducted by a third-party organization, and usually involve review of a number of databases - local, state, and federal criminal history, and credit reports. Other typical checks include verification of prior employment and/or verification of education and/or licensing credentials. Many states are tightening up on pre-employment background checks. Be sure to check with your legal counsel to ensure the scope of background checks is permitted in your state.[57]

Once selected, a contract or employment agreement with the CEO establishes parameters for such items as compensation, benefits, evaluation, among others. More information and resources are available on CEO search in a resource called "*Essential Guides to Sustainability, Succession and Transition Planning*" which contains additional details on organizational assessments, CEO succession planning, and the CEO hiring process.[58]

When it is in the best interests of the organization, the board should, by contract, have the authority to replace the current CEO and select a more qualified executive. This is never an easy task and must be approached with sensitivity and planning. It is important to note that the board must approve the termination or dismissal of a CEO.

Finally, it is important for a board to keep in mind Chapter 11: Key Management Staff of the Health Center Program Compliance Manual, Demonstrating Compliance, e requires that "If there has been a post-award change in the Project Director/CEO position,[5] the health center requests and receives prior approval from HRSA."[59]

D. Establishing Goals and Evaluating CEO Performance[60]

It is considered a good practice for the board and CEO to agree on performance goals annually that are connected to the strategic plan. Often a CEO will prepare suggested goals, discuss them with the board chair or a designated committee, and the goals will be approved by the board.

Additionally, conducting a routine evaluation of the CEO is an important way to inform the CEO whether they are meeting or exceeding the board's expectations. Generally, it is considered effective practice for the CEO evaluation to take place annually. To be fair and consistent, it is important to base the performance assessment on the:

- CEO's job description – Each responsibility described in the CEO's job description can be formulated into a question for the CEO evaluation form so that the CEO's performance of those responsibilities can be assessed.

[57] This discussion on reference checks and background checks is adapted from NACHC's "Essential Guides to Sustainability, Succession, and Transition Planning" (http://mylearning.nachc.com/).

[58] NACHC's "Essential Guides to Sustainability, Succession, and Transition Planning" available on (http://mylearning.nachc.com/).

[59] See Chapter 11: Key Management Staff of the HRSA Health Center Program Compliance Manual at https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-11.html#titletop.

[60] Some of the information in this section is adapted from a resource previously published by NACHC titled, "Evaluation of the Health Center's Chief Executive Officer," and written by Marcie H. Zakheim, Esq. with Feldesman Tucker Leifer Fidell.

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- Pre-established CEO individual performance goals – As noted above, on an annual basis, the CEO and board can establish individual performance goals for the CEO that address any concerns about performance or priorities of the board for the coming year. These goals and priorities are ideally linked to the health center's multi-year strategic plan and annual operating plan. Specifically, the performance goals may include areas such as:

  - Implementing a particular program, project, or initiative defined in a strategic or operational plan
  - Effective leadership and management style
  - Negotiating skills
  - Ability to motivate others
  - Willingness to delegate responsibilities
  - Ability to understand and navigate the changing health care landscape
  - Time management skills
  - Communication skills

Typically, the evaluation process is led by the board officers but may also be led by a committee that seeks input from all board members via an evaluation tool; this is often done through an online survey platform. The CEO is often asked to complete a self-evaluation so that the board can compare the CEO's perspective on their own performance to the board's evaluation. Often, the chair or officers compile the findings and discuss them with the board. Items with a wide variation in point of view can be discussed and adjusted. Finally, the board approves the evaluation and it is shared with the CEO both in writing as well as verbally. Appendix 12 contains a sample evaluation tool.

When merited by good performance, it is important to recognize the CEO's accomplishments and to be attentive to supporting the CEO's professional development. Allocating resources for professional development and/or executive coaching for the CEO is common.

E. CEO Compensation

The health center's board is responsible for recruiting and retaining the best CEO to lead the center. In a competitive market, compensation plays a major role. However, most health centers are tax-exempt organizations and must consider the principles of "reasonable compensation" and "intermediate sanctions," which are defined below:

- Reasonable compensation is the prevailing rate of compensation paid to comparably qualified and experienced individuals performing similar functions for similar organizations in the community. Health centers must find information on comparable compensation packages, inclusive of salary and all benefits.

- Intermediate sanctions is the provision in tax law that gives the Internal Revenue Service the authority to impose tax penalties (ultimately the organization could lose its tax exemption status) on individuals who receive unreasonably high compensation and those who knowingly approve such compensation.

Board members should be aware of these requirements when considering CEO compensation.

NACHC produces an annual salary and benefit report that can serve as a tool for boards regarding comparable salary data. Additionally, looking at the IRS Form 990 of other comparable nonprofit organizations can serve as a resource – including health care delivery nonprofits – which can be found online through an organization called Candid (formerly GuideStar). The board should approve the CEO's compensation.

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F. CEO Succession Planning

Succession planning is the process of ensuring effective organizational leadership over time. It is considered good practice for boards to undertake. This process is often misunderstood and it is important to clarify that a CEO Succession Plan is not about naming a successor but, rather, it addresses both emergency and planned CEO succession, and outlines guidelines and steps to take when action is needed to find the next chief executive.[61]

Good practices include:

- **Proactively broach CEO succession** – Planning for CEO Succession is a board responsibility. Whether a CEO has been in place for 6 months or 30 years, it is important to have plans in place to help ensure organizational sustainability, mitigate risk, and increase the likelihood of well managed transitions.

- **Develop a plan for emergency succession** – It is considered a good governance and good risk mitigation strategy for the board to have plans in place for CEO succession that address emergency succession.[62] It is advisable for a board to work with the CEO to establish how the CEO's responsibilities will be taken care of during a CEO absence. A formal plan will typically address both a short-term absence – in which another staff member may fill the role – as well as longer-term absences which may be filled internally or by an external interim CEO. Such plans typically include the CEO's job description, a communications plan, and address compensation and oversight of the interim CEO.

- **Develop a CEO succession policy** – This policy addresses steps that would be taken in the event a board needed to fill a CEO vacancy. Such a policy typically addresses the formation of a Transition (or CEO Search) Task Force, processes that would be followed (e.g., possible retention of a search firm), commitment to find diverse candidates, among other items.[63]

Extended CEO Transitions

For boards of health centers that have founding or long-term CEOs who are passionate about the health center movement and mission, executive transition can be both emotional and challenging. Some organizations use an **Extended CEO Transition**, which involves overlap of the exiting and incoming chief executives and a prolonged role for the exiting leader. There are various considerations when employing this model. Research by the Building Movement Project notes that the motivation for such transitions must be to promote overall organizational sustainability.[64] In addition to a successor typically being internal, additional research points to various processes and conditions that needed to be in place for this model to be successful including:

- both the founder and successor needing to let go of their "egos;"
- the founder or long-term CEO must have the ability and desire to remain engaged;

[61] See the "Essential Guides to Sustainability, Succession and Transition Planning" (http://mylearning.nachc.com/) for an overview of CEO Succession Planning practices.
[62] Sample plans that address Emergency and Planned Succession can be found in the "Essential Guides to Sustainability, Succession and Transition Planning" (http://mylearning.nachc.com/).
[63] Sample plans that address Emergency and Planned Succession can be found in the "Essential Guides to Sustainability, Succession and Transition Planning" (http://mylearning.nachc.com/).
[64] Frances Kunreuther and Stephanie Clohesy, "The Long Goodbye: Advice, How-Tos and Cautionary Tales for Extended Leadership Exits," Building Movement Project (2016) available at http://www.buildingmovement.org/.

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- the board must see a clear value from continued involvement of the outgoing leader and define a role that aligns with their interest and capabilities;
- the long-term CEO must want the successor to succeed; and
- the successor must be willing to engage in an extended transition.[65]

The board should be a critical player in designing and overseeing such a transition. It is ideal that the board work closely with the exiting executive and the incoming executive to design the transition arrangement.[66]

See "CEO Succession and Transition: A Case Study on Extended CEO Transition at East Boston Neighborhood Health Center" and "Extended CEO Transitions & the Board's Role" from NACHC (http://mylearning.nachc.com/) for additional details and guidance on this type of transition.

G. Pillars of Board-CEO Partnership

The success of the CEO and board are interdependent upon one another. They function as a team with separate, yet complementary roles and responsibilities. Board members bring the community's voice into the boardroom, provide oversight, and are concerned with the "big picture" strategic issues. The CEO manages the health center.

Pillars of an effective board-CEO partnership include: [67]

- Role clarity – It is important for the board and CEO to have the same understanding of their respective roles. Role descriptions for the board and CEO, along with periodic training, can help.

- Shared expectations and accountability – Ideally both the CEO and board have goals that are linked to the strategic plan. Additionally, it is good practice for a board to ensure processes are in place to assess both CEO performance as well as board performance (see Chapter 10 of the *Governance Guide* for more information on board self-assessments).

- Trust and respect – It is important for the board and CEO to work on building trust, develop agreed upon expectations, and have an understanding that disagreements will be handled constructively.

- Open communication – It is important to ensure transparency in communication, and to be clear about priorities and concerns to avoid surprises.

- Ability to navigate difficult moments – Difficult moments will arise. Ensuring the board and CEO leverage existing agreements regarding expectations and follow board policies when navigating difficult situations can help.

H. Board and Staff Interaction

The CEO is the only employee selected by and reporting to the board; however, the board will interact with other staff members, especially other members of the senior leadership team (e.g., Chief Financial Officer, Chief Medical Officer, etc.) at board and committee meetings. It is important for both the board and staff to understand parameters for such interaction.

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[65] Jari Tuomala, Donald Yeh & Katie Smith Milway, "Making Founder Successions Work," *Stanford Social Innovation Review* (Spring 2018).

[66] Kunreuther and Clohesy, "The Long Goodbye."

[67] Adapted from "Top 10 Principles and Practices of Great Boards, *Great Boards*; BoardSource: *The Source: Twelve Principles of Governance That Power Exceptional Boards*; and Melanie Lockwood Herman and Erin Gloeckner, "Let's Work Together: The Sweet Sounds of a Board-CEO Partnership" (available at www.nonprofitrisk.org).

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For example, it is important that staff know not to approach board members with grievances – but rather to follow the organization's grievance policy. Additionally, board members should know that if they are approached by a staff member in this capacity, it is important to suggest the person follow the center's grievance policy rather than to get involved directly. It can also be helpful to have an understanding that any extensive request from the board or a board committee should be made to the CEO directly – rather than to staff – so that the CEO can prioritize this with their team based on other responsibilities.

When in doubt, the board chair and CEO can help both board and staff respectfully navigate these dynamics.

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Chapter 8: Policies

Executive Summary

All nonprofit organizations must have articles of incorporation, bylaws, and board-approved policies. The Health Resources and Services Administration (HRSA) Health Center Program Compliance Manual (Compliance Manual) requires that boards include certain duties and parameters in the articles of incorporation, bylaws, or other appropriate documents and that the board approve certain policies.

Topics addressed in this section include:

A. Articles of Incorporation, Bylaws, and Board-Approved Policies
B. The Health Center Program and Articles of Incorporation, Bylaws or Other Relevant Documents, and Policies

Tips for Using this Section

Using This Chapter as a Board

If your board is reviewing and discussing this chapter as a group, consider the following discussion questions:

- When were the bylaws last reviewed and updated? When is the last time an attorney reviewed the bylaws?
- Has the board approved all policies required by the HRSA Health Center Program and those that are otherwise important for the organization to have in place?
- Does the board have a systematic plan for routinely reviewing and updating key policies?

Using This Chapter as an Individual

If you are reviewing this chapter on your own, consider the following questions:

- What did I learn from this chapter?
- What did I learn from this chapter that may be helpful to the board I serve on or support?
- Would additional information be helpful and, if so, on what topics?

A. Articles of Incorporation, Bylaws, and Board-Approved Policies

The Articles of Incorporation register a nonprofit as a corporation and are filed with the appropriate agency in the state where the organization is based.[68]

The bylaws outline how the board does its work and define the board's duties, limits on authority, and main governance operating procedures. A qualified attorney should periodically review the bylaws to be sure they are compliant with Federal and state laws. The board should also review its own bylaws regularly to ensure it is following them and/or to identify any provisions that may need to be updated. The board may assign a standing committee the responsibility to periodically review the bylaws or may periodically appoint a task force to review the bylaws and make suggestions for revision by the whole board.

[68] While often called Articles of Incorporation, the name of such documents may vary in different states.

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The HRSA Compliance Manual sets forth a number of requirements that health center boards must comply with related to the articles of incorporation, bylaws, policies, and other relevant documentation which are covered in the next part of this chapter.

Generally, bylaws include:

- The health center's mission
- The authority and responsibilities of the board
- Board membership (size and composition)
- Individual board member responsibilities and limitations
- Process for selection/removal of board members
- Election of officers
- Recording, distribution, and storage of minutes
- Meeting schedule and quorum
- Officer responsibilities, terms of office, and selection/removal processes
- Provision to allow special board meetings in executive session to deal with urgent or sensitive situations
- Description of the board's authority to create committees
- Executive Committee authorities (if board has this committee)
- Conflict of interest policies and procedures
- Provisions regarding board dissolution

The board approves policies which are organizational guidelines, while the health center's staff is generally responsible for implementing and ensuring adherence to these policies. Some important policies include:

- Conflict of Interest – This policy defines conflicts of interest and notes how they are addressed. The policy typically requires routine disclosure of conflicts. It also lays out processes for how board members should be recused from discussion, deliberation, and voting if a conflict of interest does exist.

- Document Retention and Destruction – This policy outlines guidelines for the retention of key organizational records and documents.

- Whistleblower – This policy outlines how staff and others can report fraud, waste, and abuse. It should protect those reporting issues from retaliation.

A board may also consider approving additional policies related to board duties, confidentiality, removal of board members, personnel policies, and financial policies, among others.[69] Those required by the Health Center Program are discussed below in part B of this chapter.

B. The Health Center Program and Articles of Incorporation, Bylaws or Other Relevant Documents, and Policies

The HRSA Compliance Manual sets forth a number of requirements that health center boards must comply with related to the articles of incorporation, bylaws or other relevant documents, and policies in Chapter 19: Board Authority and Chapter 20: Board Composition.[70] Chapter 19: Board Authority also links to various other chapters in the Compliance Manual which provide additional details on certain policies including Chapter 9: Sliding Fee Discount Program, Chapter 10: Quality Improvement/Assurance, and Chapter 16: Billing and Collections. The health center

[69] For a more exhaustive list, see BoardSource https://boardsource.org/resources/creating-policies/.
[70] See Chapter 19: Board Authority of the HRSA Health Center Program Compliance Manual at https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-19.html#titletop for additional information on these requirements.

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must also have a conflict of interest policy which is addressed in Chapter 13: Conflicts of Interest.[71] Excerpts from the Compliance Manual that discuss how a health center would demonstrate compliance with these requirements are included below for ease of reference.

Excerpt from Health Center Program Compliance Manual, Chapter 19: Board Authority. Please note the footnotes in this excerpt are from and link directly to the Compliance Manual.

The most relevant parts of this excerpt as related to the board and the articles of incorporation, bylaws, and policies are bolded below; this emphasis was added by NACHC.

Demonstrating Compliance

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

a. **The health center's organizational structure, articles of incorporation, bylaws, and other relevant documents ensure the health center governing board maintains the authority for oversight of the Health Center Program project, specifically:**
   - **The organizational structure and documents do not allow for any other individual, entity or committee (including, but not limited to, an executive committee authorized by the board) to reserve approval authority or have veto power over the health center board with regard to the required authorities and functions;[11]**
   - **In cases where a health center collaborates with other entities in fulfilling the health center's HRSA-approved scope of project, such collaboration or agreements with the other entities do not restrict or infringe upon the health center board's required authorities and functions; and**
   - **For public agencies with a co-applicant board;[12] the health center has a co-applicant agreement that delegates the required authorities and functions to the co-applicant board and delineates the roles and responsibilities of the public agency and the co-applicant in carrying out the Health Center Program project.**

b. **The health center's articles of incorporation, bylaws, or other relevant documents outline the following required authorities and responsibilities of the governing board:**
   - **Holding monthly meetings;**
   - **Approving the selection (and termination or dismissal, as appropriate) of the health center's Project Director/CEO;**
   - **Approving the annual Health Center Program project budget and applications;**
   - **Approving health center services and the location and hours of operation of health center sites;**
   - **Evaluating the performance of the health center;**
   - **Establishing or adopting policy[13] related to the operations of the health center; and**
   - **Assuring the health center operates in compliance with applicable Federal, State, and local laws and regulations.**

c. The health center's board minutes and other relevant documents confirm that the board exercises, without restriction, the following authorities and functions:
   - Holding monthly meetings where a quorum is present to ensure the board has the ability to exercise its required authorities and functions;
   - Approving the selection, evaluation and, if necessary, the dismissal or termination of the Project Director/CEO from the Health Center Program project;

[71] See Chapter 13 on Conflicts of Interest of the HRSA Health Center Program Compliance Manual for additional information https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-13.html#titletop.

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- Approving applications related to the Health Center Program project, including approving the annual budget, which outlines the proposed uses of both Health Center Program award and non-Federal resources and revenue;
- Approving the Health Center Program project's sites, hours of operation and services, including decisions to subaward or contract for a substantial portion of the health center's services;
- Monitoring the financial status of the health center, including reviewing the results of the annual audit, and ensuring appropriate follow-up actions are taken;
- Conducting long-range/strategic planning at least once every three years, which at a minimum addresses financial management and capital expenditure needs; and
- Evaluating the performance of the health center based on quality assurance/quality improvement assessments and other information received from health center management,[14] and ensuring appropriate follow-up actions are taken regarding:
  - Achievement of project objectives;
  - Service utilization patterns;
  - Quality of care;
  - Efficiency and effectiveness of the center; and
  - Patient satisfaction, including addressing any patient grievances.

d. The health center board has adopted, evaluated at least once every three years, and, as needed, approved updates to policies in the following areas: Sliding Fee Discount Program, Quality Improvement/Assurance, and Billing and Collections.[15]

e. The health center board has adopted, evaluated at least once every three years, and, as needed, approved updates to policies that support financial management and accounting systems and personnel policies. However, in cases where a public agency is the recipient of the Health Center Program Federal award or designation and has established a co-applicant structure, the public agency may establish and retain the authority to adopt and approve policies that support financial management and accounting systems and personnel policies.

Excerpt from HRSA Health Center Program Compliance Manual, Chapter 20: Board Composition. Please note the footnotes in this excerpt are from and link directly to the Compliance Manual.

The most relevant parts of this excerpt as related to the board and the articles of incorporation, bylaws, and policies are bolded below; this emphasis was added by NACHC.

Demonstrating Compliance

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

a. **The health center has bylaws or other relevant documents that specify the process for ongoing selection and removal of board members. This board member selection and removal process does not permit any other entity, committee or individual (other than the board) to select either the board chair or the majority of health center board members,[7] including a majority of the non-patient board members.[8]**

b. **The health center has bylaws or other relevant documents that require the board to be composed as follows:**

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- **Board size is at least 9 and no more than 25 members,[9] with either a specific number or a range of board members prescribed;**
- **At least 51% of board members are patients served by the health center. For the purposes of board composition, a patient is an individual who has received at least one service in the past 24 months that generated a health center visit, where both the service and the site where the service was received are within the HRSA-approved scope of project;**
- **Patient members of the board, as a group, represent the individuals who are served by the health center in terms of demographic factors, such as race, ethnicity, and gender;**
- **Non-patient members are representative of the community served by the health center or the health center's service area;**
- **Non-patient members are selected to provide relevant expertise and skills such as:**
  - **Community affairs;**
  - **Local government;**
  - **Finance and banking;**
  - **Legal affairs;**
  - **Trade unions and other commercial and industrial concerns; and**
  - **Social services;**
- **No more than one-half of non-patient board members derive more than 10% of their annual income from the health care industry; and**
- **Health center employees,[10] [11] and immediate family members (i.e., spouses, children, parents, or siblings through blood, adoption, or marriage) of employees may not be health center board members.**

c. The health center has documentation that the board is composed of:
   - At least 9 and no more than 25 members;
   - A patient[12] majority (at least 51%);
   - Patient board members, as a group, represent the individuals who are served by the health center in terms of demographic factors, such as race, ethnicity, and gender, consistent with the demographics reported in the health center's Uniform Data System (UDS) report;[13]
   - Representative(s) from or for each of the special population(s)[14] for those health centers that receive any award/designation under one or more of the special populations section 330 subparts, 330(g), (h), and/or (i); and
   - As applicable, non-patient board members:
     - Who are representative of the community in which the health center is located, either by living or working in the community, or by having a demonstrable connection to the community;
     - With relevant skills and expertise in areas such as community affairs, local government, finance and banking, legal affairs, trade unions, other commercial and industrial concerns, or social services within the community; and
     - Of whom no more than 50% earn more than 10% of their annual income from the health care industry.[15]

d. The health center verifies periodically (for example, annually or during the selection or renewal of board member terms) that the governing board does not include members who are current employees of the health center, or immediate family members of current health center employees (i.e., spouses, children, parents, or siblings through blood, adoption, or marriage).

e. In cases where a health center receives an award/designation under section 330(g), 330(h)and/or 330(i), does not receive an award/designation under section 330(e), and

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requests a waiver of the patient majority board composition requirements, the health center presents to HRSA for review and approval:
  - "Good cause" that justifies the need for the waiver by documenting:
    - The unique characteristics of the population (homeless, migratory or seasonal agricultural worker, and/or public housing patient population) or service area that create an undue hardship in recruiting a patient majority; and
    - Its attempt(s) to recruit a majority of special population board members within the past three years; and
  - Strategies that will ensure patient participation and input in the direction and ongoing governance of the organization by addressing the following elements:
    - Collection and documentation of input from the special population(s);
    - Communication of special population input directly to the health center governing board; and
    - Incorporation of special population input into key areas, including but not limited to: selecting health center services;[16] setting hours of operation of health center sites;[17] defining budget priorities;[18] evaluating the organization's progress in meeting goals, including patient satisfaction;[19] and assessing the effectiveness of the sliding fee discount program.[20]

f. For health centers with approved waivers, the health center has board minutes or other documentation that demonstrates how special population patient input is utilized in making governing board decisions in key areas, including but not limited to: selecting health center services; setting hours of operation of health center sites; defining budget priorities; evaluating the organization's progress in meeting goals, including patient satisfaction; and assessing the effectiveness of the sliding fee discount program

Excerpt from Health Center Program Compliance Manual, Chapter 13: Conflicts of Interest. Please note the footnotes in this excerpt are from and link directly to the Compliance Manual.

Demonstrating Compliance

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

a. The health center has and implements written standards of conduct that apply, at a minimum, to its procurements paid for in whole or in part by the Federal award. Such standards:
  - Apply to all health center employees, officers, board members, and agents involved in the selection, award, or administration of such contracts;
  - Require written disclosure of real or apparent conflicts of interest;
  - Prohibit individuals with real or apparent conflicts of interest with a given contract from participating in the selection, award, or administration of such contract;[3]
  - Restrict health center employees, officers, board members, and agents involved in the selection, award, or administration of contracts from soliciting or accepting gratuities, favors, or anything of monetary value for private financial gain from such contractors or parties to sub-agreements (including subrecipients or affiliate organizations);[4] and
  - Enforce disciplinary actions on health center employees, officers, board members, and agents for violating these standards.

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b. If the health center has a parent, affiliate, or subsidiary that is not a State, local government, or Indian tribe, the health center has and implements written standards of conduct covering organizational conflicts of interest[5] that might arise when conducting a procurement action involving a related organization. These standards of conduct require:
   - Written disclosure of conflicts of interest that arise in procurements from a related organization; and
   - Avoidance and mitigation of any identified actual or apparent conflicts during the procurement process.

c. The health center has mechanisms or procedures for informing its employees, officers, board members, and agents of the health center's standards of conduct covering conflicts of interest, including organizational conflicts of interest, and for governing its actions with respect to the selection, award and administration of contracts.

d. In cases where a conflict of interest was identified, the health center's procurement records document adherence to its standards of conduct (for example, an employee whose family member was competing for a health center contract was not permitted to participate in the selection, award, or administration of that contract).

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Chapter 9:
Effective Board Functioning
(Board Meetings, Committees, and Culture)

Executive Summary

The board is responsible for ensuring its own effective functioning – meaning it is important to have good practices in place for board meetings, board committees, as well as board culture.

Board meetings are the means by which the board formally carries out its governance role. Boards are encouraged to ensure board meetings include enough time to provide oversight, focus on strategy, as well as provide board education and allow members to get to know one another.

Well-functioning committees can support the overall effectiveness of the board. Boards may rely on committees to dig deeply into areas such as finance and quality – they can do the "heavy lifting" for the board's work in specific areas. Standing committees focus on the ongoing work of the board and often include Audit, Finance, Governance (or equivalent), and Quality. Time-limited tasks can be assigned to Task Forces or Ad Hoc Committees.

High-performing boards have healthy board cultures. Boards with healthy cultures are clear about board roles, have a balance of power between the board and CEO and between board members, stay focused on strategy, ensure strategic board composition, ensure a robust open exchange of ideas, are attentive to group dynamics, and focus on effective governance.

This section covers the following topics:

A. Board Role Related to Effective Board Functioning
B. The Health Center Program and Board Functioning
C. Board Meetings
D. Board Committees
E. Board Culture

Tips for Using this Section

This section is lengthy due to the importance of meetings, committees, and culture to a board. It may help to review parts C, D, and E separately.

Using This Chapter as a Board

If your board is reviewing and discussing this chapter as a group, consider the following discussion questions:

- Are our board meetings effective? What practices does the board want to start, maintain, or stop?
- Does the board have an effective committee structure in place? What – if any – changes might we want to consider?
- Is our board intentional about its culture? What practices do we want to start, maintain, or stop to ensure a strong board culture?

Using This Chapter as an Individual

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If you are reviewing this chapter on your own, consider the following questions:

- What did I learn from this chapter?
- What did I learn from this chapter that may be helpful to the board I serve on or support?
- Would additional information be helpful and, if so, on what topics?

A. Board Role Related to Effective Board Functioning

The board is responsible for ensuring that it functions effectively so that it can govern the health center. This means it is important to have effective practices in place related to board meetings, board committees, and board culture.

B. The Health Center Program and Board Functioning

The Health Resources and Services Administration (HRSA) Health Center Program Compliance Manual (Compliance Manual) sets forth a number of requirements that health center boards must comply with related to board meetings and also includes some references to executive committees. Details can be found in Chapter 19: Board Authority and an excerpt from the Compliance Manual that discuss how a health center would demonstrate compliance with these requirements is included below for ease of reference.[72] In the same Chapter of the Compliance Manual, it is noted that "health centers have discretion with respect to…whether to establish committees."[73]

[72] For more information see the HRSA Health Center Program Compliance Manual, Chapter 19 at https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-19.html#titletop.

[73] See Chapter 19: Board Authority under "Related Considerations" of the HRSA Health Center Program Compliance Manual at https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-19.html#titletop.

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Excerpt from Health Center Program Compliance Manual, Chapter 19: Board Authority. Please note the footnotes in this excerpt are from and link directly to the Compliance Manual.

The most relevant parts of this excerpt as related to board meetings and committees are bolded below; this emphasis was added by NACHC.

Demonstrating Compliance

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

a. The health center's organizational structure, articles of incorporation, bylaws, and other relevant documents ensure the health center governing board maintains the authority for oversight of the Health Center Program project, specifically:
   - **The organizational structure and documents do not allow for any other individual, entity or committee (including, but not limited to, an executive committee authorized by the board) to reserve approval authority or have veto power over the health center board with regard to the required authorities and functions;**[11]
   - In cases where a health center collaborates with other entities in fulfilling the health center's HRSA-approved scope of project, such collaboration or agreements with the other entities do not restrict or infringe upon the health center board's required authorities and functions; and
   - For public agencies with a co-applicant board;[12] the health center has a co-applicant agreement that delegates the required authorities and functions to the co-applicant board and delineates the roles and responsibilities of the public agency and the co-applicant in carrying out the Health Center Program project.

b. The health center's articles of incorporation, bylaws, or other relevant documents outline the following required authorities and responsibilities of the governing board:
   - **Holding monthly meetings;**
   - Approving the selection (and termination or dismissal, as appropriate) of the health center's Project Director/CEO;
   - Approving the annual Health Center Program project budget and applications;
   - Approving health center services and the location and hours of operation of health center sites;
   - Evaluating the performance of the health center;
   - Establishing or adopting policy[13] related to the operations of the health center; and
   - Assuring the health center operates in compliance with applicable Federal, State, and local laws and regulations.

c. The health center's board minutes and other relevant documents confirm that the board exercises, without restriction, the following authorities and functions:
   - **Holding monthly meetings where a quorum is present to ensure the board has the ability to exercise its required authorities and functions;**
   - **Approving the selection, evaluation and, if necessary, the dismissal or termination of the Project Director/CEO from the Health Center Program project;**
   - **Approving applications related to the Health Center Program project, including approving the annual budget, which outlines the proposed uses of both Health Center Program award and non-Federal resources and revenue;**
   - **Approving the Health Center Program project's sites, hours of operation and services, including decisions to subaward or contract for a substantial portion of the health center's services;**
   - **Monitoring the financial status of the health center, including reviewing the results of the annual audit, and ensuring appropriate follow-up actions are taken;**

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- **Conducting long-range/strategic planning at least once every three years, which at a minimum addresses financial management and capital expenditure needs; and**
- **Evaluating the performance of the health center based on quality assurance/quality improvement assessments and other information received from health center management,[14] and ensuring appropriate follow-up actions are taken regarding:**
  - **Achievement of project objectives;**
  - **Service utilization patterns;**
  - **Quality of care;**
  - **Efficiency and effectiveness of the center; and**
  - **Patient satisfaction, including addressing any patient grievances.**

d. The health center board has adopted, evaluated at least once every three years, and, as needed, approved updates to policies in the following areas: Sliding Fee Discount Program, Quality Improvement/Assurance, and Billing and Collections.[15]

e. The health center board has adopted, evaluated at least once every three years, and, as needed, approved updates to policies that support financial management and accounting systems and personnel policies. However, in cases where a public agency is the recipient of the Health Center Program Federal award or designation and has established a co-applicant structure, the public agency may establish and retain the authority to adopt and approve policies that support financial management and accounting systems and personnel policies.

C. Board Meetings

Board meetings are the means by which the board formally carries out its governance of the health center. Board members receive information, discuss items, and the board makes decisions to assure that the center is on track to achieve its strategic goals, provide important forms of oversight, and operate in compliance with state and federal laws.

This section includes discussion on:

- Quorum
- Board Meeting Frequency and Length
- Board Meeting Agenda
- Meeting Facilitation
- Decision-Making Processes
- Board Meeting Minutes
- Virtual Participation in Meetings
- Board Meeting Evaluation
- Board Retreats

Quorum

Quorum refers to the number of board members with a vote that must be present at a meeting for it to officially count as a meeting. Each health center board can establish its own quorum requirement (i.e., the minimum number of board members who must be present in order for business to be conducted) but it must be consistent with state and other relevant laws.[74] Quorum is required for any board to officially take action.

[74] Refer to the nonprofit corporation code or law in the state that the health center is based for any state specific quorum requirements.

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Achieving quorum is the minimum requirement for a meeting; best practice is to aim for 100% attendance at board meetings as meeting attendance is a key way board members exercise the "duty of care" (discussed in Chapter 1 of the *Governance Guide*).

Board Meeting Frequency and Meeting Length

Health center boards are required to meet monthly under the Health Center Program. For board members who have served on other nonprofit boards, this may be a surprise, as generally boards in the nonprofit sector are moving away from monthly meetings in favor of fewer, longer meetings.

While health center board-specific data on meeting length is not available, anecdotally many report board meetings are less than 2 hours. It is important for a board to be intentional about its meeting length and structure. Ideally, a board has enough time to at meetings to:

- focus on strategy,
- provide oversight,
- engage in board education, and
- get to know one another which help builds trust.

It is important to note that the monthly meeting requirement does not mean that every board meeting needs to be the same length. Boards may want to be creative and consider, for example, having a longer board meeting two times a year or once a quarter, in combination with a board retreat which provides additional opportunity to consider long-term, strategic issues. A possible structure might look like:

- January – Meeting (1.5-2 hours)
- February – Meeting (1.5-2 hours)
- March – Meeting (1.5-2 hours)
- April – Mini-Board Retreat and Board Meeting (Half-day total)
- May – Meeting (1.5-2 hours)
- June – Meeting (1.5-2 hours)
- July – Meeting (1.5-2 hours)
- August – Meeting (1.5-2 hours)
- September – Board Retreat and short Board Meeting (full day total)
- October – Meeting (1.5-2 hours)
- November – Meeting (1.5-2 hours)
- December – Meeting (1.5-2 hours)

Health centers that cover a broad service area may not be able to convene in-person meetings monthly. Some opt to hold quarterly meetings in-person that are longer in length (e.g., half-day) along with virtual meetings in the months in-between. Suggestions for Virtual Meetings are included below.

Board Meeting Agenda

Board meetings should have structured agendas that influence which participants speak, how time is managed, how thoughts are shared, and how decisions are made. Effective meeting agendas that support productive discussions and help the board stay on track and on time require intentional design by the board chair and CEO and good facilitation by the board chair.

Many boards spend plenty of time monitoring past performance or discussing reports that provide a look in the rear-view mirror. Boards will always need to fulfill these responsibilities, but these are not the complete set. If the board

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is to be accountable for ensuring the long-term success of the organization, the board should to broaden its focus and spend more time on the future, not just the past. It is generally recommended that a board focus more than half of the meeting on strategic and policy issues.

A few effective practices that boards may wish to adopt – and which may challenge some long-held assumptions about meetings – include:

- **Utilize a consistent meeting agenda structure which may include:**
  - Time, date, location of meeting.
  - Clear description of the purpose of each item and/or required action. Consider linking items to priorities in the strategic plan.
  - The description of agenda items includes the intended outcome – "discussion only" or "action (voting) item."
  - A suggested time for each item.
  - Most important items placed at beginning of agenda.
  - Routine presentations and reports follow action items, with as many as possible being handled with a "consent agenda." A consent agenda combines routine items on the board meeting agenda into one agenda item that can be passed together to free up time on the meeting agenda (and is discussed in greater detail below).
  - Time at end of meeting to identify and assign action steps.

- **Ensure the meeting packet is shared in advance** – In order to help board members prepare for meetings, it is important to share a board meeting packet in advance. Generally, a week is recommended. The packet can include the agenda and relevant written reports that relate to agenda items which typically include financial reports, various quality and financial dashboards, and consent agenda materials.

- **Minimize verbal "reporting" at meetings especially if it duplicates materials in the meeting packet** – The majority of time at a board meeting should not be spent hearing reports but rather on discussion and decision-making. Below are tips for handling common reports:

  - Committee Reports – Written committee reports can be included in the meeting packet. Dedicate time at board meetings to items that require discussion and/or recommendations from committees that need a board vote.

  - Staff Reports – Written reports from staff can be included in the board packet. Information presented verbally at meetings is ideally directly related to any discussion or votes taking place and not duplicative of written materials.

- **Use a Consent Agenda** – A consent agenda includes items that rarely need discussion such as approval of meeting minutes, the CEO report, and committee reports. All of these items should be sent to and read by board members before the meeting so the board can vote to accept all of the items as a group. If requested, individual items can be pulled out of the consent agenda for discussion.

  Here's what the board chair might say in introducing the consent agenda:

  "This month's consent items are the board meeting minutes from DATE meeting, minutes from the Quality Assurance Committee meeting DATE and the Finance Committee meeting DATE, and the quarterly corporate compliance report DATE. Does anyone want an item removed for discussion or corrections? (Pause)."

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If there are no items removed, the consent agenda can move forward for approval. For the consent agenda to be used effectively, board members must read the documents in advance of the meeting. Additionally, this tool should be used for its intended purpose – routine items – and should not be used for items requiring discussion and deliberation including bylaw changes, review of financial statements or similar items.

- **Consider when to make use of Executive Sessions** – Executive sessions differ from the Executive Committee. Executive sessions are used by boards to discuss matters that are sensitive and strictly confidential. Generally, all staff and visitors are dismissed, with only board members and the CEO remaining. Outside advisors (such as lawyers, auditors, consultants) may be included to issue reports or provide professional guidance. On a limited basis, select senior staff may be included to present a report or provide their perspective. The CEO should not present when the board discusses the audit or the CEO's performance review and compensation.

  In executive session, the discussion is confidential and board members are responsible to maintain confidentiality – which is a dimension of the "duty of loyalty" (see Chapter 1 of the *Governance Guide*). The board minutes do not include detailed information about the executive session. What is included in the board meeting minutes are:

  – the purpose of the executive session;
  – the time when the board met in executive session;
  – who was present; and
  – a list of any actions taken or decisions made.

  Minutes of the executive session are not attached to the regular board meeting minutes and are shared only with participants. The health center's legal counsel may keep the minutes of all executive sessions.

  Executive sessions can be valuable to create a safe space for board members to discuss an issue openly and honestly. On the other hand, it can create distrust between the staff and the board if not used effectively. The board chair is responsible for sharing pertinent themes with the CEO after the meeting (if the CEO is not in attendance).

  The health center's bylaws should include authorization and procedures for executive sessions, which should also be discussed in orientation for new board members.

- **Make time for Strategic Discussions** – An important function of the board is to engage in ongoing strategic thinking and it is important for meeting agendas to include time on big-picture, future focused agenda items (see Chapter 3 of the *Governance Guide* for more information).

Meeting Facilitation

The board chair facilitates the meeting, ensuring the agenda is followed and that all members have time to ask questions and participate in discussion. The board defines the procedures it will follow related to general meeting facilitation. There are various choices and approaches, including:

- Robert's Rules of Order – Boards may use Robert's Rules of Order as the procedure for conducting board meetings.[75] Robert's Rules of Order guides meeting attendees to make decisions with regard for the opinions of all participants. However, Robert's Rules is very technical and it is important that a board not get hung up on procedure. If your board is spending more time focused on procedure versus substance, consider an alternative meeting facilitation tool.

[75] See Robert's Rules Cheat Sheet for guidance including when to make motions and what to say at http://diphi.web.unc.edu/files/2012/02/MSG-ROBERTS_RULES_CHEAT_SHEET.pdf.

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- Roberta's Rules of Order – Some boards opt to use Roberta's Rules of Order which is a simplified version of Robert's Rules of Order.

- General Parliamentary Procedure – Some boards instead use general parliamentary procedure. This provides more flexibility for open and strategic discussion; common elements include:[76]
  - Call to Order – Opening of the meeting
  - Motion – Proposal for action
  - Amendment – Modification to a motion before it is passed
  - Adjourn – Closing of the meeting

Tips on Making a Motion
A motion is a proposal to take action on an issue. As a rule, only board members are permitted to make a motion. Another board member "seconds" the motion for it to move forward. The following process – or a variation is typically followed:

- Chair recognizes maker of the motion
- Maker states motion (i.e., 'I move that the board…")
- Another member seconds the motion
- Chair restates the motion prior to commencement of discussion
- Maker of motion is granted right to speak first and last before vote
- Chair recognizes each member before they speak
- Motion is amended, tabled, or adopted as originally proposed
- A vote is recorded in the minutes and the chair announces the action(s) taken

Source: Tips on Making a Motion are from a resource previously published by NACHC titled, "Improving the Effectiveness and Conduct of Health Center Board and Committee Meetings," and written by Marcie H. Zakheim, Esq.

Decision-Making Processes[77]
Boards approach decision-making in a variety of ways. Some boards aim for decision-making by consensus where all parties agree on the final decision. Another approach to consider is "Modified Consensus." In this approach a board chair works to ensure all board members feel their perspective has been heard and considered and the board has previously agreed that all are willing to support the groups' decision, even if it was not their original choice. A chair can use the following strategies to achieve this approach:

- Encourage all participants to have a full say
- Emphasize positives
- Find out how serious the negatives are
- Keep summing up areas of agreement

Board Meeting Minutes
Boards keep track of their discussions and decisions with accurate board meeting minutes. The board must maintain minutes that verify and document major actions and decisions the board makes. Minutes are considered a legal

[76] For more on meetings, see Outi Flynn, *Meeting and Exceeding Expectations* (BoardSource).

[77] Content originally appeared in a NACHC Community Health Institute and Expo Session (2018) on "Governing as a Team: Tools and Techniques for Building a Positive Board Culture."

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record of the board's actions. It is not necessary to record every conversation; the goal is to record key assumptions considered prior to making decisions and the subsequent actions to be taken. Usually a staff person or a board member writes the first draft of meeting minutes, the board secretary reviews, and the minutes are included in the packet for the next board meeting for the board to review for accuracy and completeness. At the next board meeting, the board may discuss the minutes prior to approving. Approval of the previous meeting minutes is documented in the "current" meeting minutes.

Typically board meeting minutes are signed by the secretary of the board and include:[78]

- The date and time of the meeting
- Whether it was a regular or special meeting
- The establishment of quorum, names of members in attendance
- Any action taken on the previous meeting's minutes (i.e., adoption or correction)
- Exact wording of a proposed motion, name of person making motion, name of person seconding the motion
- Result of any formal action taken on the motion (i.e., approval, disapproval)
- Summary of items discussed and questions posed especially as it relates to key areas of oversight
- Identify of dissenting minority vote (if such notice is requested by the dissenter)
- Time of adjournment

Chapter 19: Board Authority of the Health Center Compliance Manual requires that health centers include a number of specific actions in board meeting minutes (see "Demonstrating Compliance," c).[79]

Virtual Participation in Meetings

It is not uncommon for boards to permit virtual participation in board meetings where permitted by the organization's bylaws, as well as state and local law.

It is generally a good practice to establish ground rules for virtual participation in a board meeting. These may be an extension of the Board's Culture Statement (described below) or may be tailored for virtual participation. For example, it is important for members to identify themselves before speaking as well as to minimize other distractions during the meeting (e.g., from technology). In addition, all board members, whether remote or attending in-person, must be able to hear each other.

In some circumstances where geography makes monthly in-person participation a challenge, some boards opt to hold periodic (e.g. quarterly) in-person meetings and host the remaining meetings virtually. Some boards report that having everyone participate in the same manner for each meeting (e.g., all in-person, all virtual) can be helpful for equal levels of engagement. Other boards use video conferencing so members may both see and hear one another.

Board Meeting Evaluation

Some boards use a routine meeting evaluation to assess the effectiveness of board meetings. A board meeting evaluation can be as simple as the board chair asking questions verbally or a short survey which might include questions such as:

- Did we focus on the right issues?
- What worked well today?
- Did all members participate in an active way?

[78] This list is adapted from a resource previously published by NACHC titled, "Improving the Effectiveness and Conduct of Health Center Board and Committee Meetings," and written by Marcie H. Zakheim, Esq. with Feldesman Tucker Leifer Fidell.

[79] See Chapter 19: Board Authority, Demonstrating Compliance, c of the HRSA Health Center Program Compliance Manual at https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-19.html#titletop for a full list of requirements.

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- Did the meeting materials prepare us for our discussions?
- What could we do more effectively at the next meeting?
- Are we clear on our next steps?

The board chair and CEO can discuss the results to identify any need for follow-up. Appendix 14 includes a sample board meeting evaluation.

Board Retreats

A board may supplement its routine meeting structure with a board retreat. Board retreats are typically longer in duration and focus on issues of strategic importance for the health center or the board's own development. Common formats range from a half-day to two full days. Some boards hold a regular board meeting prior to or immediately following a board retreat. BoardSource, an organization that focuses on excellence in nonprofit governance, suggests every board include one retreat each year in its schedule.[80]

Sample board retreat agenda items may include:

- Time for board members to get to know one another; for example, the agenda may include time for board members to share their connection to the health center's mission or for icebreakers designed for members to get to know one another.
- Deep Dive on strategic issues impacting the center; for example, the board may provide education on a change in the community or health care landscape that the board may need to consider from a strategic perspective.
- Board development needs; for example, a board can use the most recent board self-assessment to identify topics that the board wants to learn more about.

D. Board Committees

Boards may decide whether or not to have committees. Well-functioning committees support the overall effectiveness of the board. Committees can dig deeply into areas such as finance and quality, and do the "heavy lifting" for the board's work in specific areas. Committee responsibilities are usually defined broadly in the bylaws.

This section includes discussion on:

- Committee Role and Types
- Good Governance Practices for Committees

Committee Role and Types

A committee does its "homework" by studying issues and presenting well thought-out recommendations to the board for consideration. In general, committees review and recommend. Only the board has authority to approve or take action, which is exercised through voting when making decisions at board meetings.

Health centers are not required to have committees and a board can determine its own committee structure. It is worth noting that some state laws (e.g., New York and California) include parameters regarding committee structure and composition. It is important to have legal counsel advise the board of state-specific requirements. The CEO typically designates a staff liaison to each committee.

Board committees can fall into two categories:

[80] BoardSource, "Recommended Governance Practices" accessed at www.boardsource.org.

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- Standing Committee – Standing committees focus on the ongoing governance role of the board. Common committees – described in greater detail below – include Finance, Audit, Governance, and Quality. A board is encouraged to discontinue any committee that mimics a staff function (e.g., Marketing, Personnel, etc.).

- Task Force or Ad Hoc Committee – A Task Force or Ad Hoc Committee is time-limited and may be convened for short projects such as Strategic Planning or CEO Search.

Common Board Standing Committees
Below is a brief description of common standing committees:

- **Executive** — If a board opts to have an Executive Committee, it is typically comprised of the board's officers (chair, vice chair, treasurer, and secretary). Generally, the board chair runs the committee and the CEO serves as the staff liaison.

  Some boards utilize this committee to help set the agenda for board meetings or lead the CEO's evaluation. Some boards allow this committee to act on behalf of the board in cases of emergency. It is both a requirement of the Health Center Program Compliance Manual and a commonly held effective governance practice for the full board to ratify actions of the Executive Committee at the subsequent board meeting.[81] The role of the Executive Committee and limitations on its authority should be documented in the bylaws. It is worth noting that some boards opt to forego creating this committee, asserting that it can just as easily convene the board in cases of emergency.

- **Finance** — The Finance Committee is responsible for overseeing the health center's finances and takes early action on formulating budgets. The committee reviews financial reports and makes recommendations about financial procedures and controls. The committee coordinates the external audit if there is no separate Audit Committee. The board treasurer usually chairs the Finance Committee and the staff liaison is often the Chief Financial Officer (CFO).

- **Audit** — The Audit Committee is often separate from the Finance Committee in larger organizations and in states that require this to be a separate function. This committee coordinates the engagement of an independent audit.

- **Governance** — The Governance Committee (or Board Development Committee) is responsible for recruiting and orienting board members, implementing and revising bylaws, conducting board self-assessments, and planning educational programs and other activities that are involved in improving the work of the board. A Governance Committee may replace the Nominating Committee which traditionally focused more narrowly on episodic board nominations; a Governance Committee is focused more holistically on overall board composition and effectiveness.[82]

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[81] Chapter 19: Board Authority of the Health Center Program Compliance Manual (https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-19.html#titletop), Demonstrating Compliance, a states: "The health center's organizational structure, articles of incorporation, bylaws, and other relevant documents ensure the health center governing board maintains the authority for oversight of the Health Center Program project, specifically:

- The organizational structure and documents do not allow for any other individual, entity or committee (including, but not limited to, an executive committee authorized by the board) to reserve approval authority or have veto power over the health center board with regard to the required authorities and functions;[11]"

The associated footnote 11 states: "This does not preclude an executive committee from taking actions on behalf of the board in emergencies, on which the full board will subsequently vote."

[82] BoardSource, "Recommended Governance Practices" accessed at www.boardsource.org.

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- **Quality or Quality Assurance (QA)** — The Quality or QA Committee reviews and recommends policies related to patient care. It oversees the quality management plan and may also review and recommend the clinical privileges of health center provider staff. Usually, the staff liaison is the medical director/chief medical officer.

- **Development/Fundraising** —A Development/Fundraising Committee oversees raising funds not generated from patient revenues. For example, a board may decide to sponsor a fundraising event or launch a capital improvement initiative and seek private funds. The staff liaison may be the Development Director, Grants Manager, or CEO.

Common Board Task Forces or Ad Hoc Committees
Sample time limited task forces or ad hoc committees may include:

- **Strategic Planning** — The Strategic Planning Task Force leads the board's involvement in the strategic planning process.

- **CEO Search** – In the event of a CEO transition, a task force may be formed to lead the search efforts. This committee takes the lead in preparing the position description, meeting with candidates, and making recommendations to the board. The board, of course, provides input and retains authority for hiring the CEO.

Good Governance Practices for Committees
Below are some good practices related to committees:

- **Align board size with committee structure** – A small board may opt to have no committees or very few. A larger board may have a more expansive standing committee structure. What is important is not to have more committees than can be reasonably supported by the board. In some states, non-board members may also serve on board committees (see more information on this later in this section).

- **Have committee charters** – It is good practice to have written descriptions (called charters) that define the work of each committee. In addition, conduct regular assessments of each committee's work and implementing any necessary improvements. See Appendix 15 for an outline of a committee charter.

- **Consider supplementing committee membership with non-board members** – If permitted by state law and the health center's bylaws, adding non-board members to committees can add expertise, spread the work load, and is a good way to involve volunteers who may eventually serve on the board. Some boards find this particularly helpful on the Finance, Audit, and Quality Committees. Many boards opt to allow only board members to chair committees and restrict membership on certain committees to board members, including the Executive Committee (which is typically the board's officers) and the Governance Committee since its work is focused on the board itself. It is critical to secure conflict of interest disclosures and to impress upon committee members their obligation to maintain confidentiality of all information shared with the committee.

- **Follow effective practices related to board meetings for committee meetings** – Generally a good committee meeting includes:
  - Agenda and materials provided in advance;
  - Clear agenda linked to overall committee's charge/charter, board priorities, and the health center's strategic plan where appropriate;
  - Opportunities for dialogue, discussion, and questions;
  - Time to arrive at recommendations (when needed) to present to the board for consideration and approval;
  - Opportunity to identify when an issue may require broader board discussion.

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- **Committee assignments are a powerful tool for board engagement and board leader succession** – Some boards empower the chair to assign members to committees and this is often done in consultation with the CEO and/or a committee such as the Governance Committee. Members may serve on committees because they have particular expertise (e.g. Finance, Quality) or because they have a particular area they want to focus on to aid the board (e.g., Governance). As a board considers its leadership pipeline, committee chair assignments can help prepare future officers. Additionally, potential future chairs will likely want to gain broad experience and have experience on the Finance Committee, in particular.

E. Board Culture

Culture means "the way we do things around here." It is a mix of values, assumptions, beliefs, language, habits, and norms of a group. Culture influences what people pay attention to, and as result, what they do. It directs behavior and sends messages about what is valued.

This section includes discussion on:

- Board Culture
- Tools for Building a Healthy Board Culture

Board Culture

High-performing boards have healthy board cultures that help set the tone for the organization's culture. Boards with healthy cultures:

- ensure role clarity between the board and CEO,
- have an appropriate "power balance" – both between the board and CEO as well as among members who recognize that individual board members and committees alone have no authority for decision-making on behalf of the board or health center,
- ensure an open exchange of ideas where board members can be open and honest with each other without fear of reprisal in expressing an opinion contrary to others,
- engage in constructive debate and respectful disagreement in board meetings and consider different perspectives before making a decision (however, once a decision is reached, the board stands together with a single voice),
- are inclusive – meaning that the contributions of all members are valued and that the board's practices enable the participation of all members (e.g., meetings are convenient for all, etc.),
- stay focused on strategy,
- ensure strategic board composition,
- are attentive to group dynamics, and
- focus on effective governance.[83]

Tools for Building A Healthy Board Culture

Various tools for building a board culture include:

- Dedicating time to building relationships
- Developing a Board Culture Statement
- Ensuring the board can navigate conflict

[83] Adapted from Pamela Knecht, "Effective Board Culture: The Last Frontier," *Great Boards* (2015).

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Building Relationships

Research demonstrates that teams are more effective when members know one another; however, less than half of nonprofit boards invest in social time for board members which represents an opportunity to deepen board engagement and effectiveness.[84]

Common and effective approaches to building relationships between board members include:

- Informal conversation over a meal
- Dedicate time to share connection to mission
- Engage in team building exercises
- Hold periodic board retreats

Board Culture Statement

High-performing boards often have a board culture statement that defines expectations of how board members conduct themselves as they carry out their governance role. Just as bylaws define the board's operational or procedural practices, the board culture statement outlines a set of principles and values so that board members can better understand and meet health center expectations. See Appendix 16 for a sample Board Culture Statement.

Below are some items that may appear in such a statement:

- Listen more to understand than to respond. Being attentive to others means not allowing your mind to start passing judgment or crafting a reply or counter argument before you have really "heard" the message.

- Balance the time you spend talking with asking questions of others. While as a board member you have an obligation to share your opinions and assessments, you also need to ask about others' perspectives. The more heated or charged the conversation, the more work you need to do to understand how others see things.

- Extend a personal invitation to another board member to add to the conversation. "Kathy, I would value hearing what you think about this issue."

- Expose your thinking processes. "This is what I believe we should do. I came to this conclusion as a result of..." or "Lin, you have a lot of experience with these kinds of things, could you tell me more about how you have come to understand this issue?"

- Show real appreciation of other's contributions. Even when we do not share a person's view we can acknowledge the fact that they have shown up and are engaged and interested. "Bethany, thanks for putting that idea forward."

- Take more opportunities to speak from your heart and acknowledge the importance of this when others reveal what they really care about. "I know we have different ideas about what we should do but for me there is a fundamental issue here and it is about...." or "Marcos, I sense you really care about this issue."

A board must understand how it will hold itself accountable during moments when members may go against the norms identified in the culture statement. This may include a shared understanding that the board chair or another member may respectfully point out the breach and address it in the moment. It is important that a board periodically assess how it is performing upholding such norms which may be incorporated into the Board's Annual Self-

[84] BoardSource, Leading with Intent: 2017 National Index of Nonprofit Board Practices available at www.boardsource.org.

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Assessment (discussed in Chapter 10 of the *Governance Guide*). A board will also want to periodically update such a statement to ensure it continues to meet its needs.

Navigating Conflict

An effective health center's board depends on passionate people coming together to discuss, debate, and take collective action. Wherever people with strong convictions work together to make a difference, there will be conflict. Individual voices have to give way to the voice of the group. Conflict is competition between and among individuals. It can be constructive and stimulating. It promotes change and growth. Conflict, managed well, can promote awareness of self and others. It can strengthen relationships and heighten morale. Conflict can be destructive too, as it can damage individuals and relationships if not managed effectively. Types of conflict include:

- Direct Conflict – Sometimes disagreements are out in the open, conflict is up-front, different points of view are "on the table." People argue, take stands, try to persuade one another, or agree to disagree. The mood may be one of anger, frustration, or excitement. People may be behaving respectfully towards one another, or the debate may involve personal attacks, name calling, or shouting. Confronting differences openly has the potential for the most positive outcomes.

- Silent Conflict – Conflict can often be subtle; it can exist more in what is not said than what is said. Conflict frequently goes unacknowledged by one or more of the parties and unnoticed or avoided by others. Subtle conflict often occurs where a board is dominated by one person or a small group. It can show up as withdrawal, silence, manipulation, poor attendance, and resignation.

There are typically three areas in which conflict emerges on a board.

1. Conflict among board members – Conflict on the board itself arises as a result of differences between individual members or a subset of members. The board chair or other board members need to take responsibility for resolving the conflict.

2. Conflict between board and CEO – Conflict between the board and staff, especially between the board and the CEO can occur. Often it is a conflict over the boundaries of roles and responsibilities and where power is shared.

3. Conflict among staff members – If they are not careful, board members can get drawn into conflicts among staff or between staff and supervisors. Where there is conflict between other staff, the board needs to steer clear, especially if it wants to be seen as affirming the CEO's authority and responsibility.

   Boards get drawn into staff conflicts because the board is often seen as the real authority. A board with a tendency to micromanage will be drawn into more staff conflicts. Boards can make staff conflict situations worse, especially when individual board members take it upon themselves to intervene. See Chapter 7 of the *Governance Guide* for guidance on navigating Board-Staff interactions.

Below are some tips for managing conflict:

- Clarify roles and responsibilities – Boards must strive to clarify the roles and responsibilities of individual board members and officers (especially the chairperson) and the board's role in relation to staff.

- Seek or develop a board chair skilled in facilitation techniques – An effective board chair is critical to managing conflict.

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- Establish a Board Culture Statement – Set guidelines for how the board will operate to provide rules when conflict does emerge.

- Deal with conflict openly when it arises – As uncomfortable as it often is, and as much as we hope that it will go away if we ignore it, it is important to acknowledge conflict directly when it occurs. Boards need to talk about what to do when members have differences and create a safe environment to bring up difficult issues without fear of ridicule or retaliation.

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Chapter 10:
Additional Effective Governance Practices

Executive Summary
Boards employ various tools that aid them in being effective. It is recommended that a board periodically assess its performance as a whole and reflect on how well it is achieving any goals it has set for its own performance. Similarly, some boards opt to include an individual board member assessment as part of its ongoing work. This may simply entail individual reflection on whether a member is carrying out board duties or may be a two-way process where the member also receives feedback. Finally, a board can benefit from having an annual board work plan that helps it organize its work and ensure it meets various requirements and incorporates effective practices.

Topics addressed include:

A. Board Self-Assessment
B. Individual Board Member Assessment
C. Annual Board Work Plan

Tips for Using this Section

Using This Chapter as a Board
If your board is reviewing and discussing this chapter as a group, consider the following discussion questions:

- Does our board conduct a board self-assessment? What works well about the process? What may we want to consider changing?
- Does our board conduct an individual board member assessment? If not, is this a practice we want to consider?
- Does our board have a work plan? If so, what might we want to add or modify about the plan? If not, is this a tool the board may want to consider implementing?

Using This Chapter as an Individual
If you are reviewing this chapter on your own, consider the following questions:

- What did I learn from this chapter?
- What did I learn from this chapter that may be helpful to the board I serve on or support?
- Would additional information be helpful and, if so, on what topics?

A. Board Self-Assessment

Effective governance takes ongoing and intentional work. The best boards are always asking, "How can we govern even more effectively?" An effective board will evaluate its performance periodically through a board self-assessment.

Often the Governance Committee (or equivalent committee discussed in Chapter 2 of *the Governance Guide*) takes the lead in administering the self-assessment. If the board does not have such a process in place or if the board is looking at enhancing its process, the following process might be helpful:

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- Gain buy-in for the process – Discuss the benefits of performing the assessment with the board.

- Select or develop an evaluation tool – Many times a board will develop its own tool based on available samples (a sample is included in Appendix 17). Additional tools are commercially available. An ideal tool assesses how well the board is:

  – Accomplishing any goals that it set for itself which may, in turn, be linked to the strategic plan;
  – Carrying out its overall board roles and responsibilities;
  – Carrying out agreements it may have in place such as a Board Culture Statement (discussed in Chapter 9 of the *Governance Guide*).

- Administer the evaluation – Often boards (supported by staff) will set up the assessment in an online survey program and ask the board to respond.

- Compile the results and share with the board – Once complete, it is important that the board has the opportunity to see the results.

- Consider dedicating time at a meeting or board retreat to discuss the results – A facilitator can help the board interpret the results. The results may reveal gaps in knowledge or areas where additional board training would be helpful. Areas rated lower may turn into a board goal for the year ahead.

- Consider infusing next steps from the assessment into the annual board work plan (discussed in detail later in this section).

B. Individual Board Member Assessment

Some boards also conduct a board member assessment (see Appendix 19 for a sample). This process can take a number of forms; various approaches include:

- Individual reflection – Sometimes boards will have a short questionnaire that an individual board member completes to reflect on how well they have carried out their responsibilities. The results are not shared.

- Conversation with board leadership – Some boards arrange for the board chair to meet with each board member annually to reflect on the contributions by that member to the board, discuss interest in future board leadership roles, and discuss any other issues. This provides an opportunity to address items such as inconsistent meeting attendance, lack of meaningful participation, or other issues.

- Individual assessment prior to term renewal – Some boards undertake a formal or informal evaluation of a member's performance prior to the Governance Committee considering recommending another term for the member (if eligible).

C. Annual Board Work Plan[85]

Health center boards, in particular, have extensive responsibilities and must meet a significant number of requirements. An annual board work plan can help a board ensure it fulfills its responsibilities.

The annual board work plan is a short-range tool that focuses on the board's work one year at a time. The work plan accounts for actions needed to accomplish the longer-range goals defined in the health center's strategic plan.

[85] This section is slightly modified from a resource previously published by NACHC titled, "Creating an Annual Board Work Plan to Distribute Board Responsibilities Evenly Throughout the Year," and written by Marcie H. Zakheim, Esq. with Feldesman Tucker Leifer Fidell. Some of the content has been modified from the original publication.

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Importantly, the annual work plan also sets guideposts and deadlines for health center boards by which they review and update policies, approve budgets, and submit assurances, applications, and reports to the Federal government to comply with the terms of Health Center Program Requirements and other major grants and contracts, as well as Internal Revenue Service, and other Federal, state, and local regulatory reporting requirements.

Process for Development

Suggested steps for developing an annual board work plan include:

- Make sure you have buy-in from board members and CEO so that the plan is relied on to help structure workload, deadlines, and meeting agendas, as well as those of relevant committees.

- Identify a board point person or committee to be in charge of work plan development. This person or committee will work closely with the CEO in drafting the work plan to assure that it syncs with the health center's Health Center Program application cycle, budget year, and independent financial audit. Committee chairs may also provide input.

- To achieve the goal of being holistic in its process, the board will need to consider:
  - All of the key deadlines and reporting requirements designated by Section 330-Related and Health Center Program Requirements and all other major Federal and state statutory and regulatory deadlines (as well as those imposed by other major grants and contracts).
  - Governance roles and responsibilities (e.g., monitoring financials).
  - Effective governance practices (e.g., being attentive to board culture).

- Identify Health Center Program required documents to review, approve, monitor; for example:
  - Annual audit report
  - Applications for Health Center Program funding, including Change in Scope Requests
  - Billing and collection policies
  - Board member selection and dismissal policies
  - Capital plan
  - Conflict of interest policies
  - Employee grievance policy
  - Employee salary and benefit scales
  - Equal opportunity practices
  - Fee schedule for services
  - Financial policies that assure accountability for health center resources – general
  - Health care policies – general
  - Patient ratification
  - Personnel policies - general
  - Quality assurance/quality improvement plan
  - Risk management
  - Services provided by the health center and hours of operation
  - Sliding fee discount program policies
  - Strategic plan

- Identify other documents for health center boards to review and approve:
  - Whistleblower policy
  - Document retention and destruction policy
  - Internal Revenue Service Form 990 before it is submitted to the IRS and subsequently becomes public information posted on sites such as guidestar.org

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  - Investment policy
  - Policy for travel and other expense reimbursement
  - Policies related to fundraising, donor communication, and gift acceptance

- Identify reports for the board or board committee to periodically receive and review:
  - Results of quality improvement audits and follow-up reports when deficiencies are identified
  - Reports on the variance of the current annual operating plan with the budget
  - Updates to measure and evaluate the health center's progress in meeting annual and long-term clinical and financial goals
  - Information to evaluate patient satisfaction
  - Information to monitor and assess organizational assets
  - Information to monitor and assess organizational productivity
  - Before the monthly board meetings, packets that include reports and recommended actions from board committee meetings

- Identify other governance-related actions:
  - Conduct monthly board meetings and maintain minutes that document board actions
  - Select, annually evaluate, and dismiss if necessary the CEO
  - Periodically review the health center's mission and bylaws
  - Complete a board self-assessment
  - Establish and maintain a succession plan for the CEO
  - Have a board succession plan that includes recruitment, orientation, and ongoing board education
  - Require board members to sign a conflict of interest statement
  - Be knowledgeable about the community and marketplace trends and adapt health center policies as needed

- Using a 12-month calendar, assign dates for specific actions either at a board committee meeting or at the board meeting.

A "Living" Document[86]

The work plan is a "living" document and will require changes throughout the year. Flexibility is needed by everyone who uses the work plan to ensure that changes can be made and additions and corrections can be incorporated as the need arises – whether during the year or prior to establishing the new work plan for the following year.

The goal of having a board work plan is to account for and spread the work of the board throughout the year, in part in response to known deadlines, as well as to allow for regular briefings on important topics and board training events. There will, of course, always be unplanned issues that arise during the year that will need to be addressed by the board at meetings. If a good work plan is not in place, any unplanned for issues that arise may sidetrack consideration of equally important, predictable matters. If, however, a solid work plan is in place, the board can:

- Evaluate the unplanned issue;
- Determine its severity and immediacy;
- Compare it to the tasks on the work plan; and
- See where consideration of the new issue may fit.

If the unplanned-for activity necessitates immediate attention, it may require that the board juggle items on the existing work plan or schedule a special meeting (or perhaps designate a special task force to make preliminary

[86] Excerpt from a resource previously published by NACHC titled, "Creating an Annual Board Work Plan to Distribute Board Responsibilities Evenly Throughout the Year," and written by Marcie H. Zakheim, Esq. with Feldesman Tucker Leifer Fidell.

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recommendations). In such cases, the board will want to be careful to attend to legal and regulatory deadlines so that further problems do not result.

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Chapter 11:
Resources and Partnerships

Executive Summary

Board members have a broad view of the community, and they are ideally passionate, credible, and knowledgeable experts regarding their communities' needs and resources. As a result, they may see connections or linkages between community service providers that can benefit the health center. In collaboration with health center staff, board members can be effective ambassadors for their center's priorities which may be carried out in one of several ways including fundraising or allowable forms of advocacy.

Topics addressed in this section include:

A. Fundraising
B. Community Outreach and Reputation
C. Relationships and Partnerships
D. Advocacy

Tips for Using this Section

Using This Chapter as a Board

If your board is reviewing and discussing this chapter as a group, consider the following discussion questions:

- What role does our board currently play related to fundraising, community outreach, partnerships, and advocacy? What would we like to stop, maintain, or start?

Using This Chapter as an Individual

If you are reviewing this chapter on your own, consider the following questions:

- What did I learn from this chapter?
- What did I learn from this chapter that may be helpful to the board I serve on or support?
- Would additional information be helpful and, if so, on what topics?

"Board members serve as a link between the organization and its members, stakeholders, constituents, or clients. They should think of themselves as the organization's ambassadors and advocates – hopefully even after they leave their board memberships. Together with management, the board's challenge is how to strategically communicate the organization's story and contribute to a healthy and accurate public image for the organization."

-BoardSource, Ten Basic Responsibilities of Nonprofit Boards

A. Fundraising

Some health centers engage in fundraising, which involves soliciting contributions and gifts as a source of revenue. In these instances, the board may form a Fundraising Committee to take the lead in the board's role in the center's fundraising strategy. Individual board members may be called upon to participate in fundraising. There are three typical ways that a member may participate in fundraising:

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- Cultivation – This involves both identifying possible donors as well as deepening the knowledge of prospective donors about the health center.

- Solicitation – This involves formally asking for a contribution. Typically, major donor solicitation is done in collaboration with senior staff.

- Stewardship – This entails thanking past donors and maintaining their engagement so that they are likely to give again to the center. Board members might participate in this by personally signing thank you letters or making thank you calls to donors. This is often the easiest step for many board members and can be a helpful first step when engaging in fundraising.

NACHC has a resource that addresses Compliance Requirements associated with Health Center Fundraising which may be of interest to health center boards and staff leadership.[87]

B. Community Outreach and Reputation

As a whole, the board and CEO should collaborate so that the board understands the center's overall approach related to community outreach. Health center board members often:

- Serve as link to the community and bring back the community perspective
- Speak at community events (coordinated with health center staff)
- Listen to what the community has to say and channel back to the CEO and board – **but make no promises as** *alone an individual board member has no authority for decision-making on behalf of the board or health center.*

It is important to coordinate with health center senior staff when engaged in formal public speaking to ensure alignment on key messages. It is also important to caution that it is critical that a board understand its responsibilities related to requests from the media. Board members should understand:

- the board's policy about communicating with the media – there is often a designated board member or staff spokesperson for the health center depending on the issue;
- who and how to refer media inquiries to the designated spokesperson; and
- that consistent messaging is essential.

C. Relationships and Partnerships

Board members are responsible for representing the health center within their social and professional circles. Working with staff, board members may identify potential allies and donors in the community.

Additionally, a board has the opportunity to encourage collaboration with other agencies or organizations serving the community's health needs. For example, a health center board might ask the CEO to explore a partnership with a local mental health agency to consider setting up a school-based health program for teens. The board has an important role in evaluating significant partnerships to ensure they are in alignment with the health center's mission, maintain or improve access to health care, and are financially viable. NACHC has a resource that addresses Affiliation Opportunities which is a helpful resource to health center boards and leadership; additionally, requirements for

[87] See "Health Center Fundraising: Compliance Requirements along with Resource Opportunities," by Michael B. Glomb, Esq with Feldesman Tucker Leifer Fidell (2016) available from NACHC.

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health centers can be found in Chapter 14: Collaborative Relationships of the Health Resources and Services Administration (HRSA) Health Center Compliance Manual (Compliance Manual).[88]

The Compliance Manual also placed limitations on third-party or partner involvement in selecting board members and exercising authorities of the health center board. Relevant excerpts from Chapter 19: Board Authority and Chapter 20: Board Composition of the Compliance Manual follow.

Excerpt from Health Center Program Compliance Manual, Chapter 19: Board Authority. Please note the footnotes in this excerpt are from and link directly to the Compliance Manual.

Demonstrating Compliance

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

a. The health center's organizational structure, articles of incorporation, bylaws, and other relevant documents ensure the health center governing board maintains the authority for oversight of the Health Center Program project, specifically:
   - The organizational structure and documents do not allow for any other individual, entity or committee (including, but not limited to, an executive committee authorized by the board) to reserve approval authority or have veto power over the health center board with regard to the required authorities and functions;[11]
   - In cases where a health center collaborates with other entities in fulfilling the health center's HRSA-approved scope of project, such collaboration or agreements with the other entities do not restrict or infringe upon the health center board's required authorities and functions; and
   - For public agencies with a co-applicant board;[12] the health center has a co-applicant agreement that delegates the required authorities and functions to the co-applicant board and delineates the roles and responsibilities of the public agency and the co-applicant in carrying out the Health Center Program project.

Excerpt from Health Center Program Compliance Manual, Chapter 20: Board Composition. Please note the footnotes in this excerpt are from and link directly to the Compliance Manual.

Demonstrating Compliance

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

a. The health center has bylaws or other relevant documents that specify the process for ongoing selection and removal of board members. This board member selection and removal process does not permit any other entity, committee or individual (other than the board) to select either the board chair or the majority of health center board members,[7] including a majority of the non-patient board members.[8]

[88] See "The Board's Role in Evaluating Affiliation Opportunities" by Marcie H. Zakheim, Esq with Feldesman Tucker Leifer Fidell (2016) available from NACHC. Also see Chapter 14: Collaborative Relationships in the HRSA Health Center Program Compliance Manual https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-14.html#titletop.

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D. Advocacy

The CEO and staff are generally most directly involved in public policy—whether attending state and national association meetings, testifying before a legislative or administrative hearing, lobbying on behalf of or against a proposed bill affecting heath centers, or sharing data with the media, public, or policy-makers.

Yet, the board and its members play a critical role in carrying out allowable forms of advocacy. While political campaign activity is entirely prohibited,[89] other forms of advocacy are allowable for a 501(c)(3) organization – which is the tax status of most health centers. For example, meeting with, calling, emailing, and general communications to legislators or decision makers to educate them about your health center or the impact of issues on the health center is allowable. Additionally, advocating the enactment or defeat of pending or proposed federal, state, or local legislation – even in concept – is also allowable. It is important to remember that organizations cannot use any federal funds to support the costs of lobbying.

Boards can aid in this work by committing to a culture of advocacy. Some opt to form an Advocacy Committee, adopt a resolution on advocacy, and discuss allowable advocacy routinely at board meetings. Board members, as individuals, can be engaged in advocacy efforts. For example, a health center can survey board members for connections/relationships within the community, and leverage these for advocacy purposes or involve members in visiting legislators.

Additional information for board members can be found on the Health Center Advocacy Network at https://www.hcadvocacy.org/boardresources/. NACHC also has a resource on "Scope of Advocacy" that can be accessed for more information.[90]

Telling the Story[91]

Telling the health center's story becomes a powerful tool in supporting various strategies including Fundraising and Advocacy.

Board members can tell the center's story and unique contributions. Sharing a carefully crafted story can influence the community's perceptions of the center. Although data is important, our beliefs can be influenced more effectively through storytelling than through logical arguments. Informal interactions, as well as speaking to community groups, are ways to share the center's story. Shifting perceptions can result in new patients, community "friends," and potential partnerships. Of course, in telling the "story" it is essential to protect patient confidentiality.

Some tips for telling the health center's story most effectively include:

- Understand the community's health needs.
- Frame the message in a positive way.
- Talk about the excellent outcomes the health center is achieving.
- Describe any gaps and what the health center needs to close the gap.
- Use inspiring and empowering words.
- Speak from personal experience.

[89] Board members are free to engage in political campaign activity provided they do not use the health center's name or resources.

[90] See "Scope of Advocacy" by Michael B. Glomb, Esq with Feldesman Tucker Leifer Fidell available from NACHC.

[91] Adapted from a NACHC Conference Session, Enhancing the Health Center's Public Standing: Practices and Tools Board Members Can Use," Community Health Institute 2018.

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Think about what is amazing, special, and inspiring about the center. Work with the CEO and board to identify several real life illustrations of how the work at the health center has touched patients in an important way.

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Appendix

Items in the Appendix are intended as samples only. They are not intended to communicate HRSA policy or expectations. Health centers should adapt materials to address their needs and, where applicable, ensure they are reviewed by the health center's own legal counsel.

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Appendix 1: Key Terms Related to Governance and this Governance Guide

- Agenda – a plan of things to be done or matters to act on
- Annual Board Work Plan – short-range tool that focuses on the board's work one year at a time
- Articles of Incorporation – register a nonprofit as a corporation
- Assets – anything that is capable of being owned or controlled to produce value; assets represent the value of ownership that can be converted into cash
- Audit – an examination by an outside party of an organization's financial records
- Bad Debt – money owed that most likely will not be paid
- Board-approved Policies – outline the organization's governance and structure
- Board Culture – how the board operates
- Board Matrix – a grid that helps a board keep track of current members, member terms, member type (e.g., patient or community member), the professional backgrounds of members, demographics, connections members may have, along with leadership skills needed on the board
- Board Meeting – time when the board meets as a collective to conduct business and make decisions
- Board Self-Assessment – process used by a board to evaluate how well it is carrying out its responsibilities and progress on any board-specific goals
- Budget – an estimate of income and expenses for a period of time to achieve program and financial goals
- Bylaws – the board's operating manual – the rules by which an organization is governed
- Capital – financial resources available for use such as cash or property and equipment
- Cash – money in the form of coins, checks, money order, etc.
- Consent Agenda – combines routine items on the board meeting agenda into one agenda item that can be passed together to free up time on the meeting agenda
- Continuous Quality Improvement (CQI) – an ongoing effort to improve the efficiency, effectiveness, quality, or performance of services, processes, capacities, and outcomes
- Corporate Compliance – internal controls to monitor adherence to applicable health care laws, regulations, and program requirements to prevent the submission of erroneous claims and to combat fraudulent conduct
- Credentialing – the process of collecting and verifying information about the qualifications of a licensed or certified health care practitioner, assessing and interpreting the information, and making decisions about the practitioner

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- Executive Session – closed session of the board to conduct specific business, may involve the CEO and others invited by the board
- Expenses – money an organization pays out for something
- Facilitation – making it easier for an action or process to progress
- Fiduciary – having the duty and trust to provide oversight and act for the good of the organization, rather than for personal benefit
- Fiscal – related to financial matters
- GAAP – Generally Accepted Accounting Principles (GAAP), which is a standard way for organizations to record and report accounting information
- Generative thinking – when a board focuses on big-picture issues related to the health center's mission, vision, and values
- Governance – the legal authority of a board to establish policies, as well as to guide and make decisions for an organization
- Income – money coming in to an organization, also called revenue
- Individual Board Member Assessment – opportunity for reflection on how an individual is doing related to fulfilling their duties on the board
- Liabilities – money owed
- Liquid Assets – assets that can be quickly converted into cash with little or no loss in value
- Medicaid – a joint Federal and state program that helps with medical costs for some people with limited income and resources
- Medicare – the U.S. health insurance program for people 65 or older, certain younger people with disabilities and people with permanent kidney failure requiring dialysis or a transplant
- Meeting Packet – information received prior to a board or committee meeting that includes the meeting agenda and supporting materials that will be used to inform or support agenda items
- Metric – a defined program measure that is reviewed to determine the level of performance for a particular item
- Micromanagement – the board focuses on work that should be done by the CEO and staff instead of holding the CEO accountable for their own work
- Minutes – official record of the meeting of a board or board committee

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- Mission – defines the core purpose of the health center
- Needs Assessment – a systematic process to determine gaps (needs) between a current condition and the desired condition
- Officer – the board's leadership, typically the chair, vice chair, treasurer, and secretary
- Orientation – process by which new board members receive information and training to equip them with background and information needed for serving on the board
- Parliamentary Procedure – a procedure for conducting board meetings
- Privileging – process of authorizing health care practitioners to provide specific services to their patients
- Quorum – the number of board members with a vote that must be present to officially constitute a meeting
- Ratio – a statement of how two numbers compare; comparing the size of one number to the size of another
- Receivables – business assets in the form of money due from others
- Reserves – funds set aside to meet any unexpected costs that may arise in the future
- Revenue – money coming in to an organization
- Risk Management – the process of identifying, assessing, and reducing areas where the health center may be at risk to legal liability
- Standing Committees – exist on an ongoing basis
- Strategic Plan – relating to a general plan to achieve a goal over a period of time
- Strategic Thinking – board considers items of strategic importance to the health center on a routine basis
- Stewardship – resources are used efficiently to support the mission of the health center
- Succession Planning – the process of ensuring effective organizational leadership over time often done for the CEO, board, board chair, and other board officers; the CEO may also prepare succession plans for key staff leaders
- SWOT Analysis – an activity that assesses an organization's Strengths, Weaknesses, Opportunities and Threats (SWOT)
- Term limits – the total length of time a board member can serve on the board or a board officer can serve in an officer role
- Values – beliefs and guiding principles that drive organizational behavior
- Vision – what the health center wants to become in the future or the ideal frame it envisions for the community

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Appendix 2: Sample Board Roles and Responsibilities Description

The board has responsibility to govern the health center. As a collective entity, the board is responsible for:

Strategic Board Composition

- Determining the size of the board
- Ensuring board composition fulfills requirements of the Health Center Program
- Determining the strategic composition needs of the board so the board can govern effectively now and in the future
- Recruiting and vetting possible board members
- Electing board members
- Orienting and providing mentorship of new members
- Engaging in ongoing board education
- Preparing members for board officer and committee chair roles
- Electing board officers

Strategic Planning and Strategic Thinking

- Approving or reaffirming the health center's mission, vision, values
- Participating in the strategic planning process in collaboration with the CEO and management
- Approving the strategic plan
- Providing oversight of the strategic plan
- Engaging in ongoing strategic and generative thinking on critical issues and in partnership with the CEO

Financial Oversight

- Approving and monitoring the budget
- Reviewing financial status
- Ensuring financial controls are in place
- Reviewing the audit, meeting in executive session with the auditor
- Approving policies that support financial management and accounting systems

Quality Oversight

- Setting the tone that quality is a strategic priority
- Assuring resources are budgeted for quality and safety
- Approving and periodically updating Quality Assurance and Quality Improvement policies
- Monitoring quality and safety indicators and the progress to achieve performance goals
- Ensuring appropriate follow-up actions are taken

Additional Forms of Oversight

- Providing oversight of the Health Center Program project
- Providing oversight of the Corporate Compliance Program
- Providing oversight of Risk Management
- Playing an oversight role in provider credentialing and privileging (optional)

CEO Oversight and Partnership

- Hiring the CEO
- Terminating the CEO when needed
- Establishing annual performance goals with the CEO
- Evaluating the CEO's performance

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- Approving the compensation of the CEO
- Partnering with the CEO
- Implementing an emergency CEO succession plan and approving a CEO succession policy

Policies

- Approving the organization's bylaws and ensuring they are compliant with relevant laws
- Approving and periodically updating key policies
- Ensuring bylaws and key policies are compliant with the requirements of the Health Center Program

Effective Board Functioning

- Ensuring board meetings and committee meetings are effective
- Ensuring the board has an effective committee structure in place
- Ensuring the board has a healthy culture
- Ensuring the board is committed to good governance practices
- Undertaking an annual evaluation of the board and allowing individual board members to reflect on their contributions to the board

Resources and Partnerships

- Ensuring resources for the organization (this may include reputational resources with the community)
- Participating in cultivating important relationships for the health center in partnership with the CEO
- Approving major partnerships

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Appendix 3: Sample Board Member Roles and Responsibilities

Each individual member of the health center's board is expected to:

- Be informed about the health center's vision, mission, strategic plan, and services.
- Regularly attend board meetings.
- Participate actively in at least one committee.
- Prepare for board and committee meetings by reading materials in advance.
- Review data and information provided to the board to make informed decisions.
- Ask questions.
- Share the patient perspective (patient members) and the community perspective (patient and community members) to inform board decision-making.
- Support decisions after they are made.
- Assure the needs of the community are represented in the health center's strategic plan.
- Follow the health center's bylaws and policies.
- Participate in the process to review and update the bylaws and policies.
- Help to ensure the center is operated in compliance with applicable Federal, State, and local laws and regulations.
- Sign the annual conflict-of-interest disclosure and update it during the year when needed, as well as disclose potential and actual conflicts and recuse themselves from discussion and decision-making when appropriate.
- Maintain confidentiality about all internal matters of the health center.
- Assist the board in carrying out its responsibilities for the Health Center Program and participate in the Operational Site Visit.
- Participate in the approval of the annual budgets by reviewing the budgets and asking questions.
- Assist the board in carrying out its fiduciary responsibility by reviewing financial statements, budgets, the audit, and other financial information.
- Assist the board in quality oversight by understanding the board's role and reviewing data and information shared with the board.
- Participate in the selection of the CEO when applicable.
- Support the CEO.
- Participate in the evaluation of the CEO and the board's own evaluation.
- Recommend possible candidates to the board to the committee responsible for board recruitment and assist in board member recruitment when requested.
- Serve as active advocates and ambassadors for the organization.
- Participate in board orientation and ongoing education.

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Appendix 4: Sample Board Matrix

This is a sample board matrix that a board could use to examine its current composition and identify any possible gaps that would aid in identifying needs for board recruitment. A health center is legally obligated to follow its bylaws and to adhere to the Board Composition requirements in HRSA's Health Center Program Compliance Manual. The categories in this sample are illustrative in nature and should be customized by each organization based on its needs.

Board Member									
Patient Member									
Community Member									
Representative of a special population									
Professional Expertise									
Business									
Community Affairs									
Local Government									
Finance/Banking/ Accounting									
Health Care									
Human Resources									
Investment, Asset Management									
Legal									
Nonprofit management									
Real estate									
Social Service									
Trade union									
Other									
Demographics									
Race/ethnicity									
American Indian/Alaska Native									
Asian									
Black/African American									
Hispanic/Latino Ethnicity									
Non-Hispanic White									
Native Hawaiian / Other Pacific Islander									
More than one race									

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Gender									
Age Range									
Other forms of demographics important to your board									
Connections in the community									
Foundations									
Health care									
Media									
Other									
Skills									
Commitment to mission									
Strategic thinker									
Ability to tolerate ambiguity									
Prior governance experience									
Language(s)									
Term (1st/2nd), year term is due for renewal									

Adapted from samples from BoardSource and others in the nonprofit sector. Previously included in "Community Health Center Governing Board Succession Planning: A Case Study on Cherry Health" produced by NACHC in 2018.

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Appendix 5: Sample Prospective Board Member Background Information Form

Name	
Contact information *(for example, email, phone number where you are best reached)*	
Why are you interested in serving on the board?	
Do you or a member of your family use the services of our health center?	
Have you or a member of your family ever worked for our health center?	
Do you live or work in _____?	

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Appendix 6: Sample Board Candidate Interview Questions

A Governance Committee (or equivalent) may have several discussions with prospective board candidates. Below are some sample questions that may be helpful for such conversations.

1. Tell us about your connection to our health center.

2. What motivates you to want to serve on the board of our health center?

3. We have shared the board roles and responsibilities overview and list of board member responsibilities. What questions do you have about what is involved in serving on the board?

4. Our board meets monthly and meeting attendance is a critical way that board members fulfill their responsibility. Are you able to attend board meetings on a routine basis? How can we support your ability to attend?

5. For prospective patient members: Are you comfortable sharing your voice and the patient-perspective to inform board discussions and decision-making?

6. At times, the board has to deal with ambiguity and make decisions with incomplete information. Tell us about a time when you've made a decision with incomplete information.

7. Decisions are made collectively by the board. Our board culture statement notes that members will treat one another with respect, that open communication is encouraged along with differing points of view, but that once a decision is made we support it. How comfortable would you be with our board's culture?

8. We welcome all questions you may have.

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Appendix 7: Sample Topics for Board Orientation Handbook

- Mission, vision, and values statements
- Organizational chart
- A copy of the health center's articles of incorporation and bylaws
- A copy of the board of directors role description
- A copy of the health center's expectations of individual board members
- Board roster (list of all members and contact information)
- Committee job descriptions, chairs and co-chairs/vice chairs, and committee assignments
- Current board and committee meeting calendars
- Copy of the strategic plan
- A copy of the health center's conflict of interest policy and annual disclosure form
- Copies of relevant statutes, regulations and guidance from the U.S. Department of Health and Human Services and key state agencies – such as, Section 330, Health Center Program Compliance Manual
- A copy of minutes from the board meetings from the last six months to one year
- A copy of the budgets
- A copy of the most recently submitted Section 330 Service Area Competition application or look-alike designation application (as applicable), as well as other relevant submissions to HRSA since submission of the last application
- A copy of the last set of audited financial statements
- A copy of the current Quality Assurance / Quality Improvement plan and sample Quality Dashboards (if relevant)
- Information on the health center's corporate compliance program and risk management plans
- As applicable, a copy of the current board work plan and/or a board culture statement
- Any other information that the board feels is appropriate

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Appendix 8: Sample Health Center Board Member Competencies

In order to support the board in fulfilling its governance duties, it can be helpful for individual board members to have certain skills and knowledge. This document outlines some of those important board member competencies. This sample list can be used in a variety of ways:

- A board may use it as a reference document as it identifies areas of focus for overall board member development and/or for board education designed to build the knowledge of all board members.
- An individual board member may also wish to review this tool to self-assess what knowledge or skills they may want to gain to assist them in becoming an even more effective board member.

The list of skills/knowledge is long; not all members need to gain all of these competencies.

DEFINITIONS
Health Center Board Role: *Authority is placed in the board of directors as a collective body to govern the health center. The board steers the organization and has a fiduciary responsibility to make decisions in the best interest of the health center. Collectively the board approves the center's strategic plan, adopts policies, provides various forms of oversight (e.g., financial, quality, corporate compliance, health center program), ensures the board's strategic composition, selects and provides oversight of the CEO, ensures resources, ensures the board's own functioning, and carries out other essential responsibilities.*

Health Center Board Member Role: *Individual board members have duties and responsibilities. They must understand essential components of and actively participate in governance. However, alone an individual board member has no authority for decision-making on behalf of the board or health center.*

Key Board Roles or Areas of Focus *The major functional roles or areas of focus of the board as a collective.*	**Individual Health Center Board Member Skills/Knowledge** *Major skills or areas of knowledge that an individual board member may need to support the board in carrying out its duties. Note – the list of skills/knowledge is long; not all members need to gain all of these competencies.*
GENERAL GOVERNANCE	Demonstrate knowledge of the roles and responsibilities of the board of directors
	Able to define the board's fiduciary responsibility
	Demonstrate an understanding of the responsibilities of individual board members, including the legal duties of care, loyalty, and obedience (which are named as such in various state laws)
	Demonstrate knowledge of the difference between the board's governance role and the role of the CEO in managing the health center
	Able to understand common nonprofit governance terminology
HEALTH CENTERS & THE HEALTH CARE SECTOR	Demonstrate knowledge of the health care delivery system in the United States and/or the state in which the health center is based
	Demonstrate knowledge of major trends and challenges in health care that impact the health center, including relevant policy and industry trends, innovation in the sector (e.g., role of technology, telehealth), workforce issues
	Understand various payment methodologies and concepts such as value based payments, accountable care, and able to contribute to strategic board discussions on these topics as needed

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Key Board Roles or Areas of Focus *The major functional roles or areas of focus of the board as a collective.*	**Individual Health Center Board Member Skills/Knowledge** *Major skills or areas of knowledge that an individual board member may need to support the board in carrying out its duties. Note – the list of skills/knowledge is long; not all members need to gain all of these competencies.*
	Demonstrate knowledge of the unique role of health centers in the broader health care delivery system and what differentiates them from other health care delivery organizations
	Understand that health centers are part of a Movement and know about the history of the Movement
	Understand the value of the health center governance model which consists of patient majority boards and additional board members from the health center's community
	Understand common health care and health center terminology and acronyms
	Know about the Uniform Data System (UDS) and why it is important
BOARD COMPOSITION, RECRUITMENT, ORIENTATION & ENGAGEMENT	Demonstrates understanding of the Health Center Program requirements for board composition
	Supports the board in implementing good practices related to board composition, recruitment, and rotation
	Suggests new board members (when appropriate) to the relevant committee (e.g., Governance Committee)
	Participates in the onboarding and mentorship of new members (when appropriate)
	Supports the board in implementing board officer and board leadership succession plans (when appropriate)
STRATEGIC PLANNING & STRATEGIC THINKING	Help to ensure the board uses the health center's vision, mission, and values to guide deliberation and decision-making
	Participate in periodic board affirmation or revisiting of the vision, mission, and values (as appropriate)
	Understand what services the health center must provide, supplemental health services, and available delivery modes
	Understand the importance of the needs assessment, frequency for conducting this assessment, and link to the strategic plan
	Understand importance of and support the board in ensuring the inclusion of special populations (as relevant) to inform strategy and policymaking
	Ensure familiarity with the health center's strategic plan
	Actively participate as a member of the board in the creation (when relevant), approval, and oversight of the strategic plan
	Able to engage in scenario or contingency planning as part of the health center's overall planning efforts
	Understand the importance of ongoing board engagement on strategic issues impacting the health center and its future and can participate in such discussions
	Asks questions and understands the board's role in addressing emerging issues
	Actively shares patient perspective to inform decision making (if consumer board member) and actively shares the community perspective (all members)
	Able to engage in strategic and generative conversations about the future of the organization

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Key Board Roles or Areas of Focus *The major functional roles or areas of focus of the board as a collective.*	**Individual Health Center Board Member Skills/Knowledge** *Major skills or areas of knowledge that an individual board member may need to support the board in carrying out its duties. Note – the list of skills/knowledge is long; not all members need to gain all of these competencies.*
BOARD OVERSIGHT	
Financial Oversight	Ensure ability to read and understand health center budget and financial statements (e.g., balance sheet, etc.)
	Understand major sources of revenue and expenses, can ask questions and engage in discussion as appropriate
	Understand the health center's payer mix, can ask questions and engage in discussion as appropriate
	Understand key financial indicators and what each means, can ask questions and engage in discussion as appropriate
	Actively participates in financial oversight with the board
	Actively participate in oversight of the audit with the board
	Review IRS Form 990 as a member of the board
	Understand financial policies boards must approve (e.g., related to internal controls, sliding fee, billing and collections, etc.) and participates in this process
	Helps ensure good stewardship of the health center's resources and federal award dollars
Quality Oversight	Demonstrates understanding of the importance of quality and the goals of the QA / QI program
	Ensure ability to understand quality data measures shared with the board and comfort asking questions and engaging in discussion
	Actively participate in the board's oversight of QI and QA
	Participates in orientation related to quality oversight and supports other board members in learning about this area
	Familiar with concepts such as the quadruple aim
Corporate Compliance Oversight	Can articulate the required elements of a corporate compliance program for the health center
	Understand the role of the board related to corporate compliance
	Actively participate in the board's oversight related to corporate compliance, asks questions and can engage in discussion
Health Center Program	Knows what the Health Center Program is and why it is important, and the role of Health Resources and Services Administration (HRSA)
	Understand unique requirements for health centers and health center boards as outlined in the Health Center Program Compliance Manual
	Participate with the board in preparation for the Operational Site Visit
Risk Mitigation	Participates in the board's review and approval of the health center's risk management program
	Able to participate in conversations about how the board defines its participation in provider credentialing and privileging
	Understand the importance of directors & officers insurance and other key forms of insurance
	Familiar with the Federal Tort Claims Act (FTCA) and its significance for the health center; aware of specific risk management deeming requirements that must be adhered to

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Key Board Roles or Areas of Focus *The major functional roles or areas of focus of the board as a collective.*	**Individual Health Center Board Member Skills/Knowledge** *Major skills or areas of knowledge that an individual board member may need to support the board in carrying out its duties. Note – the list of skills/knowledge is long; not all members need to gain all of these competencies.*
	Familiar with key personnel policies that the board must approve
BOARD OVERSIGHT OF THE CEO AND CEO SUCCESSION PLANNING	Demonstrate an understanding of the board's role in hiring and overseeing the CEO and participates in this process when relevant
	Participate in CEO orientation and onboarding (when relevant)
	Understand the importance of a CEO employment agreement/contract
	Understands the CEO should have performance goals linked to the strategic plan and participates in establishing these (when appropriate) and approving them with the board
	Understand good practices related to CEO evaluation and actively participate in CEO evaluation
	Understand the board's role in setting and approving CEO compensation based on comparable market data and participate in this process
	Understand the role of the board in CEO succession (planned and emergency) and participates in CEO succession planning
	Understand the components of effective board and CEO partnership and participate in forging a positive relationship
BOARD-APPROVED POLICIES	Demonstrate an understanding of the board's role in approving and periodically updating the bylaws and what should be included in the bylaws
	Understand the board's role in approving essential policies and help ensure policy review occurs at least once every three years
	Participate in ensuring the health center complies with relevant laws and its own bylaws and policies
	Understand the conflict of interest policy
	Disclose conflicts of interest annually, recuse from discussion and vote when appropriate
EFFECTIVE BOARD FUNCTIONING	
Meetings and Committees	Supports the board in implementing good practices related to board meetings
	Prepare for meetings by reviewing the board packet in advance and preparing questions
	Attend and actively participate in board meetings
	Understand the importance of documenting board oversight, deliberations, and decision-making in meeting minutes
	Supports the board in implementing good practices related to board committees
	Actively participate on a committee/committees
Board Culture	Contribute to a positive board culture and team dynamics
	Upholds board agreements/norms when a board member operates outside of the board's culture
	Facilitate positive and constructive interactions with fellow members of the board, CEO, and other staff (when appropriate)
	Demonstrate cultural sensitivity
	Listens carefully and asks clarifying questions

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Key Board Roles or Areas of Focus *The major functional roles or areas of focus of the board as a collective.*	**Individual Health Center Board Member Skills/Knowledge** *Major skills or areas of knowledge that an individual board member may need to support the board in carrying out its duties. Note – the list of skills/knowledge is long; not all members need to gain all of these competencies.*
	Can distinguish between relevant and irrelevant information to participate in board decision-making
	Demonstrates "big picture" thinking
	Understand the importance of periodic board retreats and participate actively in such retreats
	Able to participate in board decision making, including during times of ambiguity
	Able to encourage or facilitate beneficial resolution to conflict
Commitment to Effective Governance	Understands components of a good board and good governance practices and demonstrate commitment to encouraging the board to follow such practices
	Understand the importance of a board self-assessment and individual board member assessments
	Actively participate in board assessment(s)
	Understands what a board work plan is, its utility for the board, and encourages the board to adopt and/or follow such a plan
	Able to recognize barriers to board effectiveness
ENSURING RESOURCES	Participate in ensuring the positive reputation of the center in its community
	Serve as an ambassador for the health center in the community
	Know and adhere to the center's policy on addressing media inquiries
ADVOCACY	Demonstrate an understanding of why advocacy is important to the health center and the health center program
	Participate in the development of a board-level advocacy strategy that complements/supplements leadership- and staff-level advocacy strategy
	Participate in allowable forms of advocacy

NACHC previously issued a document titled, "High Performing Health Center Governance: A Framework for Providing Competency-Based Support" which was used to inform this document.

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Appendix 9: Sample Board Chair Competencies

A board will want to consider what competencies and qualities it needs in a board chair. Important competencies include:

- Committed to good governance
- Relationship and interpersonal skills
- Trustworthy
- Understands components of effective meetings
- Facilitates board meetings ensuring all voices are heard
- Good listener
- Can handle conflict/group dynamics
- Strategic, can see the big picture
- Can manage confidential communication
- Able to partner with CEO effectively
- Able to lead various processes
- Passionate about health center mission and strong knowledge of health center
- Able to work with diverse stakeholders
- Able to promote positive culture
- Willing to make the time commitment
- Able to mentor future leaders

Adapted from various sources including: Yvonne D. Harrison, "The Best and Worst of Board Chairs," *Nonprofit Quarterly* (December 21, 2012); Board Chair Succession Webinar by Kimberly McNally (NACHC, 2018); BoardSource, "Board Officer Responsibilities and Qualifications."

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Appendix 10: Sample Board Officer Succession Plan

Key Leader Position	Current Leader	Potential Successors	2019	2020	2021	2022
Chair	Sara until 2020	Jose or Ellen	Sara	Sara	Jose or Ellen	Jose or Ellen
Vice Chair	Jose	Tom or Beionka	Jose	Jose	Tom or Beionka	Tom or Beionka
Treasurer	Tom	Joyce or Carlos	Tom	Tom	Joyce or Carlos	Joyce or Carlos
Secretary	Beionka	Marc or Lin	Beionka	Beionka	Marc or Lin	Marc or Lin

From a NACHC Webinar titled, "Board Chair Succession" completed by Kimberly McNally, McNally & Associates (2018) and adapted from materials by the Society for Human Resource Management.

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Appendix 11: Sample Terms and Policies Related to the Changing Health Care Environment

As health centers navigate the constantly changing health care landscape, ensuring boards understand relevant terms and policies is important. Below are some sample terms and concepts and, of course, additional items will constantly emerge. It is also important to note that some policies and issues are state-specific. The Primary Care Association in your state or region serves as an important resource to health centers on state-specific issues and policies.

Sample Terms and Policies

- ***Affordable Care Act*** – In 2010, Congress passed the Affordable Care Act (ACA). The law is officially known as the Patient Protection and Affordable Care Act. The primary intent of the ACA was to address the high number of uninsured Americans, which was 46.3 million people in 2011 according to the U.S. Centers for Disease Control and Prevention. In particular, the ACA was meant to benefit Americans who were not offered or could not afford to buy employer-based health insurance. The Law created affordable health insurance policies available from state and federal marketplaces (exchanges and provided for an income-based expansion of eligibility to Medicaid). The ACA also defined a set of health benefits (services) that insurance companies must pay for and that health care providers – such as health centers, private practices, and hospitals – must deliver to patients. Since the passage of the ACA, millions of people have gained health care coverage through purchasing insurance on state and federal exchanges and through expansion of Medicaid benefits in the majority of states.

- ***Care Coordination*** – The ACA seeks to create a health care system in which a person's care is coordinated across settings and across episodes of care to improve patient outcomes and reduce costs. Relevant concepts include:

  – Patient-Centered Medical Home (PCMH) – The National Committee for Quality Assurance (NCQA) defines the patient-centered medical home as "a way of organizing primary care that emphasizes care coordination and communication to transform primary care into "what patients want it to be." Medical homes can lead to higher quality and lower costs, and can improve patients' and providers' experience of care." NCQA Patient-Centered Medical Home (PCMH) Recognition is one way to transform health centers into medical homes. There are a number of standards and requirements to meet to earn this recognition. Administrators may need to redeploy resources to provide wellness services. Clinical providers are required to work in new ways to serve patients. Patients are required to be active participants in their care. Investments in electronic health records (EHR) to collect and track patients are necessary.

  – Accountable Care Organizations (ACOs) – Accountable Care Organizations are provider-led organizations that come together to manage the quality of care and costs of a specific population of patients. Health centers are joining ACOs or in some cases they partner with other health centers to establish their own entity to create efficiencies, minimize duplication, and target specific clinical interventions to improve outcomes. In order to demonstrate quality, provider organizations must have data that demonstrates excellent clinical care and health outcomes. To manage costs, providers must know the true cost to deliver care. When an ACO succeeds both in delivering high-quality care and spending health care dollars wisely, savings are shared among the provider organizations.

- ***Payment Reform*** – The Affordable Care Act (ACA) called for a national expansion of health insurance via two major strategies:
  1. The expansion of Medicaid
  2. The creation of health insurance marketplaces to expand commercial coverage

  Not all states have expanded Medicaid, but all are required to have a marketplace.

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Health centers traditionally saw a high number of uninsured (self-pay on a sliding fee scale) and Medicaid patients. As a result of changes from the ACA, health centers have seen a shift in payers as more uninsured individuals are covered by Medicaid and able to purchase insurance from the Health Insurance Marketplace plans. Note that these individuals may still qualify for sliding fee discounts because sliding fee discounts are based purely on income and family size, and not insurance status.

Key terms to be aware of:

- Value-Based Payment -- In an effort to reduce per capita cost and increase quality, government and insurance companies have established financial incentives based on the quality of care (pay for performance), rather than on the services provided (fee for service). These payers are increasingly emphasizing value-based payments in which part of the reimbursement is "at risk," meaning that part of the payment depends on whether the provider achieves a certain level of performance.

- Managed care -- Managed care is a health care delivery system organized to manage cost, utilization, and quality. Managed care is a system for delivering services to patients where a provider is paid a set dollar amount to deliver a defined package of services to covered individuals (members). The provider receives the set payment regardless of the cost for providing care. A provider could lose money if patients are seen too many times and require high-cost services, such as hospitalization. For this reason, managed care organizations (MCOs) are interested in working with primary care providers such as health centers.

  Medicaid managed care is the delivery of Medicaid health benefits and additional services through contracted arrangements between state Medicaid agencies and managed care organizations (MCOs) that accept a set payment (capitation) for these services. Providers, including health centers, contract with the MCO to provide services to the patient.

  By contracting with various types of MCOs to deliver Medicaid services to their beneficiaries, states can reduce Medicaid program costs and better manage utilization of health services. Improvement in health plan performance, health care quality, and outcomes are key objectives of Medicaid managed care.

- ***Telehealth*** **–** The Health Resources and Services Administration (HRSA) defines telehealth as "the use of electronic information and telecommunications technologies to support and promote long-distance clinical health care, patient and professional health-related education, public health, and health administration."[92] Health centers are increasingly using telehealth to better meet their patients' needs and to overcome persistent clinical workforce shortages. Because health centers are required to offer comprehensive services in areas of high need, many are using telehealth to address geographic, economic, transportation, and linguistic barriers to health care access.

- ***The Quadruple Aim*** – The "Triple Aim" is a term created by the Institute for Healthcare Improvement (IHI) in 2007 to describe a framework for improving the healthcare system by addressing and balancing three components -- improving the patient's experience of care, improving the health of populations, and reducing the per capita costs of health care. Elements of the Triple Aim are highly aligned with initiatives of the ACA that will impact on the level of payment received by health care providers, including health centers. To the Triple Aim, some people add a fourth goal of improving the work life of health care staff for the *Quadruple Aim*.

[92] Telehealth and Health Centers, http://www.nachc.org/wp-content/uploads/2019/03/Telehealth-Fact-Sheet-1.3.19.pdf

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Questions for Boards to Consider About the Changing Health Care Environment

As health centers face changes in delivery and payment systems, it is critical that the board of directors is involved to assure that such efforts are consistent with the health center's mission, vision, and values. Board members hold the CEO accountable for information to guide their oversight and support. Questions that can be asked include:

- Does the board receive information/training regarding local and state payment reform initiatives?
- With which payers does the health center have a strong working relationship?
- Does the health center have the information technology infrastructure to support the data requirements to participate in payment reform arrangements?
- How does health center data compare with industry standards for measures that demonstrate quality and costs of care?
- What patient data does our health center evaluate?
- What do our staff say about the health center?
- Can the health center predict the number of patients the center would see from a particular insurer, such as Medicaid, or from a particular population group, such as people with diabetes?
- Does the health center have the capability to serve as a primary care medical home for all patients?
- How do the health center's UDS quality care measures compare to state and national data?

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Appendix 12: Sample CEO Evaluation

Performance Evaluation – CEO

The board establishes the general policies and long-term strategic plan for the health center. The board delegates the authority and responsibility to run the organization within the framework of the established policies and strategic plan to the health center's CEO.

A Performance Evaluation of the CEO is conducted on a routine basis, ideally annually. The board often appoints either the Executive Committee of the board or a time-limited task force of the board to be responsible for administering this evaluation. Each board member should have the opportunity to participate in the evaluation by completing the Performance Evaluation form (either on paper or online) and returning it to the designated committee. The committee will compile the results, present a summary to the board for discussion and approval, and meet with the CEO to present and discuss the results of the Performance Evaluation.

CEO NAME:

REVIEW PERIOD:

Please use the following scale in completing the sections below:

Rating
4 Regularly exceeds expectations, exceptional **(exemplary)**
3 Almost always meets expectations and sometimes exceeds them (**good**)
2 Sometimes meets expectations but needs improvement to fully satisfy them (**fair**)
1 Does not meet expectations, needs significant improvement (**unsatisfactory**)

PART I: GOALS
In the space below, list the CEO's annual performance goals that are set at the outset of the year between the board and CEO. These are most often linked to the health center's strategic plan.

Goal	Results	Rating

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PART 2: ROLES AND COMPETENCIES

Please select the number that best describes the CEO's performance in the areas noted.

	1	2	3	4
General & Basic Operations				
Able to work fluidly with governmental agencies, legislative representatives, and other entities and individuals that fund and/or support health centers				
Continuously build knowledge and expertise through industry networks				
Demonstrate comprehensive understanding of the unique dynamics of the health center model				
Ensure a positive health center image within the community and among external constituencies via marketing opportunities, social media, personal influence, and public presentations				
Demonstrate knowledge of the current health care environment, including all relevant regulations				
Systems Orientation				
Utilize both "big picture" and detailed "system thinking" when analyzing issues and making decisions				
Work collaboratively with staff and board to generate, implement, and maintain a Strategic Plan based in consensus Mission/Vision/Values and including related and aligned goals/objectives				
Cultural Sensitivity				
Facilitate positive, constructive interactions among staff, patients, families, and the community by demonstrating sensitivity to differing cultures, behaviors, and wellness perspectives				
Successfully advocate for genuine diversity and appropriate inclusion within the health center board, staff, center-related community groups, and vendors				
Personnel Management & Teamwork				
Foster a sense of genuine teamwork and common purpose among all health center staff				
Ensure achievement of effective personnel management functions				
Working with other C-Suite health center officials as appropriate, ensure development and implementation of a successful provider recruitment/retention program				
Ensure successful provider credentialing & privileging				
Operational Management				
Ensure development and implementation of effective/efficient operational systems in all functional areas of the health center, both clinical and administrative				
Ensure that overall health center operations are consistent with generally-accepted business practices				
Ensure that clinical and administrative operations are continuously aligned				
Finance & Reimbursement				
Able to use generally accepted financial tools and systems to analyze ongoing data and ensure effective financial management of the center				
Ensure awareness by all staff of critical reimbursement mechanisms and issues				
Ensure timely and successful completion of health center applications (i.e., Section 330 and other public grants), and related reporting				

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	1	2	3	4
Identify and cultivate potential private health center donors (individual/corporate/foundations)				
Successfully lead the health center in investigation and decision-making RE: new organizational models and opportunities (mergers/acquisitions, ACOs, value-based payment models, new market tax credits, etc.)				
Ensure that the center takes optimal advantage of the federal 340B drug program				
Quality Management				
Actively support and participate in a health center Quality Management program that uses proven quality techniques (measurement, PDSA cycles, benchmarking, etc.) to successfully foster continual improvement in operations and care delivery				
Support ongoing health center accreditation and Patient Centered Medical Home (PCMH) recognition				
Health Information Technology				
Ensure optimal use of EHRs, PMSs, and advanced HIT applications to optimize quality of care, health center operations, and reimbursement				
Legal & Ethical Issues				
Ensure that staff continually adopt successful Risk Management awareness and approaches				
Ensure that the health center successfully takes full advantage of the Federal Tort Claims Act (FTCA) program; if the health center is a FTCA deemed facility, ensure awareness of the benefits, scope of coverage, and specific legal processes related to the FTCA program				
Demonstrate commitment to the highest standards of ethical responsibility				
Ensure compliance with all Federal and state requirements and HRSA's Compliance Manual through oversight of a robust compliance program				
Advocacy				
Within legal limits, continuously advocate for the health center and its community role with appropriate external entities				
Guide staff and board in learning about, and taking an active role in, community mobilization for health				
Leadership				
Create and model a positive, collaborative, and fear-free organizational culture				
As board-supervised authorizing official for the center, exercise positive stewardship with all stakeholders				
Motivate staff and board to adopt and pursue a transformational mindset				
Generate mutually beneficial partnerships and collaborations with other entities sharing common organizational objectives				
Constantly demonstrate unconditional respect for all staff, board members, patients, families, and community residents				
Inspire and motivate all board and staff members – regardless of background or demographics – to pursue ongoing excellence in furtherance of the center's mission				

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PART 3: COMMENTS

Strengths:

_____
_____
_____

Areas needing improvement:

_____
_____
_____

Other Comments:

_____
_____
_____

Signatures

This Performance Evaluation was given to the Chief Executive Officer on _____.

_____
Board Chair (*Signature and Date*)

I hereby acknowledge receipt of this Performance Evaluation.

_____
CEO (*Signature and Date*

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Appendix 13: Sample Board Meeting Agenda

Health Center Name
Date and Time of Meeting
Location of Meeting

1.	Welcome	6:00
2.	Action Item: Consent Agenda a. Approval of board meeting minutes from X date meeting b. Approval of agenda c. CEO report d. Committee reports	6:05
3.	Discussion Item: Strategic Issue X (Related to Goal 4 of the Strategic Plan)	6:08
4.	Discussion & Action: Treasurer's Report and Discussion a. Review Financial Statements b. Review and approve updated Sliding Fee Policy	6:50
5.	Discussion Item: Quality Dashboard Discussion	7:05
6.	Board Education: Accountable Care Organizations a. Purpose: Share critical background and information to lay the groundwork for future strategic decisions	7:20
7.	Executive Session	7:45
8.	Recap Action Steps and Adjourn	7:55

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Appendix 14: Sample Board Meeting Evaluation

Please take a few minutes to complete the evaluation of our board's most recent meeting.

1. Please respond to the following questions

	Yes	No	Unsure
Did the agenda focus on the right issues?			
Did the meeting materials prepare us for our discussions?			
Did we focus at least 50% of our time on strategic issues?			
Were we able to minimize verbal reports that duplicated written reports?			
Did all members participate in an active way?			
Are we clear on our next steps?			

2. What could we do more effectively at the next meeting?

3. Do you have any other comments you would like to share about the board meeting?

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Appendix 15: Sample Committee Charter Structure

Name of Committee

Purpose – Discuss the purpose of the committee

Composition – Discuss the number of members on the committee and any general parameters for composition such as required knowledge, experience, whether non-board members are permitted to serve

Staff Designee – Identify the staff member (by title) who works with the committee

Responsibilities – Outline the duties of the committee

Meetings and Quorum – Outline how frequently the committee meets and what constitutes quorum

Reporting to the Board – Outline how the committee will report back to the board and present recommendations for board action

Adapted from AGB, Board Standing Committee Charters

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Appendix 16: Sample Board Culture Statement

The board of XYZ Health Center commits to a culture that is:

- Focused on the mission and sustainability of the health center – The board understands its fiduciary role for the health center. It is committed to ensuring the health center fulfills its mission and remains sustainable so it provides ongoing service to our community.

- Rooted in role clarity – The board understands its role to govern the health center. It hires the CEO and is supportive and respectful of the CEO's role in managing the day to day operations of the health center. The board and CEO are committed to openly discussing times when roles may be blurred and micromanagement may be occurring.

- Inclusive and diverse – The board's composition reflects the diversity of our community and includes members with various forms of expertise and community connections. We value the contributions of all members and are inclusive in our approach.

- Dedicated to active participation and robust dialogue that results in better decision-making on behalf of the health center – The board understands the importance of full and active engagement by its members. In making decisions, the board considers the input of all members and encourages open and robust dialogue which results in better decisions for the health center.

The board of XYZ Health Center commits to the following ground rules to support the board's culture:

- Contribute actively
- Listen attentively
- Be fully engaged during meetings
- Keep conversations in this room confidential
- Use a parking lot to move discussions forward

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Appendix 17: Sample Board Self-Assessment

The purpose of this evaluation is to rate the board's performance in carrying out its goals and responsibilities. Please use the following 5-point scale when responding:

1 = Very Poor
2 = Poor
3 = Good
4 = Very Good
5 = Excellent

On a scale of 1 to 5, rate the board's performance in achieving its own annual goals:

	1	2	3	4	5
Goal 1					
Goal 2					
Goal 3					
Goal 4					

On a scale of 1 to 5, rate the board's performance of the following:

	1	2	3	4	5
Ensuring the board's composition is strategic					
Ensuring the board's composition complies with the requirements of the HRSA Health Center Program					
Orienting new board members					
Providing ongoing board education to all members					
Preparing future officers					
Using the health center's mission, vision, and values to inform decision-making					
Ensuring the needs assessment is conducted at least once every three years					
Participating in the strategic planning process in collaboration with the CEO and management (when relevant)					
Approving the strategic plan (when relevant)					
Providing oversight of the strategic plan					
Engaging in ongoing strategic thinking					
Approving policies on a periodic basis					
Approving the budget					
Monitoring the budget and financial status of the health center					
Overseeing the audit and meeting in executive session with the auditor					
Reviewing IRS Form 990					
Reviewing and understanding quality measures					
Holding the CEO accountable for follow up action					
Providing oversight of the corporate compliance program					
Providing oversight of the Health Center Program					
Supporting the planning for a Health Center Program Operational Site Visit					

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Participating in a Health Center Program Operational Site Visit (if applicable)					
Understanding and providing appropriate oversight of key risks facing the health center					
Working with the CEO to establish annual performance goals					
Completing the CEO's evaluation					
Approving the CEO's compensation in alignment with comparable market data					
Preparing or updating a CEO succession plan					
Making effective use of board meetings					
Making effective use of board committees					
Maintaining a positive board culture that aligns with the board's culture statement					
Approving major partnerships when appropriate					

What training or education would be helpful for the board?

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Appendix 18: Sample Topic Areas to Consider for a Board Self-Assessment

Below are sample topics that could be included in a board self-assessment.

Board Roles

- Does the board demonstrate an understanding of its legal authority and responsibilities?
- Does the board understand that its role focuses on policy and strategy and not operations?

Strategic Planning and Strategic Thinking

- Does the board as a group understand the history of the health center and of the national Health Center Program?
- Does the board as a group understand the mission of the health center and use it as a guide for making decisions?
- Does the board use results of the community needs assessment to set health center strategy?
- Does the board as a whole share a common vision of what the health center can do for its community and the priorities that need to be addressed?
- Does the board engage in scenario-based planning as part of the strategic discussions?
- Does the board remain current with the environment and the latest trends and forces that will have an impact on the health center?

Quality Oversight

- Does the board understand the goals of the health center's quality assurance/quality improvement program, including benchmarks and metrics to measure progress and performance improvement, and the board's oversight responsibilities?

Financial Oversight

- Does the board ensure that its members have basic knowledge about financial management and budgeting concepts, the board's oversight responsibilities, and implications of financial statements and audit reports?

CEO Oversight and Partnership

- Does the board understand its role in hiring, selecting, supporting, and assessing the performance of the health center's CEO?
- Does the board align CEO performance expectations with the health center's vision, mission, strategic plan, and annual goals?
- Is there mutual understanding of leadership expectations and role responsibilities to ensure successful board/board chair/CEO relationships?

Risk Management

- Does the board have a general understanding of how risk and compliance is managed across the organization?
- Does the board have a procedure to handle conflicts of interest?

Effective Board Functioning

- Does the board maintain sensitivity to language, culture, and ethnic differences?
- Is the board able to facilitate group dynamics, process, meetings, and discussions?
- Does the board adopt best practices in effective governance?

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Board Composition

- Does the board bring the voice of the diverse community served to the board room?
- Does the board strategically plan for board recruitment and rotation?
- Does the board demonstrate time necessary for board work, including orientation of new members?
- Do senior board members serve as mentors and/or coach to other board members?

Advocacy

- Does the board keep patient, family, and community at the center of discussions about improving systems of care?
- Is the board aware of the impact of its decisions in the community?

Source: Resource previously published by NACHC titled, "Health Center Board Self-Evaluation: The Fundamentals," and written by Marcie H. Zakheim, Esq. with Feldesman Tucker Leifer Fidell. This list has been modified and updated from the original publication.

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Appendix 19: Sample Board Member Self-Evaluation

For the year being evaluated, please assess whether you fulfilled your responsibilities as a member of the board.

	Yes	No	Not Applicable
Informed about the health center's vision, mission, strategic plan, and services.			
Regularly attend board meetings.			
Participate actively in at least one committee.			
Prepare for board and committee meetings by reading materials in advance.			
Review data and information provided to the board to make informed decisions.			
Ask questions.			
Support decisions after they are made.			
Assure the needs of the community are represented in the health center's strategic plan.			
Follow the health center's bylaws and policies.			
Participate in the process to review and update the bylaws and policies.			
Help to ensure the board assures the center is operated in compliance with applicable Federal, State, and local laws and regulations.			
Sign the annual conflict-of-interest disclosure and update it during the year when needed, as well as disclose potential and actual conflicts and recuse myself from discussion and decision-making when appropriate.			
Maintain confidentiality about all internal matters of the health center.			
Assist the board in carrying out its responsibilities for the Health Center Program and participate in the Operational Site Visit.			
Participate in the approval of the annual budgets by reviewing the budgets and asking questions.			
Assist the board in carrying out its fiduciary responsibility by reviewing financial statements, budgets, the audit, and other financial information.			
Assist the board in quality oversight by understanding the board's role and reviewing data and information shared with the board.			
Participate in the selection of the CEO when applicable.			
Support the CEO.			
Participate in the evaluation of the CEO and the board's own evaluation.			
Recommend possible candidates to the board to the committee responsible for board recruitment and assist in board member recruitment when requested.			
Serve as active advocate and ambassador for the organization.			
Participate in board orientation and ongoing education.			

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Appendix 20: Sample Board Work Plan

Month 1	Month 2	Month 3	Month 4
Executive Committee – Prepares CEO Goals for Board Approval Finance Committee	Governance Committee Quality Committee	Finance Committee	Governance Committee Quality Committee
Review and approve prior month's meeting minutes	Review and approve prior month's meeting minutes	Review and approve prior month's meeting minutes	Review and approve prior month's meeting minutes
Review financial statements		Review financial statements Audit approval	
	Review quality		Review quality
Conflict of Interest Disclosure			
			Review of IRS Form 990
	Slide Fee Approval		
			Board Self-Assessment conducted
		Corporate Compliance report	
CEO Goals Approved			
Present Board Work Plan Board Education		Board Education	
			Elect new officers and board members

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Month 5	Month 6	Month 7	Month 8
Finance Committee	Governance Committee Quality Committee	Finance Committee	Governance Committee Quality Committee
Review and approve prior month's meeting minutes	Review and approve prior month's meeting minutes	Review and approve prior month's meeting minutes	Review and approve prior month's meeting minutes
Review financial statements		Review financial statements	
	Review quality		Review quality
Submit IRS Form 990			
Review select policies and approve updates as needed			
	Annual Board Retreat (including review of Board Self-Assessment results)		
	Corporate Compliance report		
Board Education		Board Education	
Board orientation	Board orientation		

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Month 9	Month 10	Month 11	Month 12
Finance Committee	Governance Committee Quality Committee	Executive Committee – CEO Evaluation Finance Committee	Executive Committee – CEO Evaluation Governance Committee Quality Committee
Review and approve prior month's meeting minutes	Review and approve prior month's meeting minutes	Review and approve prior month's meeting minutes	Review and approve prior month's meeting minutes
Review financial statements		Review financial statements	
	Review quality		Review quality
		Review select policies and approve updates as needed	
Corporate Compliance report			Corporate Compliance report
		CEO Evaluation Circulated to all board members	Discussion and Approval of CEO Evaluation Results
	Board Education		Board Education

Source: Resource previously published by NACHC titled, "Creating an Annual Board Work Plan to Distribute Board Responsibilities Evenly Throughout the Year," and written by Marcie H. Zakheim, Esq. with Feldesman Tucker Leifer Fidell. This list has been modified from the original publication. Thanks to HealthLinc for sharing a sample work plan to inform this sample.

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