

AGENDA
GOVERNANCE COMMITTEE OF THE
EL CAMINO HOSPITAL BOARD OF DIRECTORS

Thursday, October 21, 2021– 5:30pm

El Camino Hospital | 2500 Grant Road Mountain View, CA 94040

PURSUANT TO STATE OF CALIFORNIA EXECUTIVE ORDER N-29-20 DATED MARCH 18, 2020, EI CAMINO HEALTH **WILL NOT BE PROVIDING A PHYSICAL LOCATION** FOR THIS MEETING. INSTEAD, THE PUBLIC IS INVITED TO JOIN THE OPEN SESSION MEETING VIA TELECONFERENCE AT:

1-669-900-9128, MEETING CODE: **921-0426-1212#**. No participant code. Just press #.

PURPOSE: To advise and assist the El Camino Hospital (ECH) Board of Directors (“Board”) in matters related to governance, board development, board effectiveness, and board composition, i.e., the nomination and appointment/reappointment process. The Governance Committee ensures the Board and Committees are functioning at the highest level of governance standards.

| AGENDA ITEM | PRESENTED BY | | ESTIMATED TIMES |
|--|---------------------------------------|-----------------------|--|
| 1. CALL TO ORDER/ROLL CALL | Don Watters, Chair | | 5:30 – 5:32pm |
| 2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES | Don Watters, Chair | | information 5:32 – 5:33 |
| 3. PUBLIC COMMUNICATION a. Oral Comments <i>This opportunity is provided for persons in the audience to make a brief statement, not to exceed three (3) minutes on issues or concerns not covered by the agenda.</i> b. Written Correspondence | Don Watters, Chair | | information 5:33 – 5:36 |
| 4. CONSENT CALENDAR <i>Any Committee Member or member of the public may remove an item for discussion before a motion is made.</i> Approval a. Minutes of the Open Session of the Governance Committee Meeting (8/03/2020) Information b. Article of Interest c. FY22 GC Committee Goals d. FY22 Pacing Plan | Don Watters, Chair | <i>public comment</i> | motion required 5:36 – 5:38 |
| 5. REPORT ON BOARD ACTIONS | Don Watters, Chair | | information 5:38 – 5:43 |
| 6. GOVERNANCE BEST PRACTICES a. Board Assessment Update b. Board Diversity Assessment c. Master Agenda | Dan Woods, Chief Executive Officer | | information 5:43 – 6:13 |
| 7. EDUCATION PLANNING a. 10/27/21 Board Education Session b. 12/1/21 Board & Committee Education Session c. 2/23/22 Board Retreat | Dan Woods, Chief Executive Officer | | discussion 6:13 – 6:28 |

| AGENDA ITEM | PRESENTED BY | | ESTIMATED TIMES |
|---|---------------------------------------|-----------------------|--|
| 8. POLICY REVIEW a. Review Election and Re-election Process of Non-District Board Members to the El Camino Hospital Board | Dan Woods, Chief Executive Officer | <i>public comment</i> | possible motion 6:28 – 6:33 |
| 9. CHARTER REVIEW a. Executive Compensation Committee Charter Review | Dan Woods, Chief Executive Officer | <i>public comment</i> | possible motion 6:33 – 6:43 |
| 10. GOVERNANCE COMMITTEE RECRUITMENT a. Appointment of Ad hoc Committee | Don Watters, Chair | <i>public comment</i> | possible motion 6:43 - 6:53 |
| 11. BOARD MEMBER RECRUITMENT & BENEFITS | Dan Woods, Chief Executive Officer | | discussion 6:53 – 7:03 |
| 12. ROUND TABLE DISCUSSION | Don Watters, Chair | | discussion 7:03 – 7:13 |
| 13. ADJOURNMENT | Don Watters, Chair | <i>public comment</i> | motion required 7:13 – 7:14pm |



**Minutes of the Open Session of the
Governance Committee of the
El Camino Hospital Board of Directors
Tuesday, August 3, 2021**

Pursuant to State of California Executive Order N-29-20 dated March 18, 2020, El Camino Health did not provide a physical location for this meeting. Instead, the public was invited to join the open session meeting via teleconference.

Members Present
Peter C. Fung, MD**
Don Watters, Chair**

Members Absent
Ken Alvares
Michael Kasperzak
Christina Lai
Bob Rebitzer
**via teleconference

| Agenda Item | Comments/Discussion | Approvals/ Action |
|--|---|----------------------|
| 1. CALL TO ORDER/ ROLL CALL | The open session of the regular meeting of the Governance Committee of El Camino Hospital (the " <u>Committee</u> ") was called to order at 5:40 pm by Chair Watters. A verbal roll call was taken. Quorum was not present, as only Chair Watters and Dr. Peter Fung were in attendance. Agenda items were discussed with present members, however, no voting or actions would take place. All Committee members participated via videoconference pursuant to Santa Clara County's shelter in place order. | |
| 2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES | Chair Watters asked if any Committee members had a conflict of interest with any of the items on the agenda. No conflicts were noted. | |
| 3. PUBLIC COMMUNICATION | None. | |
| 4. CONSENT CALENDAR | Voting deferred, as quorum was not present. | None |
| 5. REPORT ON BOARD ACTIONS | Chair Watters reported on the Hospital and District Board elections and congratulated Dr. Peter Fung as the District Vice Chair. | |
| 6. FY22 BOARD EDUCATION | <p>Dan Woods, CEO explained that Building an Outpatient Strategy and Understanding System-ness and Promoting System Alignment are Education topics from a strategy perspective. Diversity and Technology and Cyber Security are Education topics about current events.</p> <p>Dr. Fung proposed having Building an Outpatient Strategy and Technology and Cyber Security merged together at an Education Session.</p> <p>Mr. Woods clarified that Diversity is the topic of priority because of its reoccurring interest.</p> | |
| 7. JOINT BOARD AND COMMITTEE EDUCATION PLANNING SESSION | Diversity is the proposed topic of discussion. Voting deferred, as quorum was not present. | None |
| 8. BOARD MEMBER RECRUITMENT AND BENEFIT | Greg Souza, Interim CHRO explained that some hospitals use medical benefits in order to recruit Board Members. This will only have a minor economic impact on the hospital. El Camino Board | |

| | | |
|---|--|------------------------------------|
| | <p>Members would only be able to receive medical, vision, and dental benefits.</p> <p>Chair Watters expressed that there might be an equity issue in regards to Board Members that already have insurance through other jobs or are over 65 years old receiving Medicare.</p> <p>Board Members that already have benefits would be able to receive a waive credit of \$1300 to waive the insurance.</p> <p>Dr. Fung suggested surveying the current Board in order to gain information about why they choose to be on the Board for El Camino. Mr. Woods suggested surveying the Committee Members of all the Committees and asking what would make them consider joining the Board.</p> | |
| 9. ADJOURN TO CLOSED SESSION | Deferred, as quorum was not present. | None |
| 10. AGENDA ITEM 16: RECONVENE OPEN SESSION/ REPORT OUT | Deferred, as quorum was not present. | None |
| 11. AGENDA ITEM 18: ROUND TABLE DISCUSSION | <p>The Committee discussed the effectiveness of the meeting and expressed that this meeting was still productive even with a lack of quorum.</p> <p>Action Item: Query committee members regarding absences, and validate attendance protocol.</p> | |
| 12. AGENDA ITEM 19: ADJOURNMENT | Meeting adjourned at 6:22pm. | Meeting adjourned at 6:22pm |

Attest as to the approval of the foregoing minutes by the Governance Committee of El Camino Hospital:

Don Watters
 Chair, Governance Committee

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Introduction

The healthcare board must represent and balance the interests of its constituents. This is best accomplished by focusing board efforts on governance—the area where the board is best positioned to add value to the organization. Sometimes, however, boards drift into the responsibilities of management, to the detriment of the organization.

The line between governance and management can sometimes blur. In fact, we believe there is no real “line” between the two. The distinction can more accurately be characterized as interplay between distinguishable units—like the movement of the ocean and its waves breaking on a beach—subject to constant movement as environmental circumstances change.

Boards must give their management enough freedom to do its job creatively while observing and ensuring appropriate direction and oversight from the governing body. This is difficult to accomplish, but central to the job of governing.

Management must accomplish tasks necessary to meet the organizational goals established by the board. It also serves as the in-house expert on the day-to-day activities of the organization, and the interpreter of local, regional, and national trends in the healthcare industry. The success of a healthcare organization depends in large part on the working relationship between the board and executive management. Neither can be effective without the other. Together, they make the organization dynamic, robust, and strong.

There are several summary points on the distinction between management and governance that merit emphasis:

- The distinction between governance and management varies from organization to organization, and from time to time, within each organization.
- When the board steps outside its governance domain, it can make matters worse, and usually results in a rift between the board and executive management.
- The very nature of governance “roles” helps boards to take strategic approaches to issues rather than focus on operational matters.
- By fulfilling their policy-making role, boards most clearly follow their governance directive.
- Most healthcare boards need to spend more time formulating policy, specifically non-operating policy.
- Boards stray into operations and away from policy for two main reasons: (1) they pursue what is most familiar to them, and (2) they lose faith in the CEO.
- Ideally, the board and the CEO have a symbiotic relationship, each being accountable to the other and pursuing the same goals. Optimal organizational performance is a joint endeavor.
- Most modern state corporation codes make it clear that the ultimate authority for corporate affairs lies with the board of directors. At the same time, they typically provide that the board may delegate the responsibility for the management of such affairs to competent executive management.
- There is a trend among health systems to seek greater management participation in governance. Experts advise exercising great care to ensure respective roles and responsibilities are clearly defined.

The board can avoid dipping into management issues by following this template:

- Ensuring focus on the mission
- Setting direction and measurable goals
- Developing board-level (not operational) policies
- Assuring systems and processes are in place and functioning well
- Monitoring progress and holding management accountable

Board Roles—A Review

If boards diligently strive to do their governance work, they fulfill their obligations. Roles, by their very nature, guide boards to take strategic approaches to issues rather than focus on operational tasks. Roles help clarify what each participant must do—the board sets overall direction and strategy, executive management implements board directives for overall operations and performance. The result is good governance.

Ideally, governance and management is a joint endeavor. The future of the organization depends on the effectiveness of their mutual efforts. Nevertheless, it is the healthcare organization's governing board that is ultimately responsible—legally and morally—for the institution and all services it provides. So both the board and the CEO must diligently support their respective roles in the organization.

Boards set policy, make decisions, and oversee organizational performance. These activities are defined below:



Policy formulation. Boards formulate policy to give the organization direction. Policies are statements of intent that guide and constrain further decision making and action and limit subsequent choices. Policies provide a framework for the decision-making role.



Decision making. This is considered to be the most important role of governance, since much of what boards do eventually comes down to making choices. Decisions are based on policy. A board can choose to retain authority with respect to an issue related to one of its responsibilities, or the board can delegate decision-making authority to management or the medical staff.



Oversight. This is central to everything boards do. In fact, it is fundamental to governance core duties, roles, and responsibilities. Boards engage in oversight by monitoring decisions and actions to ensure they conform with policy and produce intended results. Management and the medical staff are accountable to the board for the decisions they make and the actions they undertake. Proper oversight ensures this accountability.

The Specifics: Board & Management Roles

Board: there is general acceptance (see, e.g., the [Business Roundtable's Principles of Corporate Governance 2016](#) and the American Bar Association guidelines) that the board's oversight duties include at least the following responsibilities, if not others:

- Selection and evaluation of the chief executive officer
- Establishing the ethical "tone at the top"
- Ensuring the effectiveness of the corporate compliance and enterprise and risk management programs
- Approving the development of a strategic plan, ensuring its implementation, and monitoring its continued effectiveness
- Ensuring the integrity and transparency of corporate financial reporting and performance-related disclosures
- Monitoring reputational risks, exercising material authority with respect to the capital allocation process and strategy
- Oversight of the preparation, and approval, of annual financial plans and budgets as prepared by management (and subsequent monitoring thereof)
- Implementing periodic full board and individual director evaluations
- Material involvement in the establishment of board agendas, developing internal governance processes and protocols, recruiting and retaining directors, pursuing formal executive succession and talent development efforts, and directing crisis management activities

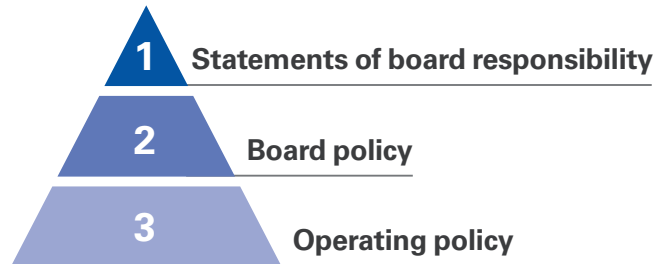
Management: there is general acceptance (see, e.g., the Business Roundtable) that executive management's duties include at least the following responsibilities, if not others:

- Operate the day-to-day management of the company, subject to board supervision
- Develop and implement the company's strategic plan, with the involvement and monitoring of the board
- Make recommendations to the board with respect to capital allocation
- Maintain the corporate compliance program
- Identify, analyze, and respond to enterprise/operational risks
- Prepare for board approval accurate and transparent financial statements and other operational disclosures
- Develop annual operating plans and budgets for board approval (supplementing such plans and budgets as circumstances warrant)
- Select qualified management and establish an organizational hierarchy
- Work with the board in executing material talent development and succession initiatives
- Develop organizational crisis management procedures

Source: Michael Peregrine, "The Difference Between Governance and Management," *Governance Notes*, The Governance Institute, July 2017.

Emphasis on Policy

It is in fulfilling their policy-making role that boards most clearly follow their governance directive. It helps to understand the importance of policy formulation in differentiating between management and governance by considering the three levels of policy:



Boards should formulate policy at only the first two of these, and should not become involved in developing either operating policy or rules and procedures.

Statements of board responsibility describe the nature and scope of the board's obligations for formulating organizational ends and for ensuring high levels of executive management performance, the quality of care, financial health, and its own effective and efficient performance.

Board policies are based on and flow directly out of statements of responsibility. These policies provide direction and convey the board's expectations in those areas for which it bears ultimate responsibility. Board policies provide guidance to management and the medical staff as they go about accomplishing the organization's work. There are two critical questions here:

1. How directive does the board want to be? A board, because of its super-ordinate authority and status, can be as directive as it wishes, limited only by laws and regulations.
2. To what extent, and in what ways, does the board want to constrain management and the medical staff as it delegates tasks and authority to them?

The answers to these questions help establish the division between board and operating policy in addition to defining where governance ends and the practice of management begins.

The 15th anniversary of the enactment of the Sarbanes-Oxley Act, and the corporate responsibility environment it prompted, provides an additional perspective from which to evaluate the roles and relationships of the board and executive management. In a very real sense, that's where it all began—the seismic recalibration of corporate direction from the executive suite back to the board, where it belongs. The act birthed the fiduciary guidelines, principles, and best practices that serve as the corridors of modern corporate governance, developed in direct response to the problematic conduct of the boards of Enron, WorldCom, and other controversies of the time—and similar controversies still exist to this day.

“It is through the formulation of policy that boards lead their organizations and free themselves from the activity trap.”

— Dennis Pointer and Charles Ewell, Ph.D., *Really Governing*

With respect to each of its ultimate responsibilities, a board should continue to formulate policy that sequentially narrows the discretion of management up to the point where it is comfortable with any reasonable interpretation, application, and/or implementation of that policy.

The board should operationally define its comfort zone by being willing to accept all reasonable applications and interpretations of its policies. When applied, this principle defines the point where governance ends and operations begins.

Traditional Comfort Zone

Setting policy can be elusive—certainly more difficult than dealing with tangible issues such as selecting art work for a new wing or a service vendor for the employee cafeteria. Directors must focus on “the plan”—on resolving key issues such as “Where are we going?” “What’s going on next year?” “What do we want to be?” These issues require diligent attention because they remain with the organization forever—there is no “finish line.”

Governance experts have identified two primary reasons boards stray into operations and away from policy.

1. They gravitate to the familiar.

Addressing operational matters is easier than addressing policy issues, especially policy issues of a non-profit healthcare organization. Many board members spend their professional lives in operations-related roles in the for-profit sector. But the non-profit healthcare arena is unfamiliar territory to the M.B.A.-trained executive wanting to transfer some of the management lessons he or she has learned at business school and at work.

Not only must the board member acknowledge the differences in operational imperatives between his or her business and that of the healthcare organization, but also the differences in management and governance.

Non-profit healthcare organizations are different from for-profit businesses, and traditional business experience can carry directors only so far. Directors can easily succumb to the temptation to focus on—and meddle in—matters that are familiar to them, and neglect the imperatives of the organization as a whole.

Policies provide the most tangible evidence that boards are fulfilling their ultimate responsibilities, yet evidence from governance experts shows that most healthcare boards need to spend more time formulating policy, specifically non-operating policy.

For-Profit versus Non-Profit Imperatives

| Imperatives | For-Profit Sector | Non-Profit Healthcare |
|-------------|--|---|
| Mission | Grow market capitalization through products and services | Deliver services to key constituencies |
| Measure | Financial performance | Financial performance balance with other measures |
| Leadership | CEO is sole boss | CEO reports to non-executive chair |

Source: Adapted in part from F. Warren McFarlan, "Working on Non-profit Boards: Don't Assume the Shoe Fits," *Harvard Business Review*, November 1, 1999.

2. They lose faith in the CEO.

This happens more frequently than one would expect. If, for example, a board member believes that management is not handling an issue adequately or correctly, the temptation to step in personally is difficult to ignore. However, the board member does have more effective options; that is, bringing the issue directly to the CEO for discussion and resolution, bringing up the issue at a board meeting, and, if still unsatisfied, working through the executive management oversight responsibility and CEO performance evaluation. Any of these options is preferable to going around the CEO, compromising his or her authority, or making internal dissension visible to the public.

When directors feel compelled to take management matters into their own hands, experts advise that a board should not focus on operations but rather on the suggestions above or, ultimately, on finding a new CEO.

A Special Note About the Relationship

One of the most important—yet least understood—aspects of the board/management dynamic is the responsibility of the board to foster a positive relationship with the CEO. This includes being supportive of management's appropriate efforts to pursue informed risk-taking and encourage the long-term sustainability of the corporate mission.

Since the enactment of the Sarbanes-Oxley Act, much has been made of the board's responsibility to engage with senior management on the basis of "constructive skepticism" and an active, independent oversight role. That's completely appropriate, but that does not mean that the board/management relationship should be adversarial in order to ensure corporate responsibility. An overarching responsibility of the board is to support the collegiality of the board and its committees, and the relationship between the board and management whenever possible.¹

1 Michael Peregrine, "The Difference Between Governance and Management," *Governance Notes*, The Governance Institute, July 2017.

Board Responsibilities—A Review

Since a board's responsibilities focus on oversight, it follows that the responsibility of management is to accomplish the objectives set forth by the board in its six oversight arenas. The CEO must meet board objectives in the areas of strategic planning and mission, quality, financial performance, personal performance, advocacy, and must facilitate processes for measurement of board effectiveness. He or she is the board's agent in working toward optimal organization performance.



Setting Strategic Direction

Boards are responsible for envisioning and formulating organizational direction. This is accomplished through confirming the organization's mission, articulating a vision for the organization, and specifying key goals that result in progress toward the organization's vision. All other board responsibilities flow from this. Guiding and participating in the development of the organization's strategic plan remains an integral part of this process.

The board has two critical responsibilities in the organization's strategic planning process. The first is to set clear expectations/policies regarding the process and its outcomes, and the second is to hold senior management and itself accountable for the implementation of the strategic plan.

Quality Oversight

“Quality” is the degree to which health services for individuals and populations:

1. Increase the likelihood of desired health outcomes as defined by patients, families, the community at large, physicians, employees, and payers
2. Decrease the likelihood of undesirable outcomes
3. Are consistent with current but constantly changing professional knowledge

The board’s responsibility for quality comes from a variety of sources, including the hospital or health system’s mission statement and corporate bylaws, requirements by various accrediting bodies, and legal mandates.

The board has a moral and ethical obligation to guarantee that the organization is doing everything it can to keep patients safe and provide them with the highest-quality care.

Management Oversight

Boards must ensure high levels of executive management performance. Tasks related to this responsibility include:

- Recruiting and selecting the CEO
- Specifying CEO performance expectations
- Evaluating the CEO’s performance
- Determining the CEO’s compensation and benefits
- Terminating the CEO’s employment relationship with the organization, if the need arises

The relationship between a board and its CEO is delicate and critically important. This person is generally both a colleague and a subordinate. In most health systems and hospitals, the CEO is a member of the board, and also reports to the board. Because the CEO is in the organization on a full-time basis and significantly influences the type of information the board receives, the CEO is often the board’s most influential member.

Financial Oversight

The board’s fiduciary responsibility is to protect the organization’s financial status so it can meet its obligations economic and social—to its communities. Meeting these obligations typically involves a variety of finance-related tasks:

- Approving the annual budget
- Assuring appropriate investment of assets
- Assuring sufficient capital
- Determining fiscal policy
- Determining policy on provision of needed community services

Board Development

A board must assume responsibility for itself—its own effective and efficient performance. The board must monitor its own development, job design, and performance. Being effective as a board comprises several key elements, including:

- Appropriate board configuration (e.g., board size and composition; member terms; board budget and staffing; officers; committees; and recruitment, selection and orientation of new members)
- Board evaluation and development processes
- Efficient and effective board meetings
- Meeting its legally mandated fiduciary obligations

Community Health and Advocacy

Community health and advocacy are an increasingly important part of board oversight. Fund development and philanthropy have shifted from hospital boards to foundation boards, but advocacy is not limited to fund development and philanthropy. It encompasses a full range of efforts to reinforce the organization's grounding in the community, and to truly understand and meet the community's needs.

Boards need to focus on advocacy for public policy issues such as labor relations, nurse staffing ratios, medical malpractice, niche-provider competition, effective policies for managing the uninsured, and so forth. Further, boards need to partner with community organizations to address social determinants of health, health disparities, and other community benefits. Key activities under this board responsibility include:

- A community health needs assessment every three years to understand the health issues of the communities served, along with a measurable plan to address the needs identified in the assessment
- Board orientation sessions that clearly explain the expectation that board members advocate on behalf of the organization
- A board policy that spells out the board's role in fund development and philanthropy efforts
- Board goals for community health and public advocacy

In the world of governance, charting the course is the crucial component of flying the plane, but some directors find it difficult to step out of the pilot's seat.

Working Together—Symbiosis Personified

Inherent in board responsibilities is the notion of the respective roles of the board and management. Each must acknowledge—and understand—that essentially they are accountable to each other and pursue the same goals. To illustrate this symbiotic relationship, we provide general observations, as well as some key expectations of the board and management, from governance experts:

| General Observations | The Board Should Expect Specific Things from Its CEO and Executive Managers | The CEO Also Has Expectations of the Board |
|---|---|---|
| <ul style="list-style-type: none"> • If the board tells the CEO what to do, the board loses power because no one can hold the CEO accountable for the outcome. • Both the board and the CEO should exert influence and have input in creating value. • The board should focus on unlocking its full potential to contribute by: <ul style="list-style-type: none"> » Being involved without micromanaging; » Challenging the CEO but also being supportive; and » Being patient but not complacent. • Directors <i>add value</i> to the organization by: <ul style="list-style-type: none"> » Helping management determine what matters most » Creating opportunities for the CEO to think out loud » Encouraging experimentation » Being a stimulus for change » Monitoring progress and performance » Modeling the desired behaviors | <ul style="list-style-type: none"> • A cooperative and open relationship—fully receptive to advice and counsel regarding the overall direction of the organization. • Guidance on policy and strategy. • Sufficient amounts of the right kind of information, in a timely fashion, to enable directors—individually and collectively—to fulfill their duties. • Management’s best interpretation of reports, performance indicators, etc., including implications. • A realization that a director has assumed a responsibility to all stakeholders and expects the organization to be a good corporate citizen with respect to its many publics. • An openness and receptivity to searching questions by the board. • Distribution to directors of all communications by management to the organization’s various publics, including reports to funding sources, presentations to analysts, and pertinent press releases. • His or her best effort to: <ul style="list-style-type: none"> » Share information without feeling vulnerable » Seek advice without appearing weak » Solicit input without appearing to relinquish control over operational decisions | <ul style="list-style-type: none"> • Directors will show up for board and committee meetings well prepared to discuss agenda items. • They will express their views on the quality, quantity, and timeliness of the information they receive from management. • They will seek additional information when they need it. • They will exercise an active skepticism, articulate nagging doubts and volunteer viewpoints. • They will be available to the chairperson and CEO on an ad hoc basis for advice and counsel. • They will confine their activities to their role as directors, and not allow themselves to drift into the management domain. • The CEO has the right to demand that the board be a sounding board, a source of counsel, and a check on his or her own judgment. |

When Problems Arise

Even if boards understand their roles and responsibilities, they occasionally may find themselves in situations where these become blurry—because of specialized interest in a particular issue, an impending organizational crisis, constituent pressures, an urgent sense of doing something quickly, or a felt need to remedy what appear to be difficult or unjust situations. The list is nearly endless. When a board member or the entire board steps outside its governance domain, it can make matters worse, and usually results in a rift between the board and executive management.

When a board steps outside its governance roles and responsibilities, it may end up:

- Shifting the board’s focus from strategic to operational issues
- Diverting board attention from its primary roles and responsibilities to those of its CEO
- Undermining CEO authority
- Sending mixed messages to the organization’s constituents—physicians, employees, patients, and the community it serves

Additionally, boards must avoid the following undesirable realities of the board/management relationship:

- Being overly dependent upon, and overly passive with respect to, senior executive leadership
- Conversely, allowing the senior leadership team to view directors as a “sounding board,” but not as individuals who are to be encouraged to push issues or independently raise “yellow” or “red” flags
- Relying almost exclusively on the senior leadership team (and advisors they select) for information and guidance on corporate affairs
- Being unwilling to devote adequate time and attention to their oversight responsibilities
- Too often deferring to the senior executive officers to perform important tasks such as setting board meeting agendas, selecting board nominees, initiating the analysis of and thus essentially establishing executive compensation, selecting key board and committee advisors, and selecting the outside auditor
- Allowing outside advisors to view the senior executive team, rather than the board, as the ultimate client

| What Roles and Responsibilities Are Not | |
|---|--|
| Role | Example |
| Policy making is NOT... | Policy implementation |
| Decision making is NOT... | Decision implementation |
| Oversight is NOT... | Close scrutiny of day-to-day operations |
| Responsibility | Example |
| Mission and strategic planning oversight are NOT... | Changing the course of the organization without management counsel |
| Quality of care oversight is NOT... | Challenging medical staff performance without management input. |
| Executive management oversight is NOT... | Stepping in to resolve individual operational issues that are the responsibility of the CEO |
| Financial oversight is NOT... | Expecting management to explain basic financial theory each time financial statements are presented to the board |
| Board effectiveness is NOT... | An informal process |

Who Does What?

As an exercise in governance and management, it helps to consider specific tasks that require the attention of the board, management, or both. The table below outlines activities that may fall within the scope of a board's deliberations. We suggest you review the activities and select where you believe the responsibilities rest. Because the distinction between management and governance varies from organization to organization, and from time to time, within each organization, there are no "correct" answers. However, we provide suggestions in the column furthest to the right.

(Some key words to consider: Recommend, approve, implement, employ, monitor, determine, prepare, establish.)

| Overall Direction (Mission, Vision, Values) | Governance | Management | Both | Recommended |
|---|------------|------------|------|-------------|
| Revise mission, vision, values | | | | G |
| Determine annual goals | | | | G |
| Monitor progress on goals | | | | G |
| Determine strategies to achieve goals | | | | B |
| Recommended policy | | | | M |
| Approve policy | | | | G |
| Implement policy | | | | M |
| Change bylaws | | | | G |
| Employ outside consultants (counsel, financial, etc.) | | | | B |
| Ensure compliance with regulations | | | | M |
| Strategic Planning | | | | |
| Prepare strategic plan | | | | M |
| Approve strategic plan | | | | G |
| Approve strategic plan budget | | | | G |
| Approve deviations from strategic plan budget | | | | G |
| Finance | | | | |
| Approve annual operations budget | | | | G |
| Approve capital budget | | | | G |
| Approve deviations from operating budget | | | | G |
| Approve deviations from capital budget | | | | G |
| Approve senior management travel budget | | | | M |

| Board Effectiveness | | | | |
|--|--|--|--|---|
| Prepare and administer a board self-assessment program | | | | G |
| Prepare and approve a board orientation program | | | | B |
| Recommended changes in board composition | | | | G |
| Recruit new board members | | | | B |
| Quality of Care | | | | |
| Recommend criteria for credentialing | | | | M |
| Approve criteria for credentialing | | | | G |
| Recommend quality indicators | | | | M |
| Approve quality indicators | | | | G |
| Establish standards for quality of care | | | | G |
| Monitor quality improvement program | | | | B |
| Management | | | | |
| CEO | | | | |
| Hire CEO | | | | G |
| Specify CEO performance expectations | | | | G |
| Develop CEO annual goals | | | | M |
| Prepare CEO transition plan | | | | G |
| Evaluate CEO | | | | G |
| Operations | | | | |
| Assess organizational problems and suggest solutions | | | | M |
| Hire director of nursing | | | | M |
| Approve a raise for director of the emergency room | | | | M |
| Approve revisions in nursing career ladder | | | | M |
| Terminate contract with health insurance carrier | | | | B |
| Approve professional recruitment strategy | | | | M |
| Secure a strategic alliance/merger | | | | B |
| Approve expansion of a program | | | | B |

Conclusion

Boards need to have a clear sense of the ebb and flow of management and governance roles and responsibilities. Although fluid, there are differences between the two. Governance means setting policy and strategy. Management means implementing policy and strategy as set forth by the governing body. That sounds straightforward, but the distinction is frequently obscured by the complexity and dynamic nature of healthcare organizations.

Stepping onto the other's turf usually causes an upset that can range from minor to significant organizational turmoil. The best way to avoid, or at least temper, these disruptions is for the respective parties to know their roles. Of primary consequence is the policy-making role of the board, and the policy-implementation function of management. When the board clearly outlines its board policies and defines its involvement in operating policies, both parties more clearly understand where governance ends and management begins.

Board responsibilities carry over to management action, and it is through a clear understanding of these responsibilities that the two parties practice and hone their teamwork skills. The relationship is symbiotic, each cooperating for a mutually beneficial outcome— the optimal performance of the organization.

As healthcare organizations evolve, the traditional governance–management separation has come under scrutiny. Some in the field note that health systems in particular appear to be moving toward a more significant involvement of management in governance. When this is the case, it is strongly advisable for an organization to revisit the respective roles and responsibilities of management and governance to ensure clarity of participation and to avoid misunderstanding and disruption.

"We approach management versus governance issues with the N-I-F-O principle: nose in, fingers out...a board member has every necessity to review and comment on proposals and ideas, but has no right to manage issues."

—Health System Board Chair

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FY22 COMMITTEE GOALS

Governance Committee

PURPOSE

The purpose of the Governance Committee (the "Committee") is to advise and assist the El Camino Hospital (ECH) Hospital Board of Directors ("Board") in matters related to governance, board development, board effectiveness, and board composition, *i.e.*, the nomination and appointment/reappointment process. The Governance Committee ensures the Board and Committees are function at the highest level of governance standards.

STAFF: **Dan Woods**, Chief Executive Officer (Executive Sponsor)

The CEO shall serve as the primary staff to support the Committee and is responsible for drafting the Committee meeting agenda for the Committee Chair's consideration. Additional members of the Executive Team may participate in the meetings upon the recommendation of the Executive Sponsor and at the discretion of the Committee Chair.

| GOALS | TIMELINE | METRICS |
|---|---------------------------------------|--|
| 1. Review the governance structure of the Hospital Board, conduct research, and make recommendations on preferred competencies | Q1 FY22 Q4 FY22 Q1 FY22 | <ul style="list-style-type: none"> - Recommendation for high-priority Hospital Board member competencies made to Hospital and District Board - Chair nominates Governance Committee member to serve on District Board Ad Hoc Committee and participate in the Non-District Board Member recruitment/interview process as requested by the District Board - Assess implementation of changes to ECH Board Structure and make recommendations |
| 2. Promote, enhance, and sustain competency-based, efficient, effective governance | Q4 FY21 –Q1 FY23 Q2- FY22 | <ul style="list-style-type: none"> - FY21 Self-Assessment Survey Completed (Q1 FY22) - FY22 Self-Assessment Tool recommended to the Board (Q3) and survey completed (Q4 FY22 – Q1 FY23) - Reports are completed and made available to the Board and the District Board (Q1) - Develop FY22 Board Action Plan (Q2) |
| 3. Develop Board and Committee Education Plan for FY21 | Q2 FY22 Q1 FY22 | <ul style="list-style-type: none"> - Develop and recommend FY22 Board and Committee Education Plan - Recommend FY22 Annual Retreat Agenda to the Board |
| 4. Propose a strategy to increase diversity to the Hospital Board and Committees | Q2 FY22 | <ul style="list-style-type: none"> - Develop and recommend a strategy to the Hospital Board on increasing diversity to the Hospital Board of Directors and the committees |



Chair: Don Watters

Executive Sponsor: Dan Woods

FY2022 Governance Committee Pacing Plan

| FY2022 GC Pacing Plan – Q1 | | |
|---|---|--|
| July 2021 | August 3, 2021 | September 2021 |
| No Scheduled Governance Committee Meeting | Approval Items <ul style="list-style-type: none"> • Standing Consent Agenda Items • Minutes (motion) Discussion Items <ul style="list-style-type: none"> • Consider Hospital Board Member Competencies FY22/23 - deferred • Planning for October Joint Education Session • Report on Board Actions • Board Education • Assess ECH Board Structure – deferred • Review Annual Board and Committee Self-Assessment Results and Develop Action Plan for Board - deferred • Confirm Self-Assessment sent to District (GC Charter) - deferred | No Scheduled Governance Committee Meeting |
| FY2022 GC Pacing Plan – Q2 | | |
| October 21, 2021 | November 2021 | December 2021 |
| Approval Items <ul style="list-style-type: none"> • Standing Consent Agenda Items • Minutes (motion) Discussion Items <ul style="list-style-type: none"> • Final Planning for November Joint Education Session (11/21/21) • Planning for February Board Retreat • GC Self-Assessment Results • Assess Board Diversity • FY 22/23 Board Education Plan • Review Policy and Procedure for Advisory Committee Member Nomination Selection • Board Member Benefits | No Scheduled Governance Committee Meeting | No Scheduled Governance Committee Meeting |

FY2022 Governance Committee Pacing Plan

| FY2022 GC Pacing Plan – Q3 | | |
|--|---|---|
| January 2022 | February 1, 2022 | March 22, 2022 |
| No Scheduled Governance Committee Meeting | Approval Items <ul style="list-style-type: none"> • Standing Consent Agenda Items • Minutes (motion) Discussion Items <ul style="list-style-type: none"> • Planning April Education Session • Assess Progress FY22 Board Action Plan • FY22 Board Member Competencies • Board Education • Delegation of Authority to Approve ECH Community Benefit Grant Funding to Finance Committee • FY23 Board Meeting Schedule | Approval Items <ul style="list-style-type: none"> • Standing Consent Agenda Items • Minutes (motion) Discussion Items <ul style="list-style-type: none"> • Set FY22 GC Committee Dates • Assess Governance Structure Resiliency • Board Education • Review Advisory Committee Structure |
| FY2022 GC Pacing Plan – Q4 | | |
| April 2022 | May 31, 2022 | June 2022 |
| April Joint Education Session 4/27 | Approval Items <ul style="list-style-type: none"> • Standing Consent Agenda Items • Minutes (motion) Discussion Items <ul style="list-style-type: none"> • Develop FY23 GC Goals • Assess progress on FY22 Board Action Plan • Review Advisory Committee and Committee Chair Assignments • Review Committee Progress against FY22 Goals • Finalize FY23 Master Calendar | No Scheduled Governance Committee Meeting |

**EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING MEMO**

To: Governance Committee
From: Don Watters, Chair
Date: October 21, 2021
Subject: Report on Board Actions

Purpose: To keep the Committee informed regarding actions taken by the El Camino Hospital and El Camino Healthcare District Boards.

Summary:

- Situation:** It is essential to keep the Committees informed about Board activity to provide context for Committee work. The list below is not meant to be exhaustive; still, it includes agenda items the Board voted on that are most likely to be of interest to or pertinent to the work of El Camino Hospital's Board Advisory Committees.
- Authority:** This is being brought to the Committees at the request of the Board and the Committees.
- Background:** Since the last time we provided this report to the Governance Committee, the Hospital Board and the District Board have met 5 times. In addition, since the Board has delegated specific authority to the Executive Compensation Committee, the Compliance and Audit Committee, and the Finance Committee, those approvals are also noted in this report.

| Board/Committee | Meeting Date | Actions (Approvals unless otherwise noted) |
|------------------------|---------------------|--|
| ECH Board | August 18, 2021 | <ul style="list-style-type: none"> - FY21 Period 21 Financials - Quality Committee Report - Quality Improvement Patient Safety Plan - Credentials and Privileges Report - Medical Staff Report - Medical Staff Bylaws Amendments - Medical Staff – Pediatrics Focused Professional Practitioner Evaluation - Mountain View Daytime Invenivist Professional Services Renewal Agreement - Investment in New Joint Venture with Satellite Healthcare |
| | September 22, 2021 | <ul style="list-style-type: none"> - FY22 Period 1 Financials - Quality Committee Report - Credentials and Privileges Report - Medical Staff Report - Hospital Policy Approvals - Annual FY21 Enterprise Patient Safety Report - Inpatient Rehabilitation Joint Venture - Mountain View Cathlab Replacement Project - Pyxis MedStation Replacement Project - Medical Staff Development Plan |

Report on Board Actions
October 21, 2021

| Board/Committee | Meeting Date | Actions (Approvals unless otherwise noted) |
|---|---------------------|--|
| | October 13, 2021 | <ul style="list-style-type: none"> - AB 361 Resolution adopting Findings to continue virtual Public meetings during State of Emergency - FY22 Period 2 Financials - Quality Committee Report - Credentials and Privileges Report - FY21 Audited Financial Report - FY21 Annual Organizational Goal Results - FY21 CEO Incentive Compensation Payment - NICU Professional Agreement - Real Estate Strategy - Radiation Oncology Recruitment Loan Agreement - Hospital Policy Approvals |
| ECHD Board | September 14, 2021 | <ul style="list-style-type: none"> - FY22 Community Benefit Plan Study Session |
| | October 19, 2021 | <ul style="list-style-type: none"> - FY21 Year-End Consolidated Financials - FY21 Year-End Community Benefit Report - FY21 Year-End ECHD Standalone Financials - FY21 Audited Financial Report - FY22 YTD ECHD Financials - FY22 Community Benefit Board Policy Guidance - Community Benefits Allocation Committee Policy |
| Executive Compensation Committee | September 22, 2020 | <ul style="list-style-type: none"> - FY20 Annual Organizational Goal Score - FY20 CEO Performance Review Process and FY21 Recommendations - FY20 Individual Performance Incentive Scores and Payouts - FY21 Proposed Individual Performance Goals |
| Compliance Committee | September 30, 2020 | <ul style="list-style-type: none"> - Consolidated Financial Statements, 403(b) and Cash Balance Audit Results |
| Finance Committee | N/A | |
| Investment Committee | N/A | |
| Quality Committee | N/A | |

List of Attachments: None.

Suggested Committee Discussion Questions: None.

**EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING MEMO**

To: Governance Committee
From: Dan Woods, CEO
Date: October 21, 2021
Subject: Governance Best Practices

Recommendation(s):

To provide an update on progress across FY 22 Governance Committee goals, in particular with regards to the ongoing Board Assessment and efforts towards advancing Diversity.

Summary:

1. **Situation:** The Governance Committee is tasked with developing recommendations for ECH Board and Committee to improve its governance practices. It aims to achieve that purpose through the FY22 goals set by the committee in conjunction with the CEO.
2. **Authority:** The purpose of the Governance Committee is to advise and assist the El Camino Health Hospital Board of Directors in matters related to governance, board development, board effectiveness, and board composition. The Governance Committee ensures the Board and Committees are function at the highest level of governance standards.
3. **Background:** The Governance Committee approved FY22 goals focused on a review of the governance structure, promoting effective governance, diversity and formulating an education plan for the Board.
4. **Assessment:** For continued progress towards meaningful achievement of FY 22 Governance Goals, the following tactics are underway and/or recommended for execution:
 - a. ***Board Assessment Update:*** The Hospital Board of Directors is currently utilizing the services of an independent consulting firm, SpencerStuart, to conduct a Governance assessment to promote optimal processes and practices.
 - b. ***Board Diversity Goal:*** Initial discussions for this goal will begin at the November Study Session with all Board and Community Members. Following a presentation from SpencerStuart, all present stakeholders will discuss strategies to address Diversity at El Camino Health.
 - c. ***Master Agenda Initiative:*** It is recommended that the Governance Committee commission a task force to evaluate the current Pacing Plans for the Hospital Board and all its Advisory Committees. The agenda topics should be assessed for legal need and compared with industry best practices for Board Governance. Ultimately, the task force should put forth a recommendation to that alleviates Board and Committee functioning to the highest level of governance standards.
5. **Other Reviews:** None.
6. **Outcomes:** After approval of the proposed Board and Advisory Committee Pacing Plan Assessment, the CEO will commission an internal task force to provide a comprehensive

Governance Best Practices
October 21, 2021

evaluation and recommendations for improvement in time for the February Governance Committee meeting.

List of Attachments: None.

Suggested Committee Discussion Questions:

1. Does the Committee concur with the current approach towards achieving the Diversity Goal or is a more aggressive approach warranted?
2. Does the Committee agree a comprehensive evaluation of Board and Committee Pacing Plans will help improve Board Governance at El Camino Health?



Governance Best Practices

October 21, 2021

Dan Woods, Chief Executive Officer

ASK OF THE COMMITTEE

1. *Provide feedback on the purpose & scope of the project.*

AGENDA

1. Proposal for evaluating all Board and Advisory Committee Pacing Plans and recommending a Master Agenda for FY23.

QUESTIONS TO CONSIDER

- Does the Committee agree a comprehensive evaluation of Board and Committee Pacing Plans will help improve Board Governance at El Camino Health?

Governance Committee

The purpose of the Governance Committee is to advise and assist the El Camino Health Hospital Board of Directors in matters related to governance, board development, board effectiveness, and board composition. The Governance Committee ensures the Board and Committees are function at the highest level of governance standards.

FY22 Goals

- Review the governance structure of the Hospital Board, conduct research, and make recommendations on preferred competencies
- Promote, enhance, and sustain competency-based, efficient, effective governance

Ideating Improved Governance

- Create a Master Agenda (i.e. Pacing Plan) for FY23
- Evaluate meeting frequency & time allotment.
- Emphasize Governance through agendas that focus on continuity, conflicts, & critical thinking.

Proposed Pacing Plan Evaluation

- The Governance Committee is to commission a multi-disciplinary task force that can evaluate the Pacing Plans for the ECH Hospital Board and all its Advisory Committees.
- This evaluation should be done on a legal basis and compared to the practices of other Healthcare Districts plus Best Practices established by non-profit Hospital Boards.

Legal Review

1. Engage outside counsel to make a determination on the legal requirement (i.e. Brown Act) for each agenda item.
2. Identify any gaps of agenda items that should be on Board/Committee agendas due to Brown Act or other legal requirements.

Governance Best Practices

1. Evaluate Board & Committee agenda topics as 'Management' versus 'Governance' and outline a path forward toward improved Governance.

Benchmarking

1. Compare ECH agendas to other Healthcare districts for frequency & content to determine the appropriateness of topics.

**EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING MEMO**

To: Governance Committee
From: Dan Woods, CEO
Date: October 13, 2020
Subject: Education Planning

Recommendation(s):

To recommend that the Board approve the proposed agendas for the October Board Education Session, December Board & Committee Education Session and the February Annual Board Retreat.

Summary:

1. Situation: The Board continues to request ongoing education to support its work. As well, ongoing Board education is considered a best practice, vital to effective Board functioning.
2. Authority: It is within the Committee's chartered responsibilities to recommend activities to facilitate Hospital Board and Committee member education, training, and development.
3. Background: Through guidance from recent Board meetings, an additional education session was added to focus on the Medical Executive Committee. Outlined below are previously approved agenda items for upcoming education sessions:
 - a. Board Education Session (10/27/21)
 - o Medical Executive Committee's Relationship to the Board plus Roles & Responsibilities for Credentials & Privileging Process
 - b. Board & Committee Education Session (12/01/21)
 - o Diversity
 - o Technology & Cyber Security
 - c. Board Retreat (02/23/21)
 - o El Camino Health Strategy
 - o Understanding System-ness & Promoting System Alignment
4. Assessment: N/A
5. Other Reviews: None.
6. Outcomes: N/A

List of Attachments: None.

Suggested Committee Discussion Questions:

1. Does the Committee still agree that these are the appropriate topics for the October Board Education Session, December Board & Committee Education Session and the February Annual Board Retreat?

**EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING MEMO**

To: Governance Committee
From: Dan Woods, CEO
Date: October 21, 2021
Subject: Approval of Draft Revised Advisory Committee Community Member Nomination and Selection Policy and Procedure (P&P)

Recommendation:

To recommend Board approval of the attached P&P, as revised.

Summary:

1. **Situation:** The attached P&P was last reviewed & approved by the Governance Committee in October 2020. Best practices suggest that policies and procedures should be reviewed regularly to confirm relevance and efficiency. ECH reviews its operational policies and procedures every three years.
2. **Authority:** It is within the Governance Committee's Charter to (a) monitor and recommend improvements or changes to the on-going governance process and procedures of the Hospital Board in order to enhance overall efficiency of the Board and Advisory Committee Structure and (2) recommend updates to the Organization's governance policies where necessary and as required by legal and regulatory agencies.
3. **Background:** The P&P were developed by this Committee and approved by the Board in FY13. They were subsequently revised in FY15 and FY20 to reduce inefficiencies in the Procedures. It has been implemented numerous times in recruitments for each of the Board's Advisory Committees.
4. **Assessment:** The proposed revisions reflect how the ownership of the process has transferred from Director, Governance Services to Director, Office of the CEO.
5. **Other Reviews:** None.
6. **Outcomes:** Additional consistency for and clarity of the Policy and Procedure for Nomination and Selection of Community Members of the Board's Advisory Committees.

List of Attachments:

1. Advisory Committee Community Member Nomination and Selection Policy and Procedure (P&P)

Suggested Committee Discussion Questions:

1. Is the policy, as revised, a good one for recruiting Community members of the Advisory Committees?

EL CAMINO HOSPITAL
HOSPITAL BOARD ADVISORY COMMITTEE MEMBER NOMINATION AND
SELECTION POLICY

**XX.XX HOSPITAL BOARD ADVISORY COMMITTEE COMMUNITY MEMBER
NOMINATION AND SELECTION POLICY**

A. Coverage:

El Camino Hospital Board Advisory Committees

B. Adopted:

June 12, 2013;

C. Policy:

It is the policy of ECH that appointment of Hospital Board Advisory Committee Community Members to vacant or newly created positions follow the procedure set forth in the attached Document entitled:

Hospital Board Advisory Committee Community Member Nomination and Selection Procedure

1. Length of Service and Term Limits for Committee Members

As provided in the Committee Charters, Committee Community Members will serve a term of one (1) year, renewable annually.

D. Reviewed:

Governance Committee March 31, 2015; October 13, 2020
ECH Board Approved April 8, 2015, November 11, 2020

**EL CAMINO HOSPITAL
HOSPITAL BOARD ADVISORY COMMITTEE COMMUNITY MEMBER
NOMINATION AND SELECTION PROCEDURES**

Adopted February 12, 2014
Revised (Approved) April 8, 2015
Revised (Approved) November 11, 2020

**01.07 HOSPITAL BOARD ADVISORY COMMITTEE COMMUNITY MEMBER
NOMINATION AND SELECTION PROCEDURES**

- A. Coverage: El Camino Hospital Board Advisory Committees
- B. Adopted: 2/12/2014
- C. Procedure Summary:

The nomination and selection of each Hospital Board Advisory Committee (Advisory Committee) member (Member) shall follow the procedures below.

- D. Procedure for Nominating and Appointing an Advisory Committee Community Member:

1. Eligibility and Qualifications

Each Advisory Committee shall determine minimum qualifications and competencies for its Members. In addition, the Governance Committee will periodically conduct a strategic assessment of the respective Advisory Committee's membership needs and ensure that it evolves with the Hospital's strategy.

2. Nomination and Declaration

- a. Nominations for Advisory Committee Community Membership may be received from any source.
- b. The Director, ~~Governance Services~~Office of the CEO will notify the Board, the Advisory Committee members, the Executive Leadership Team and the public of all vacancies for which new Advisory Committee Community Members are being recruited.
- c. A candidate shall submit an application to the Director, ~~Governance Services~~Office of the CEO that includes reason(s) the candidate wishes to serve, the candidate's relevant experience and qualifications, potential conflicts of interest including any personal or professional connections to ECH, a release to permit ECH Human Resources to conduct a background check, and specifies which Advisory Committees that the candidate wishes to be considered for.
- d. If the interested candidate is currently serving on another Advisory Committee at ECH, the candidate shall notify the Chair(s) of the Advisory Committee with a vacancy and the Advisory Committee on which they are serving. The interested

candidate shall also notify the Director, ~~Governance Services~~Office of the CEO, provide all application materials, and be subject to all other requirements of this procedure.

- e. All candidates will be considered in the candidate due diligence process.
- f. In the event that no qualified candidates can be found through the routine recruitment procedures of the Hospital, the Committee may, in its discretion, obtain the services of a recruiting firm to identify qualified candidates.

3. Review of Candidates and Selection of New Members.

- a. Any committee recruiting new members shall appoint an Ad Hoc Committee comprised of two members to recruit new members. The Committee Chair shall be given first right of refusal to serve as a member of the Ad hoc Committee,
- b. The Director, ~~Governance Services~~Office of the CEO will forward the names and resumes of all applicants to the Executive Sponsor and the members of the Ad hoc Committee for review.
- c. The Ad hoc Committee, in consultation with the Executive Sponsor, shall (1) select and interview first round candidates and (2) select finalists for interview by the full Committee.
- d. The Committee will interview finalists and recommend appointments to the Board for approval
- e. The Board shall appoint the Advisory Committee Members in accordance with the Hospital Bylaws.

4. Obtaining Approval to Increase the number of Community Members of an Advisory Committee

- a. If an Advisory Committee Chair proposes to increase the number of Community Members of such Chair's Advisory Committee, then the Advisory Committee Chair must submit a brief description of the need (e.g., gap in skill-set) for an increase in membership to the Governance Committee.
- b. Upon review of the request, the Governance Committee shall make a recommendation to the Board whether the Community membership of such Advisory Committee should be increased.



**EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING COVER MEMO**

To: Governance Committee
From: Dan Woods, CEO
Date: October 21, 2021
Subject: Review of Executive Compensation Committee (“ECC”) Charter

Recommendation(s): To recommend changes to the ECC Charter, proposed by outside consultant Mercer, regarding the reasonableness letter process.

Summary:

1. **Situation:** The ECC raised a concern regarding El Camino’s practice of having the Committee approve and the Board accept the letter of rebuttable presumption of reasonableness with outside legal review.
2. **Authority:** The Governance Committee reviews all recommended changes to the Committee Charters and makes recommendations for revisions to the Board.
3. **Background:** The current process with ECC and Board review and cover letter prepared by outside legal counsel is time consuming and costly. The letter serves as documentation of the process followed by the ECC and the Board in approving executive base salaries and incentive plan payouts and that executive total remuneration is “reasonable” under IRS Section 4958. The IRS has never requested a copy of this letter, which is prepared annually.
4. **Assessment:** Mercer has completed an assessment and reports that it is not typical practice for the reasonableness letter to be formally approved.
5. **Other Reviews:** None.
6. **Outcomes:** If the Governance Committee approved, changes will be implemented effective January 1, 2022 (that is the beginning of the benefit plan year).

List of Attachments:

1. Executive Compensation Committee Charter

Suggested Committee Discussion Questions:

1. Does the Committee have sufficient information to support this change?

El Camino Hospital Board of Directors Executive Compensation Committee Charter

Purpose

The purpose of the Executive Compensation Committee (“Committee”) is to assist the El Camino Hospital (ECH) Hospital Board of Directors (“Board”) in its responsibilities related to the Hospital’s executive compensation philosophy and policies. The Committee shall advise the Board to meet all applicable legal and regulatory requirements as it relates to executive compensation.

Authority

All governing authority for ECH resides with the Hospital Board except that which may be lawfully delegated to a specific Board committee. The Committee will report to the full Board at the next scheduled meeting any action or recommendation taken within the Committee’s authority. The Committee has the authority to select, engage and supervise a consultant to advise the Board and the Committee on executive compensation issues. In addition, the Committee, by resolution, may adopt a temporary advisory committee (ad hoc) of less than a quorum of the members of the Committee. The resolution shall state the total number of members, the number of board members to be appointed, and the specific task or assignment to be considered by the advisory committee.

Membership

- The Executive Compensation Committee shall be comprised of two (2) or more Hospital Board members. The Committee may also include 2-4 Community¹ members with knowledge of executive compensation practices, executive leadership and/or corporate human resource management.
- Executive compensation consultants will be retained as appropriate and participate as directed.
- The Chair of the Committee shall be appointed by the Board Chair, subject to approval by the Board. All members of the Committee shall be eligible to serve as Chair of the Committee.
- All Committee members, with the exception of new Community members, shall be appointed by the Board Chair, subject to approval by the Board. New Community members shall be appointed by the Committee, subject to approval of the Board. All Committee appointments shall be for a term of one year expiring on June 30th, renewable annually.
- It shall be within the discretion of the Chair of the Committee to appoint a Vice-Chair from among the members of the Committee. If the Chair of the Committee is not a Hospital Board member, the Vice-Chair must be a Hospital Board member.
- All members of the Committee must be independent directors with no conflict of interest regarding compensation or benefits for the executives whose compensation is reviewed and recommended by the Committee. Should there be a potential conflict, the determination regarding independence shall follow the criteria approved by the Board and as per the Independent Director Policy (*see* attached Appendix).

¹ Community Members are defined as Members of the Committee who are not El Camino Hospital Board Directors.

Staff Support and Participation

The Chief Human Resources Officer shall serve as the primary staff support to the Committee and is responsible for drafting the committee meeting agenda for the Committee Chair's consideration. The CEO, and other staff members as appropriate, may serve as a non-voting liaison to the Committee and may attend meetings at the discretion of the Committee Chair. These individuals shall be recused when the Committee is reviewing their individual compensation.

General Responsibilities

The Committee is responsible for recommending to the full Board policies, processes and procedures related to executive compensation philosophy, operating performance against standards, executive development and succession planning.

Specific Duties

The El Camino Hospital Board has adopted Resolution 2018-05 delegating certain decision-making authority to the Executive Compensation Committee. Resolution 2018-05 controls in the case of any inconsistency between this Charter and the Resolution or attachments to the Resolution. The specific duties of the Executive Compensation Committee include the following:

A. Executive Compensation

- Develop a compensation philosophy that clearly explains the guiding principles on which executive pay decisions are based. Recommend the philosophy for approval by the Board.
- Develop executive compensation policies to be approved by the Board.
- Review and maintain an executive compensation and benefit program consistent with the executive compensation policies, which have been approved by the Board. Recommend any material changes in the program for approval by the Board.
- Review the CEO's salary range, performance incentive program, benefit plan, and perquisites. Recommend to the Board any salary change to base salary range and/or base salary as well as performance incentive payouts based on organizational performance.
- Review the CEO's recommendations regarding salary and performance incentive payouts for the upcoming year for the executives whose compensation is subject to review by the Committee based on the CEO's evaluation of the executives' individual performance. Approve recommendations for any salary range or base salary changes and/or any performance incentive payouts within established guidelines based on the CEO's evaluation of the executives' individual performance. Recommend to the Board any salary changes and/or performance incentive payments that are outside established guidelines.
- Periodically evaluate the executive compensation program, including the charter, policies, and philosophy on which it is based, to assess its effectiveness in meeting the Hospital's needs for recruiting, retaining, developing, and motivating qualified leaders to execute the Hospital's strategic and short term objectives..

- Periodically review the total value, cost and reasonableness of severance and benefits for executives.
- Annually review and approve, to inform the Board of the letter of rebuttable presumption of reasonableness.
- Annually review and present for Board acceptance the letter of rebuttable presumption of reasonableness.
- Review market analyses and recommendation of the Committee's independent executive compensation consultant.
- Approve salary ranges for each new executive and approve placement in the range for those executives eligible for the plan within established guidelines. Recommend a salary range to the Board and placement therein for the CEO and or actions for other executives that are outside established guidelines.

B. Performance Goals Setting and Assessment

- Review and provide input into the CEO's recommendations regarding annual organization goals and measures used in the Executive Performance Incentive Plan. Recommend organizational performance incentive goals and measurements for approval by the Board.
- Provide input into establishing the CEO's annual individual performance incentive goals and performance appraisal process to execute the Hospital's strategic plan. Recommend the CEO's individual annual goals and measures for approval by the Board.
- Provide input into establishing the executive team's annual performance incentive goals to execute the Hospital's strategic plan and approve the annual goals and measures.

C. Executive Succession and Development

- Review annually the CEO's own succession plan, including a leadership and professional development plan based on the previous year's talent assessment.
- Review annually the CEO's succession plan for the executive team members, which shall include the process by which potential executives are identified and developed.

Committee Effectiveness

The Committee is responsible for establishing its annual goals, objectives and workplan in alignment with the Board and Hospital's strategic goals. The Committee shall be focused on continuous improvement with regard to its processes, procedures, materials, and meetings, and other functions to enhance its contribution to the full Board. In addition, the Committee shall provide counsel and advice to the Board as requested.

Meetings and Minutes

The Committee shall meet at least once per quarter. The Committee Chair shall determine the frequency of meetings based on the Committee's annual goals and work plan. Minutes shall be kept by the assigned

staff and shall be delivered to all members of the Committee when the agenda for the subsequent meeting is delivered. The approved minutes shall be forwarded to the Board for information.

Meetings and actions of all advisory committees of the Board shall be governed by, and held and taken in accordance with, the provisions of Article VI of the Bylaws, concerning meetings and actions of directors. Special meetings of advisory committees may also be called by resolution of the Board and the Committee Chair. Notice of any special meetings of the Committee requires a 24 hour notice.

Appendix

Definition of Independent Director – Compensation Committee

1. An independent director is a more limited and narrow classification of director than otherwise required by law and is not meant to expand or limit the definition of interested director for purposes of the El Camino Hospital Conflict of Interest Policy or to expand or reduce the scope of any legal duty or otherwise applicable legal obligation of a director. The Board of Directors, by separate resolution, may determine to limit membership on particular committees to independent directors to avoid even the appearance of a conflict of interest.
2. A member of the Board of Directors of El Camino Hospital shall be deemed to be an independent director so long as such director (and any spouse, sibling, parent, son or daughter, son- or daughter-in-law or grandparent or descendant of the director):
 - i. has not, within the preceding twelve (12) months, received payments from El Camino Hospital, a subsidiary or affiliate of El Camino Hospital in excess of Ten Thousand Dollars (\$10,000), excluding reimbursement of expenses or other permitted payments to a director related to service as a director;
 - ii. does not own an interest in an entity, or serve as a Board member or executive of an entity, that is a direct competitor of El Camino Hospital (or an entity controlling, controlled by or under common control with El Camino Hospital) for patients or services, located within ten (10) miles of El Camino Hospital (or an entity controlling, controlled by or under common control with El Camino Hospital). An entity is not a direct competitor if it provides competing services in the above area that do not exceed ten percent (10%) of such entity's revenues.
3. If a director is an owner of an entity, then the amount received from El Camino Hospital during any period shall be determined by multiplying the percentage ownership interest of the director in such entity by the total amount paid by El Camino Hospital to such entity during such period.
4. Each director appointed to the Compensation Committee and the Compliance and Internal Audit Committee shall be, at the time of appointment and while a member of such Committee, an independent director as defined above.
5. **Note:** Other laws may prohibit certain contracts or interests in their entirety and this definition is not intended to narrow or otherwise limit the application of any such law.

**EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING COVER MEMO**

To: Governance Committee
From: Don Watters, Chair
Date: October 12, 2021
Subject: Governance Committee Recruitment: Possible Ad Hoc Committee Appointment

Recommendation(s):

If the Committee decides to pursue recruitment of additional community members at this time, the Committee should appoint an Ad hoc Committee comprised of no more than two members to work on the recruitment and bring potential candidates forward to the Committee for consideration.

Summary:

1. Situation: At previous meetings, the Committee members expressed interest in discussing whether it would be beneficial to the Committee to recruit an additional Non-Director member of the Committee.
2. Authority: Pursuant to the Hospital Board Advisory Committee Member Nomination and Selection Policy (and Procedures), it is within the Committee's authority to appoint an Ad Hoc Committee for this purpose.
3. Background: The Committee is currently comprised of three Board Director and three Non – Director Members. Per the Committee Charter, the Committee may have 2 – 4 Non-Director Members with expertise in governance, organizational leadership or as a hospital or health system executive.
4. Assessment: N/A
5. Other Reviews: None.
6. Outcomes: N/A

List of Attachments:

1. Hospital Board Advisory Committee Member Nomination and Selection Policy (and Procedures)

Suggested Committee Discussion Question:

1. Would it be beneficial to the Committee to recruit an additional Non-Director member of the Committee?

EL CAMINO HOSPITAL
HOSPITAL BOARD ADVISORY COMMITTEE COMMUNITY MEMBER NOMINATION
AND SELECTION PROCEDURES

Adopted February 12, 2014

Revised (Approved) April 8, 2015; November 11, 2020

**01.07 HOSPITAL BOARD ADVISORY COMMITTEE COMMUNITY MEMBER
NOMINATION AND SELECTION PROCEDURES**

- A. Coverage: El Camino Hospital Board Advisory Committees
- B. Adopted: 2/12/2014
- C. Procedure Summary:

The nomination and selection of each Hospital Board Advisory Committee (Advisory Committee) member (Member) shall follow the procedures below.

- D. Procedure for Nominating and Appointing an Advisory Committee Community Member:

1. Eligibility and Qualifications

Each Advisory Committee shall determine minimum qualifications and competencies for its Members. In addition, the Governance Committee will periodically conduct a strategic assessment of the respective Advisory Committee's membership needs and ensure that it evolves with the Hospital's strategy.

2. Nomination and Declaration

- a. Nominations for Advisory Committee Community Membership may be received from any source.
- b. The Director, Governance Services will notify the Board, the Advisory Committee members, the Executive Leadership Team and the public of all vacancies for which new Advisory Committee Community Members are being recruited.
- c. A candidate shall submit an application to the Director, Governance Services that includes reason(s) the candidate wishes to serve, the candidate's relevant experience and qualifications, potential conflicts of interest including any personal or professional connections to ECH, a release to permit ECH Human Resources to conduct a background check, and specifies which Advisory Committees that the candidate wishes to be considered for.

- d. If the interested candidate is currently serving on another Advisory Committee at ECH, the candidate shall notify the Chair(s) of the Advisory Committee with a vacancy and the Advisory Committee on which they are serving. The interested candidate shall also notify the Director, Governance Services, provide all application materials, and be subject to all other requirements of this procedure.
- e. All candidates will be considered in the candidate due diligence process.
- f. In the event that no qualified candidates can be found through the routine recruitment procedures of the Hospital, the Committee may, in its discretion, obtain the services of a recruiting firm to identify qualified candidates.

3. Review of Candidates and Selection of New Members.

- a. Any committee recruiting new members shall appoint an Ad Hoc Committee comprised of two members to recruit new members. The Committee Chair shall be given first right of refusal to serve as a member of the Ad hoc Committee,
- b. The Director, Governance Services will forward the names and resumes of all applicants to the Executive Sponsor and the members of the Ad hoc Committee for review.
- c. The Ad hoc Committee, in consultation with the Executive Sponsor, shall (1) select and interview first round candidates and (2) select finalists for interview by the full Committee.
- d. The Committee will interview finalists and recommend appointments to the Board for approval
- e. The Board shall appoint the Advisory Committee Members in accordance with the Hospital Bylaws.

4. Obtaining Approval to Increase the number of Community Members of an Advisory Committee

- a. If an Advisory Committee Chair proposes to increase the number of Community Members of such Chair's Advisory Committee, then the Advisory Committee Chair must submit a brief description of the need (e.g., gap in skill-set) for an increase in membership to the Governance Committee.
- b. Upon review of the request, the Governance Committee shall make a recommendation to the Board whether the Community membership of such Advisory Committee should be increased.

**EL CAMINO HOSPITAL
COMMITTEE MEETING COVER MEMO**

To: Governance Committee
From: Dan Woods, Chief Executive Officer (CEO)
Date: October 21, 2021
Subject: Board Member Recruitment and Benefits

Recommendation(s):

Discuss strategies for recruiting Board and Community Members to the Hospital Board and its Advisory Committees.

Summary:

1. **Situation:** The Board would like Governance Committee to recommend tactics that can attract exceptionally qualified appointed Board and Community Members. These tactics could include, but will not be limited to, healthcare benefits and other forms of compensation.
2. **Authority:** As the governing body of El Camino Hospital, the Board of Directors approves any compensation or benefits provided to members of the Hospital Board. The Governance Committee may make recommendations.
3. **Background:** The Governance Committee previously discussed offering medical benefits to Board members. Through those discussions, committee members raised the larger question of how other strategies might be employed to enrich the membership and discourse within the Board at El Camino Health.
4. **Assessment:** While there is limited market data available on what drives board members to serve on a specific organization's board, most individuals are attracted by the opportunity to stay involved in business-related issues, networking with peers and potential community recognition. Furthermore, these factors differ fairly significantly among for-profit and non-profit boards. While compensation can be a meaningful factor in attracting an individual to serve on a for-profit board, non-profit board members are more interested in the aspect of community service enabled by a tie to the mission of the organization. In addition, non-profit board service can be viewed, and utilized, as a stepping stone into board service at larger for-profit organizations.

From a benefits perspective, as it's generally very uncommon to provide benefits to board members, although this is less unusual among public health districts, given board members' employment status (21% of public health districts in CA provide benefits to board members, and 26% of these organizations pay their board members).

The Governance Committee can also consider relationships with local universities and organizations that prepare executives for board positions. Leveraging these resources would allow for local expertise amongst Board and Committee members that would ultimately improve the governance of El Camino Health.

5. **Other Reviews:** During the assessment, El Camino engaged outside counsel, executive compensation and benefits consultant, plan carriers and administrators, and benefit consultants.

Board Member Recruitment & Benefits
October 21, 2021

6. Outcomes: N/A

List of Attachments:

1. Considerations for Board Member Recruitment

Suggested Committee Discussion Questions:

1. What is the added-value to El Camino Health as an organization to start providing benefits to the Board members?
2. What are the risks, cost, and rewards to adding benefits for Board members?



Considerations for Board Member Recruitment

October 13, 2021

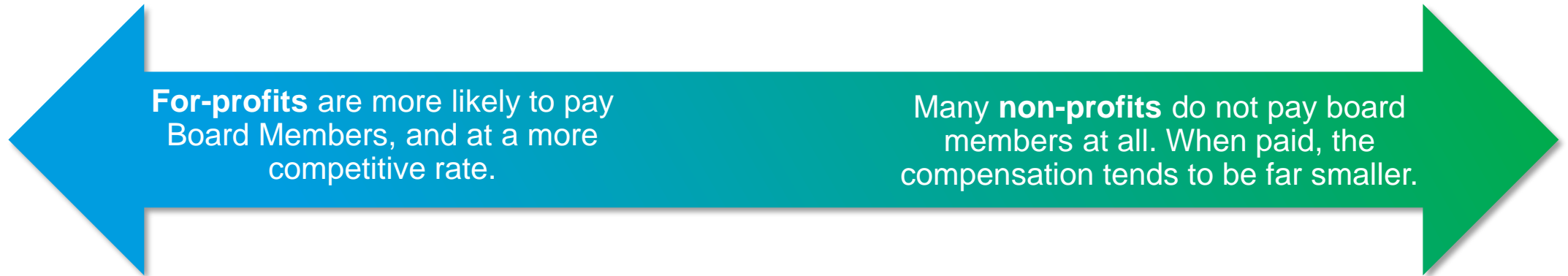
welcome to brighter

Limited Market Data Available on What Attracts Board Members

- As market data are limited, the following materials summarize general input on what attracts board members, based on Mercer experience.
- **What attracts board members differs fairly significantly among for-profit and non-profit organizations.**
- Some of the factors that are expected to be **consistent among both types of organizations**:
 - As many board members have retired from their main profession, board service enables the individual to stay involved in business-related issues
 - Opportunity for networking with peers
 - Potential community recognition

Other Drivers of What Attracts Board Members Compensation

At non-profits, compensation is not typically a key driver in attracting board members:



Key Takeaways

- Compensation can be a meaningful factor in attracting an individual to serve on a for-profit board (particularly a publicly traded for-profit organization, where board compensation can be significant)
- For non-profit organizations, the financial impact is not typically a key factor
 - Mercer’s 2016 study on this found that only 24% of non-profit healthcare organizations paid their board members

Other Drivers of What Attracts Board Members

Community, Mission, and Personal Fulfillment

Non-profit board service may be attractive to individuals in several ways (in addition to those noted on p.2), including:

- Individual may be interested in the community service aspect of non-profit board service.
- Individual may have a personal tie to the mission of the organization.
 - Example in healthcare would be an individual who has received care (or whose family member has received care) from the organization.
- Individual may be interested in serving on a for-profit company board at some point, and could view non-profit board service as a stepping stone into board service at larger organizations.

Other Drivers of What Attracts Board Members

Benefits

- It is generally very uncommon to provide benefits to board members, although this is less unusual among public health districts, given board members' employment status.
 - 21% of public health districts in CA provide benefits to board members, and 26% of these organizations pay their board members.

Considerations for ECH

- From a financial value proposition, ECH is ahead of the curve simply by paying its board members.
- However, as board compensation at ECH is modest, changes that could make board service more attractive include:
 - Increasing the board compensation, and/or
 - Providing healthcare benefits to board members

A helpful reference point may be an analysis of Form 990 filings for other Bay-area healthcare organizations (or other non-profits in the area) to understand the level of board compensation and benefits, if any.



Public Health Districts in CA Providing Health and/or Retirement Benefits* to Directors

| | Board Benefits? | | Board Benefits? |
|--|-----------------|--|-----------------|
| Alta Health District | N | North Kern - South Tulare Hospital District | N |
| Antelope Valley Healthcare District | N | North Sonoma County Healthcare District | N |
| Avenal Healthcare District | N | Northern Inyo Healthcare District | N |
| Beach Cities Health District | N | Oak Valley Hospital District | Y |
| Bear Valley Community Health District | N | Palo Verde Healthcare District | N |
| Bloss Memorial Healthcare District | N | Palomar Health District | Y |
| Camarillo Health Care District | N | Peninsula Health Care District | N |
| Cambria Community Healthcare District | N | Petaluma Health Care District | Y |
| Chowchilla Memorial Healthcare District | N | Pioneers Memorial Hospital District | N |
| City of Alameda Healthcare District | N | Plumas Hospital District | N |
| Cloverdale Healthcare District | N | Redbud Healthcare District | N |
| Coalinga Regional Medical Center | N | Salinas Valley Memorial Healthcare District | N |
| Coast Life Support District | N | San Benito Health Care District | N |
| Corning Health Care District | N | San Bernardino Mountains Community Hospital District | N |
| Del Norte Healthcare District | N | San Geronio Memorial Healthcare District | N |
| Del Puente Healthcare District | N | Selma Healthcare District | N |
| Desert Healthcare District | Y | Seneca Hospital District | N |
| East Kern Healthcare District | N | Sequoia Healthcare District | Y |
| Eastern Plumas Health Care District | N | Sierra Kings Healthcare District | N |
| Eden Township Healthcare District | N | Sierra View Local Healthcare District | Y |
| Exeter Memorial District | N | Soledad Community Health Care District | N |
| Fallbrook Regional Health District | N | Sonoma Valley Healthcare District | N |
| Grossmont Healthcare District | Y | Southern Humboldt Community Health District | N |
| Heffernan Memorial Health Care District | N | Southern Inyo Healthcare District | N |
| John C. Fremont Healthcare District | Y | Southern Mono Healthcare District | N |
| Kaweah Delta Health Care District | N | Southwest Healthcare District | N |
| Kern Valley Hospital District | Y | Tahoe Forest Hospital District | Y |
| Kingsburg Tri-County Healthcare District | N | Tehachapi Valley Healthcare District | Y |
| Last Frontier Health District | N | Tri-City Healthcare District | Y |
| Lindsay Local Hospital District | N | Tulare Local Healthcare District | N |
| Lompoc Hospital District | Y | Washington Township Healthcare District | Y |
| Los Medanos Community Healthcare District | N | West Contra Costa Healthcare District | N |
| Marin Healthcare District | N | West Side Health Care District | N |
| Mark Twain Healthcare District | N | Westside Community Healthcare District | N |
| Mayers Memorial Hospital District | Y | | |
| Mountain Communities Healthcare District | N | | |
| Muroc Hospital District | N | | |

**EL CAMINO HOSPITAL
COMMITTEE MEETING COVER MEMO**

To: Governance Committee
From: Don Watters, Governance Committee Chair
Date: October 21, 2021
Subject: Closing Comments

Purpose:

To review the effectiveness of the Committee's meeting.

Summary:

1. Situation: How effective was this meeting?
2. Authority: N/A
3. Background: N/A
4. Assessment: N/A
5. Other Reviews: N/A
6. Outcomes: N/A

List of Attachments: None.

Suggested Committee Discussion Questions:

1. Brief discussion topics: what worked well/should be repeated? What should be changed/added/deleted?
2. Were the meeting packet and agenda helpful?
3. Did key issues receive sufficient attention?
4. Did we spend the right amount of time on each issue?
5. Was there a significant amount of discussion (vs. presentation)?
6. Were discussions kept at the governance level?
7. Did all members participate fully?
8. Did we hold ourselves accountable to the rules of engagement?