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Trustee reappointment

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When hospital or health system boards think about key practices that support effective governance, considerations such as board recruitment and selection, orientation and continuing education, and board evaluation often come to mind. Rarely, it seems, does board member reappointment make the list.

Unlike the often more formal processes for bringing new individuals onto a board, building their governance knowledge and skills, or assessing and improving board performance, trustee reappointment can be a perfunctory activity. For some boards, reappointing members amounts to little more than reviewing a list of trustees whose terms have expired and voting to approve them for an additional term of service.

It's not hard to understand why some boards view member reappointment as a routine item for approval. Finding individuals with the specific competencies, skills and time required for board service can be difficult, especially in small towns and rural areas where boards may consider themselves fortunate to retain existing members. Some nonprofit boards, especially those that do not compensate their members, may believe that a thorough reappointment process — embodying elements often included in workplace-performance review — is too rigorous or is inappropriate for reappointing volunteers.

Recent data also may indicate a deeper, more widespread concern. Survey findings from the American Hospital Association in 2014 indicate that the percentage of board members 51 and older continues to increase, while the percentage of those 50 and younger continues to decline. The aging of boards likely is due to several factors. The troubling decline in the number of younger board members, however, suggests that it may be getting more difficult to attract younger individuals to board service, let alone retain them.

Despite these issues, boards that take a bird-in-the-hand, rubber-stamp approach to member reappointment may be missing an important opportunity to support governance excellence based on a solid, continuing commitment to board service and ongoing adherence to established expectations for behavior and performance. Ultimately, the strength of a board depends on the productive and meaningful contributions of each individual member. Therefore, a disciplined, candid board member-reappointment process is a key vehicle for ensuring excellent board performance.

Handling changes in board composition

Boards that lack a thoughtful, formal process and supporting resources for reappointing their members also likely will find themselves in unknown territory when faced with impending or unexpected change. Consider these situations:

Scenario 1: A freestanding hospital decided to join a health system as part of an affiliation agreement. The hospital board had no term limits and always appointed and reappointed its own members. Typically, only when an individual no longer wanted or was unable to continue board service would the board decide not to reappoint someone.

The terms of the affiliation agreement required several changes to the hospital's governance, including staggered terms of service for all hospital board members — with a maximum of three consecutive three-year terms — and system board approval of appointment and reappointment of all hospital board members. The roles and responsibilities of the hospital board going forward would primarily focus on oversight for quality and safety, medical staff credentialing and community relationships.

The system board therefore had employed a competency-driven process for hospital board member appointment and reappointment based on the skills and perspectives necessary for the board to discharge its more focused roles and responsibilities. The system board's approach resulted in proposed changes to the hospital board's size and composition that some board members did not anticipate.

Scenario 2: The bylaws of a multibillion-dollar health system required that a consumer representative serve on the system's parent board. The parent board had three members who were up for reappointment, one of whom was the sole consumer representative.

As this board member's term of service progressed, it became clear that the individual did not understand the distinction between governance and management, despite participating in opportunities for mentoring and education tailored to his specific needs. Board leaders realized that reappointing this member would not be in the best interest of either the board or the individual.

Lacking a formal reappointment process, a board member-expectations agreement or a board member-evaluation process, the board's governance committee decided to call a special meeting to determine how to handle this issue. The committee's meeting led to a broader board-level conversation about whether an ex-officio seat on the parent board was the best way to incorporate the consumer point of view.

These scenarios illustrate some situations in which an established board member-reappointment process and supporting resources could have provided insight or guidance for improving board effectiveness. Other situations that could have a bearing on reappointment include noncompliance with board requirements related to conflicts of interest and confidentiality of board proceedings; lack of attendance at board and committee meetings or educational events; behavior resulting in suboptimal board performance; or fear of losing high-performing board members due to retention of low performers.

Having in place an explicit process and supporting resources for routine member reappointment can provide a more solid foundation for handling changes in board composition if current trends continue or special circumstances arise.

For example, as more hospitals join health systems, the need for board members with different skills and perspectives, as well as members who serve on multiple boards at multiple levels of system governance, is likely to increase. New skill sets not currently available within existing boards may be needed, while other skills no longer may be needed, if board decision-making and authority become largely or completely centralized at the system level. This already has occurred within some larger health systems.

As the health sector shifts toward population health management, many boards have recognized that they are missing some of the competencies needed to oversee the full continuum of care in a risk-based environment. Moreover, as systems expand their scale and scope, greater diversity in board member age, gender, ethnicity, geographic location and other characteristics may be required to reflect the needs of populations served.

If regulatory pressure for greater governance accountability, performance and transparency continues, health care boards may need to adopt higher standards of performance that some board members will be unable to meet. In many of these situations, a formal reappointment process could help to clarify how to effectively deal with necessary changes in board composition in ways that are sensitive to the needs of the individual, the board and the organization.

Reappointment basics

Ideally, board-member reappointment, while applied in a different context with different ramifications, shares some common characteristics with reappointment of medical-staff members — a process familiar to most boards. Both processes occur at regular intervals: typically every two years for medical-staff members; and once every term, usually every two or three years, for board members. Both reappointment processes should incorporate objective, performance-based assessments: for example, determining the extent to which members meet pre-established behavior and performance expectations.

In both reappointment processes, taking an evidence-based approach requires identifying and gathering information for evaluation. Both processes derive their integrity from following clearly defined steps, supported by assessment of performance information against established criteria or standards, and resulting in an explicit decision about whether reappointment should be approved.

Preparing for board-member reappointment: As is often the case with any process, the quality of the outcome is influenced by the quality of the preparation that preceded it. Therefore, boards that want to formalize their ongoing member-reappointment process first should consider whether any aspects of governance have or should change.

Questions boards might ask include:

- Is our current board size adequate to govern effectively? If not, what size would be more appropriate, and would a change in our bylaws be required to achieve it?
- How many ex-officio members currently serve on our board? Should we change the number or type of ex-officio members and, if so, how?
- Does our board comply with Internal Revenue Service requirements for board member independence? Is there a written board policy providing parameters regarding what percentage of the board must be independent?
- Does our board have the range of member skills and perspectives it needs to govern our organization effectively today and into the future? Specifically, does our board have the right mix of physician/clinician members?
- Do our current board member term lengths and limits provide for a regular infusion of new energy and fresh perspectives for board deliberations and decision-making?
- Are we lacking diversity in board member age, gender, geography, ethnicity and other characteristics necessary to understand and address the health needs of all the populations our organization serves?

Guidance for answering these and other questions the board might consider before embarking on the reappointment process often can be found in a variety of tools and resources boards already may have developed for use in other governance practices, such as member recruitment and evaluation or succession planning. These resources can include, but are not limited to:

Board-composition policy: This policy outlines the board's philosophy regarding its composition; the essential steps for ensuring the board's desired composition through processes such as member selection and reappointment; the role of the governance committee, the CEO and other board members in conducting these processes; and the competencies required of each individual, as well as those that the board as a whole should possess collectively. This policy also includes a list of disabling conflicts, i.e., those conflicts of interest considered so severe that the individual is deemed unsuitable for board service. An excerpt from a sample board-composition policy that addresses reappointment is in the sidebar below. You can review the entire sample policy here (<http://rustees.aha.org/policies/2018%20Sample%20Board%20Composition%20Policy.pdf>).

Board-competency profile: Typically depicted as a grid or matrix, this resource indicates the key competencies and personal characteristics/capabilities and perspectives the board desires in its members and then displays how they are reflected across all board members. These matrices sometimes include additional categories for information such as employment relationships or health sector experience, or service on other health care organization boards. A profile of current membership helps boards to identify gaps that relate to the board's desired composition, as outlined in its composition policy.

Some boards compare their current member profile with the organization's strategic plan. This comparison helps to determine whether a board may want to acquire or retain certain member skills to enhance its capacity to provide strategic oversight. Conducting a gap analysis can provide useful information regarding whether the individuals who are eligible for reappointment have needed skills, or redundant competencies or perspectives.

Board job description: This document states the board's legal duties (e.g., fiduciary duties of care, obedience and loyalty). It also details core roles and responsibilities, such as oversight of the organization's CEO and medical staff; patient safety and the quality of care, treatment and service; financial health and viability; mission and strategic priorities; and governance effectiveness. One of the reasons the board job description is an important tool in the reappointment process is that it includes key expectations for the trustee, such as maintaining confidentiality and disclosing potential conflicts of interest.

Board member-expectations agreement: Many high-performing health care organizations and their boards codify the expectations they have of board members, and what board members should expect of the organization, in an agreement or compact. These documents often go beyond measurable requirements (e.g., meeting attendance) and describe specific behaviors that are expected of the trustee (e.g., preparation for meetings, active participation in discussions and respectful interactions).

Typically, each board member is asked to review and sign this agreement before joining the board and again annually. In doing so, board members acknowledge their awareness of and willingness to meet these expectations throughout board service. This agreement, in effect, provides criteria that assist not only in evaluating board members' performance, but also in determining whether they should be reappointed to additional terms of service.

Results of individual board-member evaluations: Some boards create an opportunity, usually near the end of each term, for individual board members to review and reflect on feedback about their board performance and service.

Based on a summary of board-member compliance with board expectations and service requirements, the board member-performance evaluation often involves each trustee's candidly assessing and discussing with board leadership (the chair of the governance committee, the board chair or another designated board officer) how well he or she has performed as a board member. This process also may involve sharing feedback from board peers about the individual's participation in and contributions to board work. Through participating in this assessment, trustees also learn how their specific skills and competencies match the governance committee's assessment of the needs of the entire board over the next few years.

Results of the board-member evaluation can include identification of a personal development plan to further strengthen board-member knowledge and skills, as well as confirmation about whether the board member desires to continue serving on the board — outcomes that also can be used as input for the reappointment process.

Criteria for reappointment

There is a wealth of data that can be useful in the reappointment process. Boards, however, need to focus on information that will be of the most value in providing an objective and well-rounded view of each reappointment candidate. Developing a set of reappointment criteria can help boards to select and assemble information on each candidate that provides insights into performance the board considers most relevant to reappointment. Using a predetermined set of criteria also helps to establish a consistent approach to candidate evaluation.

While board members will need to identify the criteria they believe are most critical, the following categories of reappointment criteria may be useful:

Compliance with fiduciary/legal duties: Does the board member comply with relevant board policies, such as those related to conflicts of interest and confidentiality, and adhere to requirements related to the duties of care, loyalty and obedience? outlined in the board job description? Has anything changed regarding the board member's employment or investments that would create a disabling conflict of interest moving forward?

Adherence to board-service requirements: Does the board member consistently meet expectations for board service, as outlined in the board member-expectations agreement?

Board-performance requirements: Does the board member act in ways that demonstrate productive engagement in and positive contributions to governance? Actions can include: avoiding disruptive behavior; respecting the governance/management distinction; preparing for and participating in board and committee meetings; and fulfilling other responsibilities, expectations and requirements outlined in the board job description and expectations agreement.

Competencies/personal characteristics: Does the individual continue to possess competencies and personal capabilities/characteristics, as outlined in the board-competency profile, that the board needs to govern effectively today and into the future? For example, changes in a board member's job status, family obligations, health, age, geographic location and other factors may have a bearing on continued board service.

Working with staff to prepare a summary that indicates how each reappointment candidate meets these criteria can help to streamline the reappointment process.

Reappointment process

The board's governance committee typically is responsible for the board member-reappointment process. Essential steps in the process, including both preparation and then determining reappointment recommendations for full-board approval, are summarized in a sidebar below.

Governance committee members will review each candidate summary to determine whether he or she meets the criteria for reappointment. If the criteria are satisfactorily met, the governance committee will confirm the candidate's continued willingness to serve on the board and recommend approval by the full board for reappointment. If there are questions or concerns about whether a candidate meets the criteria, the governance committee chair may meet with the candidate to determine his or her ability and willingness to address any concerns, and to determine whether the candidate wants to continue to be considered for reappointment.

For example, if a candidate has been unable to meet attendance requirements during the past year of his or her term because of extraordinary work commitments or family obligations, the governance committee chair should determine whether these commitments are likely to continue. If so, the board member and the board might be better served if the member resigned from the board and, if interested, continued to serve on a board committee as a nonboard member until the individual can be considered again for board service.

To ensure that the board's reappointment process continues to serve the needs of both the board and its members, the governance committee should review this process annually.

Other issues for consideration

This workbook discusses a board member-reappointment process and supporting resources that could apply to boards of freestanding hospitals or boards of hospitals within systems that have retained substantial decision-making authority. Revisions to the process and resources discussed in this article may be required for boards whose roles and responsibilities have changed.

For example, the board-competency profile may need to be modified for a system hospital board that is primarily responsible for oversight of local care and service quality, and medical staff credentialing, as outlined in Scenario 1. An expanded board-competency profile also may need to be created to incorporate greater membership diversity for boards governing an expanding system. Similarly, the board member-expectations agreement would need to be revised for a hospital board within a system that has reduced or completely eliminated committees at the local board level.

Keys to successful reappointment

Because board member reappointment can substantially influence governance effectiveness, boards cannot afford to conduct this process in a perfunctory manner.

Having in place a comprehensive and thoughtful approach to reappointment, supported by policies and resources that allow for objective assessment and consideration of both the individual's and the board's needs, strengthens the foundation for good governance and the potential for optimizing board performance, and helps to ensure that all parties are treated fairly and with respect. This approach also provides an opportunity for both the full board and its members to reflect on the quality of board member performance and mutually arrive at decisions about continued service that are in the best interests of both the individual trustees and the board as a whole.

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Excerpt of a sample board composition policy on reappointment

The governance committee will evaluate the performance of members who are eligible for reappointment. This review will include attendance, participation, interpersonal relationships, compliance with policies on conflict of interest and confidentiality, philanthropic contributions and community outreach. The committee also will consider whether the member brings a competency that is still needed on the board or a committee. Based on this review, the governance committee will determine if the member should be recommended for another term and, if so, will verify the member's interest in serving another term prior to forwarding the nomination to the full board.

The (basic) reappointment process

The governance committee is responsible for leading the following process, with appropriate input from the CEO:

1. Confirm or update basic policies and documents that could influence the reappointment process (e.g., size of the board, competencies matrix, independence requirements).
2. Contact the individuals who are eligible for reappointment to explain the process that will be utilized.
3. Conduct an assessment of each reappointment candidate's performance based on the board's reappointment criteria and applicable documentation (e.g., board job description, board member-expectations agreement, etc.).
4. Discuss a summary of the assessment results during a governance committee meeting at which the committee determines the individuals it would like to invite to serve another term and those who may be asked to play other roles.
5. Share the results of the assessment individually with each candidate, including learning about their interest in continuing to serve.
6. Provide to the full board the governance committee's written recommendation regarding which board members to reappoint and, if appropriate, what type of new board members should be recruited to ensure appropriate board composition.



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