

As health care field changes become more complex, savvy board and executive leaders are intentionally increasing the time that their boards spend in robust discussions of strategic challenges and opportunities. Whereas the typical methods for freeing up the board's time continue to be utilized (e.g., using a consent agenda; providing better materials in board packets), the highest-performing boards focus on another vehicle for board effectiveness—leveraging their committees.

Increased Committee Competencies and Objectivity

Great boards now demand that their committees are structured and function in the same disciplined manner as the full board. For example, the best committees use a competency-based approach to recruit, select and reappoint their members. Each committee develops a matrix that identifies the skills, experience, attributes and perspectives needed to fulfill that committee's responsibilities. The competencies required include gender and race/ethnicity diversity to ensure that committees reflect the populations served by the organization. Interestingly, the Securities and Exchange Commission (SEC) is now requiring mandatory disclosure of board matrices for publicly traded corporations. This expectation may soon become the norm for not-for-profit boards and their committees as well.

In addition to using a competency-based approach to their committees, diligent boards assess their committee members' potential conflicts of interest and ensure sufficient "independence" on each committee. Such a rigorous approach to committee membership often requires difficult conversations among board leaders and committee members. For instance, it may be hard to inform board members who are employed physicians that they cannot serve on the Executive Compensation Committee because they should not approve compensation for themselves, their physician colleagues or their boss (for 501c3 organizations, especially). However, these tough decisions can increase the likelihood that key external parties like State Attorneys General will consider the committee's (and board's) decisions regarding executive compensation to be sufficiently objective.

Delegating Authority to Committees

An area that is getting increased attention within the most sophisticated boards is the delegation of some decision-making authority to committees. For instance, the Audit

and Compliance Committee may be delegated authority to select the external auditor. However, the full board would most likely retain authority for approval of the audit, based on recommendations from the Audit and Compliance Committee.

Another example would be a health system Governance Committee that has been delegated the authority to approve the board members of its subsidiaries. The Governance Committee's approvals would be documented in the committee's minutes and provided to the full board so all system board members continue to be informed about the decisions made by the committee.

There is, however, one important caveat to this discussion. State laws vary regarding whether the board can delegate final decision-making authority to a committee and, if so, under what circumstances. For instance, in Illinois, a committee can only be delegated final decision-making authority if the majority of the committee's members are voting members of the board. Boards that are interested in exploring delegating decisions to their committees should consult with legal counsel to determine the parameters within which they need to work.

Delegation Options

Once a board has clear guidance regarding the legal issues, it should discuss which options are most appropriate for each committee. In general, there are three different options for boards to consider:

1. **Advisory Committees:** This type of committee only makes recommendations to the full board; it is the board that has final decision authority. For example, the board may create a Strategic Planning Committee to work with management to draft a strategic plan, but the board would retain the authority to approve the final strategic plan.
2. **Partial Authority Committees:** These committees have authority for final decision-making in a few, identified areas that are specified in writing. Examples of this option are:
 - The Quality Committee can approve "clean" credentials for physicians.
 - The Finance Committee is authorized to approve unbudgeted transactions up to an agreed-upon dollar threshold.
3. **Full Authority Committees:** Some committees are authorized to act on behalf of the board on all or on certain matters. The most common example of this type is an Executive Committee, which has the power to approve decisions in between board meetings. It is important to note that committees with full decision-making authority

on all matters run the risk of becoming or being perceived as “a board within the board.” Because of the potential confusion and divisiveness this can cause between board members who serve on such committees and those who do not, boards are well advised to carefully consider whether giving full authority for final decision making on all matters to any committee is in the best interests of the board and those it serves.

Advantages and Challenges

There are clear advantages to delegating more authority to committees:

- Board meeting agendas, materials and discussions then can be focused on important issues that require full board attention.
- When used correctly, committees become the engines that efficiently drive board work, diving more deeply into issues and framing decisions for board approval. Committees provide the deeper level of scrutiny that the full board would not be able to perform on every governance issue. They can provide the board with a level of certainty that these issues have been vetted with board member involvement so that the full board then can more efficiently digest key issues and make decisions.
- Through use of a consent agenda and advance review of committee minutes, individual board members do not need to spend as much time reviewing detailed issues in packets or in meetings.
- More intense committee involvement often leads individual board members to feel more engaged and valued, which leads to increased commitment, retention and satisfaction.

Some of the challenges that boards have faced when attempting to delegate more to their committees include:

- Ensuring sufficient communication between the committee and the board, so board members feel informed of the committee’s process and decisions.
- Running the risk of a committee making decisions that should be made by the full board.
- Leading other board members to feel they are not performing their fiduciary duties if they are not making each decision.

If a board is interested in delegating some authority to its committees, its Governance Committee should have a robust discussion of which committees should have which

type of authority. Then that committee should make a recommendation to the full board during a session where there is plenty of time to fully discuss the suggested approach and possible ramifications.

Conclusion

Delegating authority to committees can be a helpful method of enhancing the board's effectiveness and efficiency. However, it is important that all board members are comfortable that they can fulfill their fiduciary duties appropriately through this mechanism. Therefore, sufficient time should be allotted to a thorough assessment, including clarification of legal requirements that affect board decision-making. The assessment also should accommodate the full-board discussion necessary to ensure all board members understand and support the relative roles and authority assigned to the full board and its individual committees.

If done properly, leveraging its committees can help a board to achieve both more detailed analysis and more strategic discussions. Individual trustees then have increased confidence that they are doing their jobs properly, and external stakeholders have a greater level of certainty that the community's assets are being overseen appropriately.

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