



*GOVERNANCE
SERIES*

Health Center Board Self-Evaluation: The Fundamentals

The Board of Directors plays a critical role in the governance and organization of the health center, determining the center's mission and how it is met. To this end, the Board of Directors sets overall strategy and policy objectives, approves the budget and work plan which, assuming diligent implementation by staff, creates a framework for compliance with applicable laws and quality standards, and monitors how well the center is progressing in meeting its goals.

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One of the key aspects of monitoring health center performance is the utilization of a process to assist Board members in reflecting upon the Board's prior actions and assessing how well the Board has served the health center in meeting its mission. Regular self-evaluation should help to ensure that the Board is fulfilling its substantive duties and obligations in strategic planning and, ultimately, will promote the centers' mission. Self-evaluation also will identify areas in which the Board needs to improve processes, including accountability and communication among Board members and with the Chief Executive Officer ("CEO") or Executive Director of the health center.

The purpose of this Issue Brief is to provide guidance to health centers

and their Boards about the importance of Board self-evaluation and the process for performing self-evaluation. In particular, this Issue Brief will focus on the following questions:

- ◆ What is Board self-evaluation?
- ◆ Why should health center Boards evaluate themselves?
- ◆ How is Board self-evaluation best accomplished?

What is Board Self-Evaluation?

As noted above, Board self-evaluation is the Board's assessment of its progress in meeting its defined goals and objectives. Board self-evalua-

tion should not be confused with other important evaluations of the health center, such as evaluation of its functional areas, *e.g.*, medical or billing systems, or evaluation of health center personnel. It is a process by which the Board holds up a mirror to itself to determine the areas in which it excels and the areas in which it needs improvement. Board self-evaluation results can be instrumental in helping the Board to determine what resources are needed to facilitate improvements and what are practical steps to accomplish those improvements in a realistic time frame. The process focuses on Board and Committee functioning, as a whole, not the successes or deficiencies of individual members.

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Why Should Health Center Boards Evaluate Themselves?

The need for Board self-evaluation is implied in the Federal laws and Bureau of Primary Health Care (“BPHC”) Program Expectations. Under the Federal laws and regulations that apply to health centers (42 U.S.C. §254b, 42 C.F.R. §51c.304 and §56.304), health centers must have governing Boards that establish key policies for the center, approve the hiring, and if necessary, the dismissal of the CEO or program director, evaluate center activities, and assure that the center is operated in compliance with applicable Federal, state, and local laws and regulations.

For a Board to ensure that it is continuously fulfilling its obligations with respect to policy-setting, evaluation of center activities, and assuring compliance with applicable laws and regulations, self-evaluation is a must.

It is important to note that the Primary Care Effectiveness Review (“PCER”), the comprehensive per-

formance review that every health center undergoes once during a project period, contains a series of questions that explicitly address Board self-evaluation and also requires that copies of the Board performance evaluation be submitted as part of the review. Indicator E of the Governance Section of the PCER instrument addresses the existence of defined procedures for Board orientation, development *and evaluation*. Question four of this indicator seeks to determine whether the Board evaluates its own performance, both in terms of compliance with Federal law and BPHC policy expectations and with established measures of success for other comparable non-profit organizations.

Even beyond the legal and policy compliance reasons, it makes good sense to institute a Board self-evaluation process. Board self-evaluation is a development tool to improve the Board’s functioning and is also important for good management. Without an evaluation process in place, a center’s Board might stagnate, routinely meeting without assessing its own effectiveness and opportunities for growth, or blindly chart new ground without ensuring that it is taking action in the best interest of the center.

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- 1 If the Board serves as the co-applicant Board to a public health center, some of these powers may appropriately fall outside of Board responsibilities. For further guidance, see Program Information Notice (“PIN”) 99-09.
 - 2 If the health center serves special populations (*i.e.*, migrant, homeless, public housing) and cannot meet the statutory Board composition requirements, the Secretary of DHHS may waive all or part of these requirements, upon a showing of good cause, on a case-by case basis. See PINs 98-12 and 98-23.

Board Responsibilities that Require Evaluation¹

The Board should review whether it took reasonable steps to fulfill the following obligations during the prior year.

Procedurally, the Board should have:

- ◆ Held monthly meetings;
- ◆ Taken minutes of each meeting and distributed them to each Board member for approval;
- ◆ Ensured adequate Committee structure (*e.g.*, executive, finance, personnel, quality assurance, strategic planning) and selected Committee members;
- ◆ Held Committee meetings as appropriate;
- ◆ Reported all actions of the Executive Committee and, as appropriate, ratified the actions taken by the Executive Committee;
- ◆ Held nominations and elections in due course;
- ◆ Ensured appropriate Board composition (including the number of Board members; the mix of experiences, expertise, skills of members; a majority of Board members who are consumer members that used the center's services as their principle source of primary care at least once in the past two (2) years and who, collectively, represent the health center's target population in terms of demographic factors such as race, ethnicity and gender; requirements for non-user Board members) in accordance with the Bylaws as applicable²;
- ◆ Recruited, trained, and oriented new Board members, as needed; and
- ◆ Interacted directly with the CEO or Executive Director of the center and oversaw implementation, but did not get involved with the day-to-day management of the center.

Substantively, the Board should have:

- ◆ Approved the selection, regularly evaluated, and, if necessary, dismissed the CEO or Executive Director;
- ◆ Established, approved, and, as necessary, modified key corporate documents, such as the mission statement, Bylaws, and conflict of interest provisions;

- ◆ Ensured that the center operated in accordance with applicable Federal, state and local laws and regulations, presumably through establishment of a corporate compliance program;
- ◆ Established, reviewed, and, as necessary, updated the general policies of the health center (personnel, health care, financial management, quality assurance and improvement);
- ◆ Established, reviewed, and, as necessary, updated employee selection and dismissal procedures, salary and benefit scales, grievance procedures and equal opportunity practices;
- ◆ Selected and approved the services provided by the health center, as well as appropriate site locations and hours of operation, given the demonstrated needs in the community;
- ◆ Established, reviewed, and, as necessary, updated the center's activities related to the provision of services (including service utilization patterns, provider productivity, patient satisfaction and achievement of project objectives);
- ◆ Established, reviewed, and, as necessary, updated procedures to ensure that the center maintained a system that assures accountability for center resources, priorities, and long-range financial planning, as well as policies regarding the eligibility for services (including criteria for partial payment schedules);
- ◆ Engaged in the annual strategic and operational planning process and needs assessment activities;
- ◆ Evaluated the center's achievements during the previous year and modified goals, objectives and plans, as necessary;
- ◆ Approved the annual budget and project plan, as submitted in grant applications, and otherwise ensured the center is financially viable in the changing health care marketplace; and
- ◆ Compared the approved budget with actual expenses and made mid-course corrections, if necessary.

HOW IS BOARD SELF-EVALUATION BEST ACCOMPLISHED?

There is no prescribed way to accomplish a Board self-evaluation. It is best to allow for a flexible process that can be tailored to the Board's particular needs and preferences. Many evaluations are planned internally, although some organizations prefer to hire an external expert who can help to guide them through the process. Some factors to consider when making this choice are the skills and experience of Board members and which approach the center's budget can support.

Board self-evaluation can be accomplished in a few steps. The Board (or an Evaluation Committee) should:

- ◆ Consider the needs of the Board as a whole and each of its members;
- ◆ Build internal Board support for the evaluation;
- ◆ Create a timeline for planning the process;
- ◆ Develop questions to ask in the evaluation or determine which existing evaluation tool to use;
- ◆ Implement the evaluation;
- ◆ Analyze results;
- ◆ Share results with the full Board; and
- ◆ Determine follow-up actions and/or a plan for improvements.

Plan the Process

There are numerous processes by which a Board can evaluate itself. Different approaches will work better for different Boards, depending on the resources available, time constraints, and level of interest. At a minimum, the process should include an opportunity for each Board member to evaluate his or her own performance as well as that of the Board as a whole. Board members should be encouraged to constructively and faithfully express their views.

Achieve Board Member Support

Because Board self-evaluation can be considered a development tool, it should not be imposed on Board members or the CEO. For an evaluation to work well, members must want to improve their performance and initiate the process with enthusiasm. Getting Board member support for self-evaluation is critical to the success of such an assessment. The idea of Board evaluation should be clearly presented to the Board in a non-threatening way. It should be noted that the assessment will occur, not for punitive reasons, but because every "team" has certain tasks it performs well and others that can be improved upon. An assessment is an opportunity for each Board member to express his or her thoughts and concerns about the functions and operational health of the Board "team." As such, it presents a chance to communicate ideas that might otherwise go unspoken and thus unheard.

Determine the Frequency for Evaluation

It is advisable to perform an evaluation annually, at a minimum. Board self-evaluation can be a part of the annual strategic planning process, so that the Board assesses itself as a part of its planning work for the coming year. An annual self-evaluation also is consistent with the PCER tool, which assesses whether the Board self-evaluates each year. There should be enough time between evaluations to accomplish the actions that were determined to be necessary in the previous evaluation, but not so much time that the evaluation process appears unimportant or a low priority. If there is some event that necessitates an evaluation, the Board can evaluate more frequently.

Have a Written Format

All self-evaluations should be in writing but can and should be analyzed and discussed among Board members. Having a written record allows Board members to review their responses and compare them in future evaluations. The first self-evaluation can act as a benchmark to chart changes and growth. The evaluation can consist of a series of statements to which the Board members must give a response (for example, "yes," "no," "depends," or "don't know"), can use multiple choice questions, can include open-ended questions that allow space for extended written comments, or can utilize a combination of methods.

Determine Questions to Include in the Evaluation

Ideally, a Board self-evaluation includes a mix of questions, covering all of the Board's obligations (both substantive and procedural). It is a good idea to include questions about the Board's policies, roles and responsibilities, meetings, and other key issues such as Board member satisfaction and achievements. Additional individual self-assessments that each Board member completes about him or herself also should be included.

According to the Health Resources and Services Administration, Bureau of Primary Health Care's *Governing Board Handbook* for health center Board members, Board self-evaluation does not need to be a lengthy or complicated process.

A variety of questions can be included in the Board self-evaluation to help Board members have a better understanding of how they function as a Board and whether the Board is meeting its obligations. The following list begins with questions that address six core board competencies identified by *BoardSource* (see *Suggested Sources*). Note that the "strategic" core competency identifies health center Board obligations that are based on Section 330 law, the Department of Health and Human Services implementing regulations, and the PCER. Additionally, the list continues with a series of "process" questions that are important to health centers.

Board self-evaluation does not need to be a lengthy or complicated process.

CONTEXTUAL: Contextual questions take into account the distinctive norms and culture of the center and seek to determine how the Board reinforces them.

- ◆ Does the Board understand the history and mission of the center?
- ◆ Does the Board discuss the values of the center?
- ◆ How well does the Board take into account its members' non-health center obligations? For example, does it provide day care during meetings? Does it hold meetings at times when public transportation is available?
- ◆ Does the Board reflect the needs of the community?
- ◆ Have Board members toured the center in the last year?
- ◆ Does the Board recruit members with an appropriate mix of expertise, experience, and demographic factors, including community consumer members who represent the health center's target population and are vested in the future of the health center and non-consumer members who may have additional skills to assist the center and the Board?

EDUCATIONAL: Educational questions assess how the Board assures that its members are knowledgeable and up-to-date about center policies, health care marketplace issues, and their own legal duties, obligations, and performance.

- ◆ Do Board members understand their fiduciary responsibilities? Does the Board understand details of applicable Federal, state and local laws, regulations and policies so that it can assure compliance (e.g., Section 330 and its implementing regulations; BPHC Program Expectations and other policies and guidance; Medicare and Medicaid law, including fraud and abuse laws; Federal tax and antitrust laws; Civil Rights Act of 1964 and other applicable non-discrimination laws and regulations; Americans with Disabilities Act; Clinical Laboratory Improvement Act; Occupational Safety and Health Act; Fair Labor Standards Act; Federal Tort Claims Act; Health Insurance Portability and Accountability Act)?
- ◆ Does the center provide Board trainings and retreats for educational purposes?

- ◆ Do Board members attend conferences on key topics?
- ◆ Are Board members provided with enough information to stay current on health care topics of importance to the center?
- ◆ Do new Board members receive a detailed orientation, including copies of the health center's Bylaws, policies and procedures, and training regarding the Board's roles and responsibilities (legal, financial and otherwise)?
- ◆ Are Board members given information for meetings in advance with enough time to review, prepare and formulate questions?

INTERPERSONAL: Interpersonal questions measure how the Board works together as a team to accomplish their goals, duties, and decision-making tasks.

- ◆ Can Board members faithfully and constructively express their concerns to each other? To the CEO/Executive Director?
- ◆ Do Board members recognize that, at times, conflicts of interest may arise and does the Board have a procedure to handle such situations?
- ◆ Do Board members respect each other's concerns and opinions, as well as the confidentiality of information discussed at the Board meetings?
- ◆ Have there been problems? Regarding what? How were they handled?
- ◆ Do certain members dominate Board meetings? Does the CEO/Executive Director?
- ◆ Do Board members attend center events and celebrations?
- ◆ Do Board members channel communication with staff through the CEO/Executive Director, not around him or her?
- ◆ For the individual self-analysis: Can you accept constructive criticism? Do you support majority decisions? Do you respect those who differ in opinion and belief?

ANALYTICAL: Analytical questions assess how the Board problem-solves and dissects complex information.

- ◆ Do Board members play devil's advocate?
- ◆ Does the Board develop contingency plans?
- ◆ Does the Board recognize that its decisions may have multiple outcomes? If so, does it analyze the effects of each?

- ◆ Does the Board generate creative approaches and solutions to solving problems together?
- ◆ Are issues before the Board framed in ways that enable members to see connections between issues and how they fit into the overall Board strategy?

POLITICAL: Political questions address how, as the Board steers the center forward in its mission, it juggles different stakeholders and constituencies who are vested in the success of the health center (*i.e.*, other health and social service providers located in the community; advocacy groups for the population(s) served by the health center).

- ◆ Does the Board solicit input from people likely to be affected by its decisions?
- ◆ Does the Board communicate its decisions to those who are affected? If so, how?
- ◆ Does the Board discuss the concerns of the community?
- ◆ Is the Board aware of the impact of its decisions in the community?

STRATEGIC: Strategic questions measure how the Board envisions the future directions of the center, prioritizes tasks and plans, and shapes strategies to get there.

- ◆ Does the Board focus on policy issues, not day-to-day management of the health center?
- ◆ Does the Board approve the selection of, annually evaluate, or dismiss, if necessary, the CEO/Executive Director of the health center, who is an agent of, and accountable to, the Board?
- ◆ Does the Board assure that the health center's and its own activities are conducted in compliance with applicable Federal, state, and local laws?
- ◆ Has the Board adopted and approved of mechanisms to ensure that the health center is compliant with all applicable laws and regulations, *e.g.*, a corporate compliance program?
- ◆ Does the Board annually review important documents, such as the mission statement, Bylaws, audited financial reports, etc. for compliance with Section 330 requirements?
- ◆ Does the Board develop, adopt, and periodically update the health center's personnel policies and procedures, including selection and dismissal procedures, salary and benefit scales, employee grievance procedures, and equal opportunity practices?

- ◆ Has the Board updated and approved the policy and procedures manual?
- ◆ Does the Board develop, adopt, and periodically update the health center's policies for financial management practices, including a system to assure accountability for corporate resources, and long-range financial planning, and approve the annual project plan and budget, priorities, and eligibility for services, including criteria for partial payment schedules?
- ◆ Does the Board approve the annual budget and project plan, as submitted in grant applications?
- ◆ Does the Board regularly review the approved budget and compare it to actual expenditures, making mid-course corrections, if needed?
- ◆ Does the Board select an independent auditor and officially accept the annual audit report?
- ◆ Does the Board evaluate the health center's activities, including service utilization patterns, productivity, patient satisfaction, and achievement of project objectives, and develop a process for hearing and resolving patient grievances? Has follow-up occurred and been reported to the Board?
- ◆ Does the Board develop, adopt, and periodically update the health center's health care policies, including scope and availability of services, location and hours of services, and quality of care audit procedures?
- ◆ Has the Board adopted formal written procedures on peer review activities?
- ◆ Has the Board adopted a quality assurance plan?
- ◆ Has the Board adopted a Consumer Bill of Rights and Responsibilities?
- ◆ Does the Board oversee and approve affiliation agreements with other entities?
- ◆ If the health center affiliates with other organizations, has the Board maintained its corporate autonomy, as required? (See PINs 97-27, 98-24, 98-23)
- ◆ Does the Board approve agreements and contracts that have major clinical, financial or strategic implications for health centers, including clinical services, affiliation agreement with other entities, managed care, management, building for and purchases, major equipment purchases or leases, etc.?
- ◆ Does the Board have written policies in place to encourage proper procurement, including lowest-cost purchasing and requirements that large purchases be put out to bid in accordance with Federal procurement standards (45 C.F.R. Part 74)?

- ◆ Does the Board conduct a periodic strategic planning process and translate strategic planning goals into operational planning objectives?
- ◆ Does the Board evaluate the health center's achievements at least annually, and use the knowledge gained to revise its mission, goals, objectives, plans, and budgets as may be appropriate and necessary?
- ◆ Does the Board evaluate itself periodically for efficiency, effectiveness, and compliance with all requirements imposed upon federally qualified health centers as set forth in Section 330 of the Public Health Service Act?
- ◆ Does the Board set clear organizational priorities for the year ahead?

PROCEDURAL: Process questions assess how smoothly and efficiently the Board has operated.

- ◆ Are Board members satisfied with the overall operations of the Board? With their own individual performance on the Board?
- ◆ Are Board meetings held at least monthly?
- ◆ Are Board meetings run well? Does the Board use parliamentary procedure that is understood by all members? Do meetings start and end on time? Are absences only excused absences upon request?
- ◆ Are Board minutes accurate, timely, and easy to understand?
- ◆ Do committees meet regularly?
- ◆ Do committees report back to the Board about what occurred?
- ◆ Do nominations and elections occur in a timely manner? Are Board vacancies filled in a timely manner?
- ◆ Does the Board delegate management activities to the CEO/Executive Director?
- ◆ Does the Board devote time to strengthening organizational weaknesses?
- ◆ Do Board members request and receive appropriate information that they need to make strategic decisions on a timely basis and in an easily understood format?

SUGGESTED SOURCES FOR BOARD SELF-EVALUATION MATERIALS

Measuring Board Effectiveness: A Tool for Strengthening Your Board by Thomas P. Holland and Myra Blackmon of the National Center for Nonprofit Boards (Now called *Board Source*), 2000.

Governing Board Handbook: Health Resources and Services Administration Bureau of Primary Health Care, 2000.

Boards of other health centers or similar mission-driven nonprofit organizations that the health center Board knows and trusts.

Share Results

Results from the Board evaluation should be compiled and shared with the Board soon after the self-evaluation. A written summary of results should be given to Board members prior to a presentation of results so that they can look them over and determine whether they have any questions. The Board self-evaluation results can be presented at a Board meeting or a retreat can be planned to focus on the results. The Board should determine a process to share the results with the health center Executive Director and key program staff that work with the Board. In any event, the Board needs to be given time to provide comments and feedback because the results will generally stimulate discussion of areas for opportunities and growth. Inevitably, this may lead to further discussions of next steps and/or an action plan to fill gaps, clarify questions, and address concerns.

CONCLUSION

The effectiveness of a health center's governance depends on how well Board members work together to meet the common goal of guiding the center in furtherance of its mission. By regularly assessing its own performance—both individually and as a group—the Board can chart its progress as an effective team and determine whether its policy-making functions and strategic planning roles are working well.

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