

TEXAS HEALTHCARE TRUSTEES

Trustee

Bulletin

What Makes a Better BOARD?

Are hospitals only as effective as their governing boards? If so, what makes a better board? Unfortunately, this question has no easy answer, according to experts. Yet, most will agree that effective governance contributes to better hospital performance.

This premise is the topic of a study performed by Kathryn J. McDonagh, president/chief executive officer of CHRISTUS Spohn Health System in Corpus Christi for her doctoral dissertation. The study examined factors that measured hospital governing board performance to organizational performance in hospitals.

"The idea of the study was to determine the relationship between board performance and hospital performance," says McDonagh. "The performance of hospitals is a concern to communities seeking to improve the health status of their citizens, thus the relationship of board performance to the hospital's performance is an issue of concern." Additionally, she adds, "The advent of rapid and comprehensive change in the health care field has challenged hospital governing boards to stay abreast of changes and be able to adapt to new business strategies."

Increasing Importance and Scrutiny

Most organizations, whether corporate, private sector or nonprofit, have a board of directors. For the past decade, the importance of governing boards as policy-making, policy-setting and oversight units has increased dramatically.

Despite their positions as leaders at the top of their organizations, some boards do not perform effectively. In addition, boards have come under increasing scrutiny, particularly in light of colossal failures of boards such as Enron and WorldCom.

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Save the Date!

March 2
Trustee Orientation and Refresher

March 3-4
THT 2006 Spring Forum

TrusteeBulletin

The *Trustee Bulletin* is produced by the Texas Healthcare Trustees in cooperation with the Texas Hospital Association.

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Yet, according to McDonagh, the question, "Do better performing boards have better hospitals?" can be elusive to answer because of the complexities of boards and the many confounding variables that influence the performance of organizations.

The study surveyed 64 nonprofit hospitals across the country using the Board Self Assessment Questionnaire* and assessed hospital performance using data from the nationally recognized Solucient 100 Top Hospitals program. Results indicated that there is a relationship between board effectiveness as measured by the BSAQ and hospital performance based on national ranking and other performance criteria. Results of the study showed that board effectiveness affects organization performance and, in particular, higher-performing boards did have better hospital performance notably in profitability and lower expenses.

Recommendations

According to McDonagh, boards should not focus solely on structural recommendations such as committee charters, board size and board composition, but also should examine the overall effectiveness of the board, taking into account the cumulative effect of practicing all of the board competencies, which would result in a higher performance board.

To improve board performance, McDonagh also suggests:

- **Offering more courses and education on governance in graduate programs in health care administration.** "This area is needed for executives, particularly those moving into CEO positions. The CEO plays such a crucial role in effective governance as the leader for the organization as well as the board."
- **Assigning a board mentor to assist new trustees.** "This is an area of opportunity for individual board develop-

ment and social interaction, which is vital to board performance," McDonagh says.

- **Using scorecards.** Trustees should monitor scorecard indicators regularly to measure progress in quality, service, financial and community-need goals. Scorecards can show how a hospital is performing in each area, and if performance standards are not being met, the board should determine what to do to support management in accomplishing these goals.
- **Assessing board performance annually or biannually.** A variety of published board assessment tools are available for use, but whichever is chosen, boards should conduct discussions based on the findings. An action plan should be developed and implemented. Consistent use of one tool would provide comparative data to monitor performance improvement.
- **Learning from past mistakes.** Boards should not be afraid to "ask the tough questions," says McDonagh. Boards willing to take on issues that may not be comfortable to address will find an opportunity for growth and a higher level of performance. "This also demonstrates a high level of accountability and dedication to better performance," she adds.

McDonagh concludes, "Although governance and its effect on hospital performance is a complex and multi-dimensional concept to study, this investigation yielded findings of interest to leaders in the health care field.

* The Board Self Assessment Questionnaire, developed by Chait, Holland & Taylor in 1993, is a measurement tool that shows board effectiveness in six areas of competency: contextual, educational, interpersonal, analytical, political and strategic.

For more information about the study, please contact Kathryn J. McDonagh, CHRISTUS Spohn Health System at 361/881-3400 or kathrynj.mcdonagh@christushealth.org.



Sarbanes-Oxley Applies to All Texas Hospitals

Health care trustees bear a fiduciary responsibility to their hospital that is critical and must be understood. Today's climate of increased scrutiny makes it more important than ever for trustees to understand the federal regulations with which they must comply. The passage of the Sarbanes-Oxley Act of 2002 resulted in new business and organizational standards.

In mid June, a 24-member panel on the Non-profit Sector presented Congress with 120 recommendations for improving the accountability and transparency of nonprofit organizations. Eight states, including California and New York, have passed laws relating to nonprofit accountability, disclosure and ethics. Several credit

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ratings agencies recently have published reports outlining necessary changes in the area of health entity governance. Evaluating governance and management of health care institutions is an important component of credit rating methodologies. In particular, not having disclosure requirements creates risk for bondholders and other stakeholders in measuring how well health care institutions are run.

Hospitals are complex organizations that face frequent advancements in technology, ever-changing governmental policy, strong market competition, liability risks, challenging labor relations and media attention. Because of these challenges, hospital boards often delegate significant decision-making responsibility to management. However, a certain level of board oversight is necessary for sound corporate governance. Boards should be aware of hospital strategies that may impact financial performance and should make sure that the hospitals take only prudent and measured risks.

Hospital boards also must strive to remain true to their hospitals' missions while adapting to external changes and

internal challenges. Specifically, they must translate their missions into strategies with measurable outcomes, and balance the need to maintain their mission with the goal of producing an operating surplus. Determining the services to be delivered, the levels of charitable care to uninsured patients, appropriate staffing levels and the recruitment of new physicians to the community are examples of tough, mission-related decisions that boards must make. Effective boards develop policies for oversight of hospital operations as well as investments, debt, conflict-of-interest and compliance, and review these policies regularly.

Whether a health care facility is classified as public, investor-owned or nonprofit, boards are taking a proactive stance toward understanding how SOX rules apply and determining what they must do to achieve compliance with the requirements. The following three articles specifically address issues of accountability and transparency, and serve as a tool for strengthening effective governance.

Considerations for Investor-Owned Hospitals

By Andrew J. Demetriou, J.D.

Fulbright & Jaworski LLP, Los Angeles



The enactment of the Sarbanes-Oxley Act ushered in significant changes for public companies in the areas of corporate

governance, management accountability, conduct of public accounting and responsibilities of counsel. A great many formalistic changes were mandated by SOX, the Securities and Exchange Commission rules required by SOX and the standards promulgated by the newly created Public Company Accounting Oversight Board.

These changes have included the creation of independent audit committees, enhanced disclosure and certification requirements related to financial statements and certain types of transactions, restrictions on loans to corporate officers, adoption of codes of ethics and restrictions on services that may be provided by accounting firms retained to audit financial statements of reporting companies. Beyond the SOX requirements, rules adopted by the stock exchanges have added governance reforms – such as requirements for independent director majorities, independent compensation and nomination committees – that have forced many companies to reconsider the composition of their boards. In addition, the need to comply with the new accounting and certification

standards has caused companies to reevaluate internal compliance programs. For example, transactions should be reconsidered if either management or outside auditors express doubt about the ability to express opinions without material reservations concerning the financials of the target company.

Controversial Internal Controls

While most of the SOX reforms now have been implemented by public companies, directors, management and outside auditors continue to be challenged by the most controversial provision of SOX – the internal controls requirements of Section 404. This law compels management of reporting companies to report to the SEC on the adequacy of internal financial controls and to provide an assessment of the effectiveness of internal controls.

The SEC has adopted Rule 13a-15 and amendments to Regulation S-K (Item 308) to specify the internal control requirements and the contents of the annual management report under Section 404. In addition, Section 404(b) requires that the outside auditors of the company provide a separate report on, and attestation to, management's report on the internal controls. The PCAOB, in Auditing Standard No. 2, provided guidance to the accounting profession as to its responsibilities with respect to internal control issues.

The purpose of Section 404 was to require that management be responsible for seeing that companies have systems in place that would prevent, recognize and correct potentially fraudulent conduct or accounting practices that are inconsistent with Generally Accepted Accounting Principles, and ensure that outside auditors agree that such controls were in fact in place. The result of this exercise ostensibly would be greater assurance that financial statements of reporting companies are reliable.

For hospitals and health systems, the controls would include protocols to identify billing errors or payments to physicians that could trigger anti-kickback concerns. Indeed, there is an open question as to the degree to which internal controls should be assessed in terms of general compliance with legal obligations, whether or not financial in nature. This assessment could include the effectiveness of legal compliance programs, such as whistleblower hotlines and reporting mechanisms.

A difficulty has arisen in establishing standards by which these judgments should be made. The SEC and PCOAB both have indicated that they intended that Rule 404 compliance be driven by corporate management in a "top down" risk-based assessment, focusing on the types of controls that would prevent abuses such as those seen at Enron, Tyco and HealthSouth. As stated by SEC Commissioner Cynthia Glassman,

Ph.D., disclosures pursuant to Rule 404 should reveal what is "keeping management up at night."

Evolving industry standards have focused primarily on the identification of large numbers of internal control mechanisms, with auditors evaluating whether particular systems are present. In a recent publication, the SEC cited reports indicating that as many as 40,000 key controls had been identified by auditors, leading to the question of how so many items could be "key." The SEC and PCOAB issued statements in May 2005 to the effect that this trend represented a shift from management accountability for internal controls to an auditor-driven assessment process, resulting in a "one-size-fits-all, bottom-up, check-the-box approach," which is not risk-based and neither effective nor efficient.

The SEC and PCOAB intend to monitor compliance with Rule 404 on a continuing basis and may be prepared to modify applicable rules to achieve their objectives.

In determining the adequacy of financial controls, auditors have development standards to determine whether an identified weakness is "material" and therefore requires comment. A difficult issue is how companies should address a "material weakness" in controls that has been detected by management or auditors. The applicable rules provide little guidance as to when a deficiency has been corrected

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such that it no longer merits disclosure, or in some cases what constitutes an appropriate remedy. The judgments in this area required of management and auditors involve high stakes, given the severe sanctions, including criminal penalties, for failure to comply with SOX.

It is clear that Section 404 will not be modified by the U.S. Congress and regulatory relief will be incremental, at best.

From the perspective of members of the board of directors of a public company, and, in particular, members of the audit committee, the future direction of efforts to comply with Section 404 is, therefore, of critical importance. The tension between thoroughness and cost particularly is pronounced as the auditors face independent liability for their reporting obligations.

What Should Hospital Boards and Audit Committees Do?

- Audit committees must be assured that audits are both compliant with legal and accounting requirements and appropriate to the nature of the company's operations and resources.
- Directors should understand the system of financial controls in place and be assured that management has implemented a program that is functioning, rather than merely stated in manuals.
- Directors should foster a culture of compliance that would encompass financial as well as legal compliance. The corporate code of ethics required by SOX should be reviewed regularly and management should be evaluated based on its precepts.

Many of the current uncertainties in Section 404 compliance will be resolved in the next few years, as reporting companies and

auditors coalesce around accepted standards. The continuing challenge will be the degree to which compliance with this law results in actual changes in corporate and auditing behavior and achieves the objective of enhanced reliability of financial reporting.

Considerations for Nonprofit Hospitals

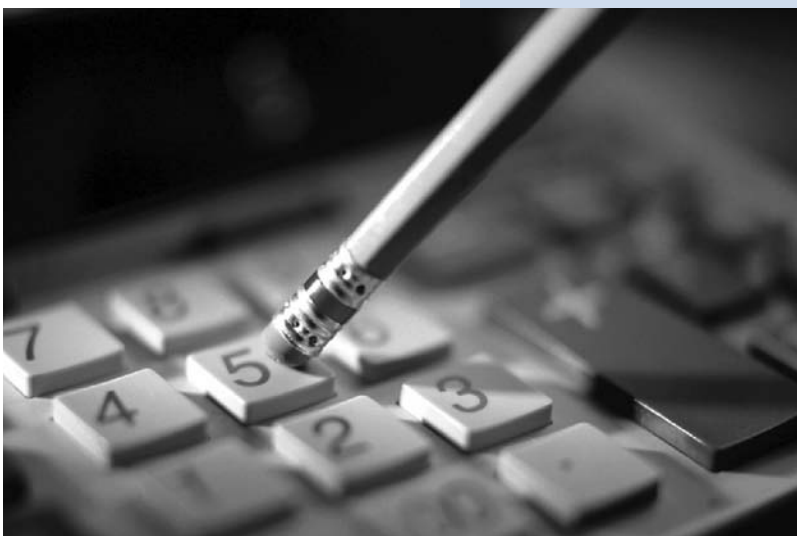
By Jeff Layne, J.D.

Fulbright & Jaworski LLP, Austin



Nonprofit health care organizations have struggled to understand the extent to which they

should adopt the corporate reforms mandated for Securities and Exchange Commission-registered companies by the Sarbanes-Oxley Act. While SOX requirements do not apply directly to nonprofits, many of the provisions and guiding principles have broad applicability to the nonprofit health care sector. Nevertheless, many health care organizations have been slow to adopt the recommended governance reforms, leaving them out-of-step with rapidly developing "best practices" for corporate governance. Pressure for improved nonprofit governance now is coming from a wide variety of sources, and board members of nonprofit health care



organizations quickly are coming to realize that, regardless of the reach of SOX, the time for reform is now.

A number of reasons have created the increased focus. One factor is simply the “spill-over” effect from SOX, with corporate governance issues receiving increased media and public attention. Another key factor specific to nonprofit health care institutions has been increased scrutiny by the U.S. Congress, state attorneys general and plaintiff lawyers on the provision of charity care. These inquiries have focused on the fundamental issue of whether tax-exempt institutions are adhering to their missions and serving their communities.

Charity Care

Recent settlements of charity care lawsuits have included agreements by the hospital system to adopt SOX-style reforms. Congressional efforts have looked beyond “charity care” issues to question the very underpinnings and policy implications of providing tax-exempt status to health care organizations. A recent staff report from Congress’s Joint Committee on Taxation called for increased efforts to assure that nonprofit organizations remain compliant with their tax-exempt missions, including increased financial transparency and periodic review of organizations’ tax-exempt status. Other inquiries have examined related issues of management compensation and board composition.

IRS

The Internal Revenue Service has focused on a number of concerns with regard to tax-exempt compliance and overall corporate governance and accountability in the nonprofit sector. In recent Congressional testimony, IRS Commissioner Mark Everson cited the increased size and complexity of nonprofit organizations (particularly in the health care sector) as a key factor affecting governance and compliance. He criticized the sector’s attitudes toward governance as “lax,” particularly in the area of executive compensation, and opined that “(a)n independent, empowered and active board of directors is the key to ensuring that a tax-exempt organization serves public purposes and does not misuse or squander the resources in its trust.”

Additionally, the IRS has emphasized the importance of transparency in the nonprofit sector so that outsiders and members of the community can scrutinize the finances and operations of tax-exempt organizations. The IRS repeatedly has sought increased funding for enforcement activities in the tax-exempt arena, and indicators point to a new era of reinvigorated enforcement in this area.

Office of Inspector General

Along with the IRS, the U.S. Department of Health and Human Services’ Office of Inspector General charges boards of directors with compliance responsibilities. All compliance guidance published by the OIG for various sectors of the health care industry has stressed the central role of the governing board. The OIG, in conjunction with the American Health Lawyers Association, recently issued the publication, *Corporate Responsibility and Corporate Compliance: A Resource for Health Care Boards of Directors*. Here, the OIG refers repeatedly to today’s “corporate responsibility” environment, and reminds directors of the intersection between corporate compliance and their own fiduciary duties.

Bond Ratings

The leading rating agencies also have indicated that they will look at corporate governance issues in evaluating nonprofits for bond rating purposes. While it is difficult to know exactly how governance issues will affect a debt-issuing entity’s rating, the mere fact that these agencies are focusing on governance issues should be a powerful incentive for nonprofits to take a hard look at their own governance issues and implement necessary reforms.

Although the rating agencies have been consistent over the past year in emphasizing the importance of corporate governance accountability

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and reform, they have taken different approaches to the topic.

FitchRatings ties its evaluation criteria directly to certain provisions of SOX, with particular emphasis on three principles:

- Outside auditor independence, including limitations on non-audit services, rotation of audit teams and appropriate reporting to the nonprofit entity's audit committee;
- Internal standards and processes including audit committee standards, inclusion of financial experts on the audit committee and certification of financial statements by the entity's chief financial officer and chief executive officer; and
- Evaluation and implementation of internal controls, including the issuing of internal control reports and the adoption and implementation of a code of ethics.

Like Fitch, Moody's also issued special guidance confirming that corporate governance is a critical factor in assessing nonprofits in the health care industry. Moody's, however, does not tie its recommendations for reform to specific provisions of SOX, but rather enumerates seven factors that it views as important to assessing the effectiveness of corporate governance:

- Development and maintenance of the organization's mission, including the development of key board-level policies regarding governance;
- Selection and evaluation of senior management, including the crafting of performance objectives and evaluation criteria;
- Board composition and performance, with focus on the background and qualifications of board members;
- Understanding and interpretation of financial reporting, including board monitoring of the entity's financial performance;
- Using external benchmarks to review performance;
- Maintaining and building the organization's financial resources; and
- Avoiding conflicts of interest between the organization and board members.

Regardless of the reach of SOX, boards of nonprofit organizations no longer can afford to treat corporate governance reform as somebody else's issue (e.g., the for-profit sector).

Recommendations

In an effort to stay ahead of would-be regulators in Congress and various state and federal agencies, the Independent Sector, a coalition of nonprofit entities, convened the Panel on the Nonprofit Sector. Their goal

was to propose recommendations for ensuring integrity in the governance of nonprofit entities. Recommendations include calls for a more viable and effective system of self-regulation within the nonprofit sector as well as more effective oversight from state and federal agencies. The results of the panel's efforts have been widely applauded in Congress, at the IRS and elsewhere, and they provide an important resource for nonprofit entities and their board members.

The Independent Sector published a "Checklist for Accountability," which provides guidance and resources to nonprofit entities for assessing and improving their corporate governance. You can find this checklist at: www.independentsector.org/issues/accountability/checklist/index.html.

It is safe to say that the days of treating corporate accountability as a "for-profit" issue are gone. Boards for nonprofit health care organizations must listen to the external forces calling for change, which not only will help directors keep their institutions out of regulatory and financial trouble, but also will have the more important effect of improving their institutions' ability to live up to their charitable mission.

Considerations for Public Hospitals

By Kevin A. Reed, J.D.
Davis & Wilkerson PC, Austin



The current movement to extend Sarbanes-Oxley Act requirements beyond for-profit organizations will have an impact on

the management and governance of both nonprofit and public hospitals. SOX requirements relating to openness and transparency are not new to public hospitals, which long have been required to comply with open meetings and open records requirements. And they must continue to work diligently to keep pace with evolving governance and management standards in areas of openness and transparency.

Transparency

Texas public hospitals must comply with Title 5 of the Government Code, "Open Government and Ethics." Subject to a few exceptions, Chapter 551.002 of the Texas Open Meetings Act requires that every meeting of a governmental body, including public hospital boards, be open to the public. Chapter 551.021 requires that public hospital boards and other governmental units keep minutes of open meetings, stating the subject matter of all deliberations as well as the votes taken. Open meetings allow stakeholders and other outsiders to monitor board decision-making

processes, in turn leading to an informal dialogue between hospital boards and the communities they serve, where poor decisions and conflicts of interest are less likely to go unnoticed.

The Texas Public Information Act, found in Chapter 552 of the Government Code, gives the public access to financial information ranging from salary information to day-to-day expenses. Meeting these transparency requirements has enabled public hospitals to dodge the firestorm over executive compensation that was a main factor behind passage of SOX.

To comply with the Texas Public Information Act, public hospitals also must make their operational plans available to the public. Along with easing general concern about excessive compensation and self-dealing, public access to financial

information leads to public feedback and encourages reasonable compensation and prudent financial decision-making.

The Public Disclosure Law, found in Chapter 553 of the Government Code, is a broad conflict of interest statute that creates civil and criminal penalties for failure to disclose board member ownership in property to be acquired by the entity the board member serves. Finally, Chapter 573 of the Government Code contains broad nepotism prohibitions for public entities that do not have any parallel in SOX.

Together, these laws limit actual and perceived secrecy, self-dealing, conflicts of interest, nepotism and imprudent financial decision-making by public hospital boards. Considering the importance of transparency and prudent financial

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decision-making to the public in general, and to credit ratings agencies in particular, it would do the other sectors well to follow the lead of their public counterparts.

Other Steps Toward Good Governance

Although public hospitals are ahead of the curve when it comes to transparency, they have several areas in which they can improve corporate governance. An important aspect of SOX is strengthening internal and external audit functions, and making sure that financials are reviewed and audited independently. Public hospitals should follow suit to maintain the trust of the communities they serve

and to improve their standing with credit rating agencies.

Although public hospitals do not have investors demanding returns on their investments, they have stakeholders that may make serious demands on the organization. Public hospital stakeholders include physicians, commercial and governmental payers, regulators and bondholders. To meet the demands of these stakeholders effectively, boards must create written performance objectives for senior management. They also must develop tools for measuring performance in relation to these objectives – and must publish those goals in the community. Examples of performance goals may relate to industry benchmarks, limitations on clinical

errors, and patient and employee satisfaction levels. Senior management performance should be evaluated annually in a formal process.

Related to the evaluation process is the need to replace senior management when necessary. Boards should develop succession plans for senior management replacement, and develop plans to groom new senior management for replacement. Also, boards should be particularly attentive to problems that can arise if senior management takes steps that limit publicly available information or restrict the transparency of the organization's operations to the board or the greater community. Such a situation can seriously threaten a hospital's financial stability and must be dealt with promptly.

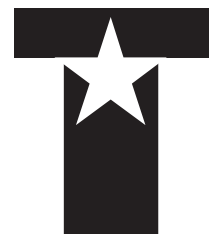
THT Orientation/Refresher to Focus on Finance, Leadership

Fletcher Brown and Larry Walker, well-known authorities on governance, and Tom Watson, a health care finance expert, will be the featured speakers March 2 at the orientation and refresher session preceding the THT Spring Forum in Dallas.

New and veteran trustees alike are encouraged to attend this full-day event to learn insights from these thought-provoking speakers. From finance and liability to quality and credentialing issues, Brown and Walker will focus on what every trustee should know. They will share vital information about the current health care environment and assist hospital and health system governing board members in strengthening their effectiveness.

Don't miss this important orientation. The day-long event is \$125 for members of THT and the Texas Organization of Rural & Community Hospitals, and \$175 for non-members. THT's *Guidebook for Hospital and Health System Governance* is included in registration cost. For more information, call 512/465-1562 or, in Texas, 800/252-9403.

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MARK YOUR CALENDARS NOW!

THT 2006 Spring Forum Board Fitness: Exercising Effective Governance

WHAT:

Texas Healthcare Trustee
2006 Spring Forum

***Board Fitness:
Exercising Effective
Governance***

WHEN:

March 3-4

WHERE:

Marriott Quorum
by the Galleria in Dallas

Don't miss the top-notch speakers
and valuable sessions scheduled
at the two-day forum.

ALSO:

Don't miss the orientation and
refresher session preceding the THT
Spring Forum on March 2.



THT 2006 Spring Forum *Board Fitness: Exercising Effective Governance*

brought to you by:

**Texas Healthcare Trustees
Texas Organization of Rural & Community Hospitals
American, Arkansas, Louisiana and Oklahoma Hospital Associations**

TO REGISTER, CALL 512/465-1562 OR, IN TEXAS, 800/252-9403.

THT's Strategic Direction Determined

The THT Board of Directors met Nov. 11-12 for its annual strategic planning retreat. At this meeting, the THT board assessed the changing health care environment and evaluated its impact on the future of governance. The board reviewed THT's strategic direction and established priorities for 2006.

Because THT is affiliated with the Texas Hospital Association, an important element is to maintain consistency with THA's strategic direction. The continued need to collaborate with THA was incorporated into THT's strategic plan.

THT's mission is "to provide a leadership, educational and advocacy role for the governing board members of the Texas health care industry to enable the delivery of accessible, quality, cost-effective health care and to promote the health and wellness of the community."

THT's vision is "Texas Healthcare Trustees will be the premier organization for preparing trustees for service; for disseminating knowledge on governance issues; and for motivating trustees to take action on issues impacting the health care delivery system and the communities it serves."

THT's goals are:

- Providing education and training for trustees to improve their effectiveness as board members;
- Participating in THA's efforts to influence legislation and regulations affecting health care;
- Encouraging and facilitating collaboration among health care providers and other stakeholders to improve the health and wellness of the community; and
- Maintaining a membership organization that is future-oriented and reflects the changes in health care governance.



Priority activities are offering trustee orientation and continuing education programs and materials; enhancing communication and cooperation among physicians, hospital executives and trustees; and participating in both state and federal policy development.

The Texas Healthcare Trustees Foundation supports THT by promoting excellence in governance throughout the state. THTF conducts research in the fields of governance and community health.

An initiative of the THTF, the Texas Academy of Governance encourages, recognizes and rewards best standards of health care governance throughout the state. The academy honors those hospitals/health systems and trustees who achieve knowledge and skills in governance and strive to keep knowledge current through education and the practice of effective governance.

Trustees Must Use Their Voices in Advocacy Efforts

When it comes to advocacy, health care trustees are in a unique position. Because of ties to their communities and hospitals, Joe A. DaSilva, CHE, CAE, senior vice president of advocacy and public policy with the Texas Hospital Association, believes that hospital board members can tell the story like no one else.

DaSilva says, "Advocacy should be considered a requirement of the job of being a trustee. Learning about the issues and speaking up is critical to the success of your hospital."

Texas health care trustees are passionate about health care, DaSilva adds, and they also tend to be business leaders and respected citizens in their



communities. "Not only will their colleagues and townspeople listen to their story, but so will Congress and the state legislature. Trustees 'put a face' to hospital issues, and they can explain the importance better than anyone else."

Advocacy Affects Mission

James E. Orlikoff, president of Orlikoff & Associates Inc. in Chicago, concurs. He told *Trustee* magazine, "As health care has become more complex, trustees must share their understanding of the issues. The more the community understands, the more they will support the hospital." Therefore, trustees must engage the community and its elected leaders to explain the hospital's challenges

whenever possible. With hospitals facing increasing negative public perception and shrinking bottom lines, this support is more important than ever before.

What Can Trustees Do?

In Texas, trustees can help and be heard by joining the advocacy vehicle, Trustee Network of Texas. Created by the Texas Healthcare Trustees and administered by the Texas Hospital Association, membership is open to all trustees.

"TNT helps define the issues, develops policy to deal with them and identifies those lawmakers who support TNT positions. Trustees share information with and lobby those individuals while also serving as a conduit of information to their boards and communities," DaSilva explains.

According to Mary Walker, RN, Ph.D., FAAN, THT created TNT to provide an advocacy avenue for governing board members of the Texas health care industry. TNT provides support to the THA's federal and state advocacy efforts. In only a short period of time, Walker says this organization has grown to serve as a national model for trustee grassroots advocacy efforts in other states.

Effective advocacy is achieved through coordinated efforts. TNT provides hospital and health system governing board members with an opportunity to proactively advocate both in Austin and Washington. Never before has the need for a clear, collective voice been so important.

Make a Difference in Advocacy Efforts – Join TNT

The Trustee Network of Texas is looking for new members who are committed to active advocacy efforts. As a member of TNT, you can play a powerful role in the legislative and regulatory processes. You choose your level of involvement. Please accept this invitation to join a select group of your colleagues to advocate for health care in Texas and your community.

For more information about TNT, please call the Texas Healthcare Trustees at 512/465-1562 or, in Texas, 800/252-9304.

Texas Governance: People and Places



James R. Hayes, M.D.

Hospital/Health system:

Citizens Medical Center in Victoria

Occupation: James R. Hayes, M.D., is an obstetrics and gynecology physician.

Length of service: "I have served on the board of directors at Citizens Medical Center for five and one-half years. The first several years involved being secretary of the board. I was named vice chairman in 2004 and subsequently chairman of the board in 2005. While there has always been a physician member of this six-man board, I am the first physician to have been elected chairman."

Facility description: "Citizens Medical Center is a 350-bed, short-term, acute-care hospital. It is unique because of its ownership. County hospitals have closed; converted to other forms of ownership; struggle at less than 25 beds in size; and are a burden on their taxpayers. Citizens Medical Center has never received tax support and enjoys tremendous support from both the residents of Victoria County and the seven contiguous counties."

Board involvement: "I have a strong appreciation for the mission of Citizens Medical Center, its ownership and its role in the community. My interest in the hospital was recognized by the board of directors and the Commissioners' Court, resulting in my appointment."

Most satisfying: "The decisions of the board of directors impact the citizens of Victoria and the surrounding counties. Providing the best possible medical care to our citizens is very rewarding to me."

Introduction to public service: "I have been involved in public service to some degree since I moved to Victoria in 1979. This includes involvement with the County Health Department, public school system and The University of Texas Medical Branch Maternal Child Health Clinic. It was an easy transition to begin involvement with the board of Citizens Medical Center."

Most challenging: "The most challenging issue faced by the board during my involvement was the transition from required emergency room call to voluntary call rotation. This was a very difficult issue, and the problem was resolved positively through negotiations among the medical staff, hospital administration and the hospital board. To date, voluntary call is working very well."

Biggest surprise: "The biggest surprise to me was the overwhelming complexity of hospital operations. We all think of a hospital as an operating room, a laboratory

or X-ray. However, many other departments must function properly to make the entire organization successful. To coordinate all of the various aspects of a hospital's infrastructure is incredibly demanding, as are the vagaries of medical staff leadership and the public politics."

Proudest moment: "I am proud that we provide an excellent medical facility with state-of-the-art equipment and excellent physicians to the citizens of our area. To do this without taxing our citizens is a great source of pride to me as a board member."

Valuable lesson: "The most valuable lesson I have learned while serving on the board is that the decisions we make need to be what is best for the hospital and the community it serves, and not necessarily what is best for individual groups."

Advice for new trustees: "The best advice I can give a new board member is to remember that a hospital board is a work in progress. New problems appear from time to time and need to be dealt with accordingly. Expect change."

Hometown: Hayes was born in Galveston, and has lived in Victoria for the past 26 years.

Family: "My family includes my wife Dorothy; sons Ben, Jamie, Kyle and Blair; and daughter Sara."

Hobbies: "My hobbies including golf, fishing and University of Texas football."



Steve Montgomery

Hospital/Health system: JPS Health Network, Tarrant County Hospital District

Occupation: Steve Montgomery is chief operating officer for OZ Systems, an information technology/software company in Dallas.

Length of service: Montgomery has served on the board for five years and is currently board secretary and chair of the quality committee.

Facility description: "JPS Health Network is the county-wide hospital district for Tarrant County. We operate two acute-care facilities and 25 community clinics across the county. Our main campus has 459 licensed beds. We have well over 600,000 outpatient visits, about 20,000 inpatient admissions and more than 60,000 ER visits annually. Our annual budget is around \$400 million."

Board involvement: "I was appointed by Tarrant County Commissioner Glenn Whitley, whom I have known professionally and personally for many years."

Most satisfying: "Witnessing the positive impact this facility has on people's lives has been incredible. It is such a vital component of our community and lends so greatly to

the quality of life we enjoy in Tarrant County. We have truly become a provider of choice, where caring and excellence are paramount, and are delivered daily. Just being associated with this organization and its people, helping guide its focus and future, is the most satisfying aspect of involvement here."

Initial introduction to public service: "I have spent a good portion of my career working in various public policy arenas on federal, state and local levels of government. I have worked for elected officials as well as taken advocacy roles on various issues. Public service is rewarding and can take many forms – from being an elected official to being an attentive and regular voter, and many other forms of community activities in between. Like anything in life, what you send out comes back multi-fold."

Most challenging: "We've really struggled with the issue of providing care, on a charity basis, to undocumented residents in our community. It's clearly an issue where reasonable, caring and thinking people disagree. We found ourselves reversing course on our policy for various reasons, and I'm not sure it's finally settled. At least I hope its not."

Biggest surprise: "The complexity of the issues and the time commitment necessary to understand them and keep up-to-date with trends in the industry was surprising. I have learned to appreciate the challenging relationships among various stakeholders – providers, patients, political leaders, medical educators, etc. – who must be nurtured and managed effectively to ensure the success of the care model. That is neither a trivial nor easy task."

Proudest moment: "We recently approved a new budget that allows us to expand access to quality care for our patients by 30 percent. This includes opening new portals to care in the community, adding providers and extending hours in clinics to give more opportunity for those in need of care to get it. We did this while staying within our financial means and planning for future growth as well. The board set a course, but the work done by our management team was truly amazing and inspiring."

Valuable lesson: "If you really want to have a meaningful impact and lend value, you must devote the time and energy to stay tuned-in. You must do your homework, ask questions and always strive to understand the issues and then blend this understanding with your own life experiences and knowledge to make decisions that shape the institution."

Advice for new trustees: "Don't worry if you don't understand all the facets of all the issues at first. The world of health care will be a constant learning experience. Just stay focused on the mission of the institution and the people it serves, and you'll make the right decisions. And also, get ready for a truly rewarding and wonderful experience."

Hometown: With the exception of a few stints in Washington, D.C., and Austin, Montgomery has spent most of his life in his hometown of Forth Worth.

Family: Montgomery has been married to his wife, Lynn, for 7 1/2 years.

Hobbies: "I play lead guitar in a rock and roll band and I'm an avid motorcyclist and bicyclist."



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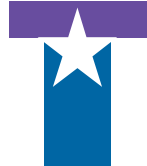
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