

Chapter 12

Hospital Corporation Governance

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Hospital Corporation Governance

Background

12.1 Promoting accountability is the most important part of our work. This is reflected in our own mission statement. We also believe that appropriate accountability cannot be established in Crown agencies unless effective governance structures and processes are in place and functioning. Therefore, in 1998, we continued our review of corporate governance and accountability by looking at the eight regional hospital corporations.

12.2 We chose to review governance and accountability arrangements in the regional hospital corporations for two main reasons. First, the boards of trustees of the eight regional hospital corporations are in charge of a budget of approximately \$600 million, a significant portion of the total provincial budget. Second, we expressed concerns about a potential lack of accountability in our 1996 Report because regional hospital corporations do not appear before the Crown Corporations Committee.

12.3 It has been over five years since the regional structure was set up for New Brunswick hospital services. The governance structure has had time to develop and mature. However, the role of a board member remains a complex one. The July 1995 document prepared by the Department of Health and Community Services called "Hospital Corporation Accountability" states:

Since 1967, successive New Brunswick governments have developed accountability mechanisms which relate to the responsibilities of hospital boards. These mechanisms call for hospital administrators to be responsible, through their boards, to the Minister; and for the Minister to be accountable to the Cabinet and to the Legislative Assembly.

12.4 It goes on to say:

Boards of hospital corporations face the difficult and delicate task of balancing the needs of residents with available resources. They must function within parameters set by the provincial government. The boards have no ability to increase funds allocated to them except by voluntary fund-raising (mainly for equipment purchases). They do not have the authority to collect taxes from residents of the regions they

serve. Hospital corporation boards are responsible for allocating resources and do not directly control who is admitted and treated: that is the domain of doctors. Clinical/ Technical decisions with regard to the sick and injured are not made by boards, but by doctors and other health care personnel. The hospital system is extremely complex and not as predictable as the school system. Hospital corporation boards oversee medical staffs who must have wide discretion to admit, treat and discharge people in the government-funded system. This is fundamentally different than the school system, which has a predictable number of students it serves every year, as well as a pre-established curriculum. Hospital corporation board members receive no remuneration for their services. They are reimbursed for out-of-pocket expenses.

12.5 Governance for regional hospital corporations can be defined as the process and structure used to direct and manage the business and affairs of a corporation with the objective of achieving the corporate mission. The process and structure define the division of power and establish mechanisms for achieving accountability between management, the board of trustees, the Minister of Health and Community Services, and the Legislative Assembly. The direction and management of the business should take into account the impact on stakeholders such as patients, employees, and others.

12.6 Accountability can be defined as the obligation to answer for authority and responsibility that has been conferred. Regional hospital corporation management is accountable to their board of trustees. Boards of trustees are accountable to the Minister of Health and Community Services.

12.7 CCAF/FCVI Inc. (formerly the Canadian Comprehensive Auditing Foundation) has developed a list of the characteristics of effective boards. If a board truly exemplifies these characteristics, it will be providing effective governance and accountability. According to CCAF/FCVI, effective boards:

- are comprised of people with the necessary knowledge, ability and commitment to fulfil their responsibilities;
- understand their purposes and whose interests they represent;
- understand the objectives and strategies of the organization they govern;
- know and obtain the information they require to exercise their responsibilities;
- once informed, are prepared to act to ensure that the organization's objectives are met and that performance is satisfactory; and

- fulfil their accountability obligations to those whose interests they represent by reporting on their organization's performance.

12.8 We feel that effective regional hospital corporation boards, as defined above, are in the best position to contribute to the success of their corporations. They do this by making informed decisions that take all pertinent factors into account, thereby promoting appropriate corporate activities.

12.9 Effective boards also create an important accountability link between a regional hospital corporation and the Minister. Hospital corporation boards that are serious about accurately assessing and communicating the degree of success of their corporations in achieving their missions must ensure that effective governance structures, processes, and accountability reporting arrangements exist to allow them to do this. This is important to the Legislative Assembly and the public because effective boards will be providing the information needed to determine the degree to which they have achieved their mission. On the other hand, when governance and accountability structures are weak, users must question the validity of assertions made concerning the results achieved by a hospital corporation.

Scope

12.10 Our objective for this project was as follows.

To gain an understanding of the governance arrangements relating to regional hospital corporations in the Province and to solicit the views of board members on certain issues impacting the role and effectiveness of hospital corporation boards.

12.11 Our work included sending governance surveys to the one hundred and twenty-three current members of the boards of New Brunswick regional hospital corporations. A total of ninety-four board members responded to our survey. We also held extensive interviews with sixteen board members, including the Chair and one other member from each of the eight boards. We held discussions with representatives of the Department of Health and Community Services and the New Brunswick Healthcare Association (NBHA). In addition we reviewed the annual reports of the eight regional hospital corporations for the year ended 31 March 1997 and assessed their usefulness as accountability documents for the corporations. We also reviewed pertinent governance and accountability literature, and other documents pertaining to the New Brunswick health care system.

Results in brief

12.12 Board members devote a significant amount of time and effort to governing their corporations. The responsibilities they have been assigned under the current hospital services model are onerous, and very important to the proper functioning of the healthcare system in New Brunswick.

12.13 The appointment process for board members appears to be well defined and informally addresses perceived weaknesses in the skill set of boards as a whole. Better defining and documenting needed skill sets may help improve the screening of potential board members.

12.14 It does not appear that the election of any part of the regional hospital corporation boards would yield significant improvements in the quality or effectiveness of boards.

12.15 Most current board members were given orientation sessions when they were appointed to their board. However, a few either did not receive an orientation, or opted out of the sessions offered. We feel orientation sessions should be given to all new board members and should be mandatory.

12.16 Board members indicated some confusion as to the roles, responsibilities, and accountabilities of their regional boards. Position descriptions have not been prepared for individual board members, nor have roles, responsibilities, and accountabilities of boards as a whole been documented. We feel that such descriptions should be prepared.

12.17 In our opinion, regional hospital boards are directly accountable to the Minister of Health and Community Services alone. However, they are responsible to a number of different stakeholder groups including patients, staff, the public, and others.

12.18 All regional hospital corporations provide educational opportunities to their members. However, not all have developed a board education policy for members, nor do they have a requirement for certain core training to be completed by all members.

12.19 All regional hospital corporations have corporate mission statements and strategic plans. Most are updated on a regular basis. In some regions, board members are involved in the development of these plans. In others, they only approve them. We feel that corporate strategic plans should be updated on a regular, periodic basis. We also feel that boards, in order to provide strategic leadership, should be directly involved in the development of strategic plans.

12.20 Many of the regional boards have attempted to define, in writing, the division of responsibilities between the board and the CEO. A few have not. We feel that the division of responsibilities between the CEO and the board should be defined in writing for each regional hospital corporation.

12.21 The division of responsibilities between the regional hospital boards and the Department has been documented, but the

documentation needs clarification or enhancement, particularly in areas of policy-setting and decision-making.

12.22 The Department currently provides regional hospital corporations with annual operating budgets. To facilitate effective strategic and operational planning, we feel the Department should provide hospital corporations with long-range budgets. Boards should be given the opportunity to provide input into the long-range budgeting process.

12.23 Board members feel that the Department of Health and Community Services does not regularly communicate policy decisions and directives to the regional hospital corporations on a timely basis. They also feel that their input is not sought before decisions effecting their corporation are made.

12.24 Regional hospital corporations have not developed performance indicators that will allow for an objective evaluation of their success in achieving their corporate strategic goals. We feel that such performance indicators should be developed and annual targets should be set for each of them.

12.25 Currently, strategic planning is done at the impetus of the regional hospital corporations. We feel that the Department of Health and Community Services should require periodic strategic planning by each regional hospital corporation. The establishment of performance indicators and related targets should also be required by the Department. Additionally the Department should be approving all strategic plans, performance indicators and targets to ensure that they are congruent with departmental plans. We feel that management reporting to the board should be formally structured to provide comparisons between actual and targeted performance.

12.26 Regional hospital corporations appear to be doing a good job in disseminating information to stakeholders on day-to-day operations, changes in services provided, and other general matters.

12.27 The annual reports of the regional hospital corporations do not comply with the Province's annual report policy.

12.28 Regional hospital corporations do not currently appear before the Crown Corporations Committee or the Public Accounts Committee (PAC) of the Legislative Assembly of the Province of New Brunswick. The opportunity to ask questions about the operations of the regional hospital corporations is limited to the annual appearance of the Department of Health and Community Services before the PAC. We feel that the Chairs of the boards of the regional hospital corporations and their CEOs should appear before a committee of the

Legislative Assembly annually to answer questions relating to operational areas.

Detailed findings

12.29 In 1996, we did a general study of board governance among New Brunswick Crown corporations. At that time, we developed six criteria for use in evaluating the effectiveness of governance for public sector boards of trustees. While we will not be providing assessments against these criteria for this project due to its general nature, we will present our findings within a framework defined by those criteria.

12.30 We received an excellent response to our survey from board members. Additionally, we got valuable feedback from members whom we interviewed. They expressed concern about many important matters and we have tried to reflect those concerns in this chapter. We have attempted to summarize at least some of the most important points. Additionally, we have made recommendations where we felt improvements could be made in governance and accountability structures and processes.

12.31 In 1992, when hospital services delivery was regionalized, the Department of Health and Community Services prepared a set of model regional hospital corporation bylaws to be used by the hospital corporations as a starting point. We make reference to these bylaws from time to time in the chapter.

Board composition

12.32 The first of our governance evaluation criteria is as follows.

Boards of Crown Agencies should be comprised of people with the necessary knowledge, ability, commitment, and level of independence to fulfil their responsibilities.

Appointment of board members

12.33 Regulation 92-84 of the Hospital Act, Section 5, states:

A board of trustees shall consist of a minimum of fourteen to a maximum of eighteen members. The members of a board of trustees shall be as follows: four voting members appointed by the Minister, three voting members appointed by the board of trustees, one voting member appointed by the religious order that owns in whole or in part a hospital facility operated by the hospital corporation, ..., the remaining voting members selected or appointed in accordance with the hospital corporation by-laws.

12.34 The Act goes on to state that no more than 40% of voting members may be from the largest urban centre in the region.

12.35 The exact composition of boards varies by region, but generally, local municipalities appoint about one half of the members. The appointments controlled by the Minister and the board are usually made

after those of the local municipalities, and are used to fill in perceived deficiencies in the skill set of the board as a whole. It was indicated to us that there is a fair degree of cooperation between the Minister and the boards in making their appointments to the board.

12.36 Board members generally indicated satisfaction with the current role of their board in the appointment process. Overall, they felt that a board is in the best position to identify needed skills and weaknesses in the existing board composition. A small minority of board members did not feel that the board should be involved in appointing board members at all.

Election of board members

12.37 In 1997, the Standing Committee on Law Amendments recommended “*that the Department of Health and Community Services establish a process whereby the members who are currently appointed by the board are elected instead through a democratic process.*” This would mean that three board members would be elected for each board.

12.38 We are not able to see the benefit of having regional hospital boards partially elected, as recommended by the Standing Committee on Law Amendments. Board members do not have the ability to raise revenues through regional taxation so they can not be held accountable by voters for spending public funds. Further, elected accountability for regional hospital corporations already exists through the Minister of Health and Community Services. Therefore, there appears to be no benefit in terms of accountability. Additionally, based on feedback from board members, the overall skill sets of the boards may be adversely affected by requiring the election of some or all of the board members.

12.39 The issue of the election of board members came up in many of the interviews and returned surveys. For the most part, board members indicated that they are opposed to the election of any of the regional hospital corporation board members. They are comfortable with the appointment process as it now stands, because it allows boards to fill in gaps in their skill sets through the use of board appointments.

Skill sets of board members

12.40 Board members believe that the current appointment process for members is effective in building well-rounded boards. Many of the boards have nominating committees for identifying potential new board members, but they are not provided with formal guidance on the type of people needed. Boards have not developed formal board member profiles that could be used in identifying potential new board members. In our opinion, board members’ comments relating to this area point to the need to constantly be aware of the board’s composition and weaknesses. We feel that the establishment of a model profile for new members would be of use. This would allow boards to narrow down possible choices for board vacancies, selecting the person who best meets the board’s current needs. The model profile should be updated regularly to properly reflect the board’s requirements.

Recommendation

12.41 We recommend that regional hospital corporation boards develop and maintain model profiles for new members in consultation with the Minister of Health and Community Services. These model profiles should be referred to by the board and the Minister in screening potential new board members. Such profiles should include generic requirements and should also attempt to reflect the special requirements of individual boards.

Board roles and responsibilities

12.42 Our second governance evaluation criterion is as follows.

Boards of Crown Agencies should have a clear understanding of their roles, responsibilities, and duties, and the accountability structure within which they operate.

Enabling legislation

12.43 We feel that enabling legislation should define the key roles of a board. A board's key roles would normally consist of linkage to the stakeholders including the Minister, preparation of governance policies, and assurance of management performance. Enabling legislation should not limit the ability of a board to fulfil its key roles.

12.44 The Hospital Act (Section 10(1)) states:

The objects and purposes of a body corporate established by this Act or the regulations are, subject to the provisions of this Act and the regulations,

- *to establish, operate and maintain hospital facilities, not for pecuniary gain but exclusively for charitable purposes,*
- *to deliver hospital services in the hospital facilities established, operated and maintained, or operated and maintained, by the body corporate,*
- *to engage in programs to train persons in the medical and allied professions, and*
- *to do such additional things as are approved by the Minister or prescribed by regulation.*

12.45 The board of trustees is therefore responsible for directing the corporation in these matters. The Department of Health and Community Services document, "A Health and Community Services Plan for New Brunswick" expands the regional responsibilities of the eight regional hospital boards to the following items:

- *organizing resources;*
- *establishing organizational structures to deliver all approved programs;*
- *planning, budgeting, managing and reporting on hospital expenditures and other financial issues;*

- *overseeing the medical credentialing process and approving hospital privileges for physicians within their respective regions on the recommendation of boards' medical advisory committees;*
- *ensuring all resources in the facilities are utilized effectively and efficiently;*
- *ensuring that approved hospital services are delivered following federal and provincial quality and efficiency standards;*
- *planning and distributing services as established through the Hospital System Master Plan;*
- *dealing with all day-to-day operational issues in relation to patient-care needs, as well as all issues regarding how, when, and where to deliver services to accommodate those needs;*
- *establishing the necessary hospital policies and procedures which facilitate the delivery of approved services;*
- *ensuring, on behalf of the government, that all entrusted buildings, equipment and land are used for the purposes for which they were received, and are well maintained; and*
- *maintaining on-going working relationships with other related care or service providers, government, and the public they serve.*

Bylaws

12.46 We feel that bylaws should clearly and concisely define all administrative aspects of a board's operations. Bylaws for regional hospital corporations are prepared or developed by the boards, but must be approved by the Minister of Health and Community Services before they come into effect.

12.47 We reviewed a set of "model" bylaws sent out to the regional corporations in 1992 by the Department of Health and Community Services to serve as a starting point. Each of the regional corporations has subsequently made amendments to its bylaws to reflect the circumstances in its own corporation. However, the Department informed us that the eight sets of regional bylaws are still, by and large, similar to the original "model" bylaws. Article 2 of the model bylaws addresses the roles and responsibilities of the board of trustees. It includes the following items.

The Board shall control and manage the business and affairs of the Hospital Corporation.

Each Trustee, before taking office, shall accept in writing any mission statement approved by the Board and shall serve on the Board in accordance with the spirit and intent of the mission statement.

Each trustee shall faithfully attend meetings of the Board. If the Trustee is absent from three consecutive regular meetings, his membership on the Board shall be automatically suspended

pending a review by the Board. Upon review, the Board may either lift the suspension or remove the Trustee from the Board.

12.48 The duties of the Chairperson, the Vice-Chairperson, the Treasurer and the Secretary are also covered in the bylaws. Other administrative issues relating to the board, as shown in the model bylaws, are referred to in other sections of this chapter.

Orientation sessions for new board members

12.49 We feel that new board members should be provided with orientation sessions that make them thoroughly familiar with their roles and responsibilities, the current values and perspectives of the board they are joining, and the accountability structure within which they operate. Orientation sessions should also include a discussion of the mission and strategic objectives of the corporation, the environment in which it operates, and current issues of concern. All new board members should be required to attend orientation sessions.

12.50 Of ninety-four board members who responded to the survey question, “*After your appointment, did you receive an orientation?*” seventy-eight said they did. Fourteen said they did not, and two said they opted out of available orientation sessions. Topics covered included the following:

- board structure and operation
- roles and responsibilities as a board member
- conduct as a board member
- government policies and practices affecting the corporation
- the business operations of the corporation
- the relationship of the corporation to the Department of Health and Community Services
- background on the health care industry
- discussion of corporate strategic issues (mission, vision, strategic goals)
- information on the operations of specific departments
- general governance issues
- the accreditation process
- conflict of interest
- confidentiality
- risk management
- the board’s relationship with staff and doctors
- legal liability/responsibility of the board
- long-range issues and planning
- organizational structure
- dealing with the media
- ethics

12.51 Almost all respondents indicated that the orientation session they received was useful to them.

12.52 Board members told us that for some boards, orientation is a formal program. For other boards it is more informal. In most cases it involves meeting with the Chair, the CEO, and other management staff. New board members are also provided with reference materials. The CEO normally coordinates orientation activities.

Recommendation

12.53 We recommend that orientation sessions be given to all new board members and that attendance at those sessions be made a requirement of serving on the board.

Board members' understanding of their roles, responsibilities, and accountabilities

12.54 It is very important that each board member understand their roles, responsibilities and accountabilities in order for that member, and their board as a whole, to be effective. Seventy of ninety-three members agreed that their board role was consistent with their expectations at the time they were appointed. Seventy-five of ninety-three agreed that they had sufficient information as to their duties and personal responsibilities as a board member. However, we did receive comments from members that indicated at least some of them are uncertain about their roles, responsibilities, and accountabilities. There also appears to be a great divergence of opinion regarding what hospital boards are trying to accomplish.

12.55 The majority of board members surveyed considered the following board duties as "very important."

- setting strategic direction and goals;
- selecting the CEO and evaluating their performance;
- setting significant policies by which the corporation operates;
- ensuring that the corporation has adequate resources;
- monitoring the achievement of goals and objectives;
- ensuring effective management information systems are in place;
- developing a communication plan for stakeholders;
- bringing an external viewpoint to the corporation's attention;
- evaluating the performance of the board; and
- ensuring accountability obligations are discharged.

12.56 There is an important distinction that must be made between responsibility and accountability. It is possible, and is likely desirable, that boards be responsible to a number of groups. However, a board may only be accountable to the individual or organization who conferred authority and responsibility on them.

12.57 When asked to whom they are responsible, most board members surveyed indicated they have multiple responsibilities. In order of preference, choices included:

- the patients of their own regional hospital corporation;
- the public at large in their regions; and
- the corporation itself.

12.58 The Department of Health and Community Services was mentioned infrequently.

12.59 Seventy-six of ninety respondents indicated it is clear to whom hospital corporation boards are accountable. The other fourteen indicated that it is not clear to them. However, differences of opinion emerged when we asked board members to whom they see themselves as accountable. Respondents indicated many different stakeholder groups. Eighty-eight board members indicated they are accountable to the Department of Health and Community Services (i.e. the Minister). Eighty-three indicated that they are accountable to the public in their own region. Sixty-seven indicated accountability to the corporation itself. Fifty-two indicated accountability to the government of the Province. Forty-six noted accountability to the public in the Province. Twenty noted other stakeholder groups to which they see themselves as being accountable. These include physicians, nursing staff, town councils, unions and native groups.

12.60 Responses to our survey and interview questions indicated to us that there is some confusion as to the roles, responsibilities, and accountabilities of the regional boards. When board Chairs were asked what they consider to be the major roles and responsibilities of their position as a Chair, they gave many diverse replies. We feel that each regional hospital board should create explicit position descriptions for each officer of the board and for individual board members. They should also prepare a roles, responsibilities and accountability description for the board as a whole. These documents should be relatively similar from region to region, but may vary slightly due to local circumstances.

12.61 We also feel that board accountabilities should be discussed, decided upon and communicated to new board members so that they will know to whom they are accountable. The current differences of opinion may result from a lack of understanding about what accountability means in the government context. Accountability is defined as the obligation to answer for authority and responsibility that has been conferred. Since authority comes from the Hospitals Act and through the Minister, it appears as though hospital boards should consider themselves as solely accountable to the Minister of Health and Community Services. While they are responsible to the public in their own region as providers of health care, they are not directly accountable to them. As we will discuss later in this chapter, there are formal mechanisms set up to ensure an appropriate accountability flow between the boards and the Department of Health and Community Services. The Minister of Health and Community Services is currently accountable to the public for hospital services in the Province under these mechanisms.

Recommendation

12.62 We recommend that each regional hospital board develop clearly-stated position descriptions for individual board members,

along with a roles, responsibilities, and accountability description for the board as a whole.

***Board members’
knowledge of the health
care environment***

12.63 Our third governance evaluation criterion is as follows.

Boards of Crown Agencies should develop and maintain sufficient expertise relative to the Crown Agency which they govern including a working knowledge of the environment in which the agency operates and the needs of its customers.

**Developmental opportunities
for board members**

12.64 We feel that there should be an ongoing program to ensure that board members maintain and enhance their knowledge of the organization and issues related to its operation. This should include direct communication with all stakeholders. Unless board members develop and maintain a real understanding of the corporation’s operations, they will be unable to recognize incipient problems or participate effectively in discussion about plans for the future. Quite simply, as one board member put it in their survey response, “*Board members have to be well-informed to be effective...*”

12.65 Of ninety-three respondents, eighty-eight indicated that they had been provided with developmental opportunities during the past two years. The large majority of respondents found these developmental opportunities useful. However, we received a lot of suggestions about training that would be of use. They covered areas such as medical terminology, ethics, conflict-of-interest, community needs assessment, corporate objectives, current issues in healthcare, planning, roles and responsibilities of board members, and policy-based governance.

12.66 We asked interviewees if they feel that the orientation sessions and ongoing training currently being provided are sufficient to allow them to properly understand and fulfil their responsibilities as board members. Most indicated that current orientation and ongoing training are sufficient. However, some seemed to indicate that members do not always take advantage of training offered.

12.67 While there is a fair amount of training available to board members, we feel it would be appropriate to have a more structured approach to the provision of this training. We would therefore recommend that boards develop an overall education policy for board members. This policy should be applied to ensure that all board members have sufficient knowledge about pertinent areas.

Recommendation

12.68 We recommend that all boards develop an education policy for their board members. Such a policy could include a requirement for certain core training to be completed by all board members. The policy should be reviewed and updated regularly.

Boards' involvement in strategic and policy issues

12.69 Our fourth governance evaluation criterion is as follows.

Boards of Crown Agencies should provide strategic direction to their Agency, along with a framework of corporate values and ethics within which management may operate.

Boards' involvement in strategic planning

12.70 A strategic planning exercise normally produces a corporate mission statement which summarizes the "raison d'être" of an organization. It also involves identifying a corporate vision and values. Additionally, it involves identifying strategic objectives that, if achieved, will mean that the corporate mission has also been achieved. Strategies must be developed for achieving those objectives, the resources needed to carry out those strategies must be obtained, and performance indicators must be identified that will aid in determining how successful those strategies have been in achieving those strategic goals. Strategic objectives must therefore be both clearly defined, and measurable.

12.71 Eighty-four of ninety-three survey respondents indicated that the purpose of their corporation has been translated into a clear mission statement. Fifty-one of ninety-two members responded that divisional/business plans are closely linked to the corporation's strategic plan. Thirty-seven respondents were unsure about this statement. Fifty-one of ninety-four also indicated that they feel that budgets reflect the priorities of the business/strategic plans and the corporate strategic plan. Twenty-two respondents were unsure about this statement and twenty-one disagreed with it.

12.72 Board members indicated that corporate strategic plans are updated as often as annually or as infrequently as every five years, depending on the region. Board involvement in the strategic planning process varies from region to region. Some boards are heavily involved in strategic planning through committees, board retreats, and other means. In other cases management does the planning and the board simply approves the resulting strategic plan.

12.73 We feel that strategic plans should be updated regularly, at least every three years, in order to keep them relevant in today's dynamic healthcare environment. We also feel that, in their responsibility as strategic leaders of the hospital corporations, boards should be involved in the development, as well as the approval of corporate strategic plans.

Recommendation

12.74 We recommend that corporate strategic plans be updated at least every three years. Boards should be involved in the development of these plans, not just in their approval.

Board decision-making

12.75 We feel that appropriate board decision-making should involve all members of the board. Board members should be informed about the organization and the environment in which it is operating. The majority of members (sixty-eight of ninety-four respondents to the survey) feel that

board members understand their organization and the issues facing it, thereby facilitating the decision-making process. We did note, however, that twenty-six of ninety-four respondents felt that decision-making is complicated by the fact that some members represent special interests rather than the corporate interest. This indicates that some members may not clearly understand whose interests they represent on regional hospital corporation boards.

12.76 A large majority (eighty-five of ninety-four) of the board members answering the survey felt that their board receives the administrative support it needs to fulfil its role. Seventy-five of ninety-three respondents indicated that the board acts immediately when presented with clear evidence of a problem.

12.77 In our opinion regional hospital corporation boards should be careful not to become too involved in making or approving management-level decisions. In that area, they should restrict themselves to developing or giving its interpretations of board policy where they feel it is appropriate. Whatever means the CEO chooses to achieve strategic goals should not be questioned, provided they are within the guidelines suggested by board policies. This method of policy-based governance is proposed in the book *“Boards that Make a Difference”*, by John Carver. Many board members indicated they were familiar with this book.

12.78 Sixty-three of ninety-one survey respondents felt that the board does not become too involved in the day-to-day management decisions of the corporation. Fourteen felt that they do, and fourteen were unsure. This feedback indicates to us that at least some of the regional hospital corporation boards may be involved in making certain decisions more appropriately left for management.

12.79 When asked to what extent the respective decision-making authorities of the board and CEO had been clearly defined, approximately half of respondents indicated this had been done completely and the other half indicated that it had been done to some extent. It is important that the division of responsibilities between the CEO (i.e. the management) and the board (i.e. the direction) be clearly defined in writing in order that decisions be made by the appropriate party.

Recommendation

12.80 We recommend that the division of responsibilities between the CEO and the board be defined in writing for each regional hospital corporation.

Effect of Department of Health and Community Services involvement on policy setting/decision-making by the board

12.81 The extensive involvement of the Department of Health and Community Services in the policy-setting and decision-making processes for hospital corporations is a major issue for nearly all board members who provided us with feedback.

12.82 We asked board members what types of board decisions must go to the Minister or the Department for final approval. They indicated that the Minister sets the direction for hospital services. There is a hospital master plan that the regions had input into. The Minister approves new services, strategic plans, the roles of regional facilities, the addition of staff, budget levels, bed closures, hiring physicians, the purchase of capital equipment, the CEO's salary, the corporate by-laws, and other key decisions taken.

12.83 In our survey, we asked board members to respond to the following quotation and question:

Compared to private and non-profit boards, the Board of the Corporation faces a unique environment, characterized by having to share authority, responsibility and direction-setting with government bodies, and having to work within the ambiguities arising out of this complex mix. What kind of problems, if any, does this cause for your board?

12.84 The following is a list of some of the responses provided by board members.

12.85 *Plenty! We get critical funding information much too late! Also, there is no global means of comparison with other corporations with respect to operating efficiency indicators and funding allocation appears not to reward those who exercise effective management control.*

12.86 *The perception that major decisions have already been taken by government before board input. The fact that the corporation does not have responsibility for the continuum [of] healthcare in the region.*

12.87 *There is a constant concern about budget deficits and patient care is our highest priority.*

12.88 *The board can not always make the decisions it wants because funding comes from elsewhere.*

12.89 *... We do not have the necessary authority to provide sufficient health care for the region.*

12.90 *Difficult to obtain the proper authority to hire and recruit a sufficient number of doctors.*

12.91 *We cannot be as entrepreneurial as one might wish. We can only advise the Minister and then wait for an answer or direction.*

12.92 *If we try and direct the corporation as a business many beneficial opportunities are missed waiting for 3rd party approval. Also, we are not funded for what we do.*

12.93 *It's never clear whether the board has ultimate financial authority or not. Where "Push comes to shove" the government usually comes through with money to cover our expenditures.*

12.94 *The board is a "front" for government officials and bureaucrats. The board is expected to implement or rubber stamp government policies, programs, and decisions.*

12.95 *... Very difficult to maintain a plan and stay on budget with government constantly making changes.*

12.96 *Long-range planning hard to do, harder to implement. Inability to control our destiny.*

12.97 *... Contract negotiated and signed in Fredericton, regions have to live with settlements and may not receive funding. Too much control out of region.*

12.98 *These responses indicate a fair deal of frustration on the part of board members. We note from these comments that there may be a tendency on the part of the Department to try to make all significant decisions, thereby slowing down the policy-setting and decision-making processes. This may be due to tight budgets, but it creates uncertainty and a feeling of powerlessness among board members.*

12.99 *We also asked what kind of changes the board members would propose to improve the problems identified above. Board members provided us with many suggestions.*

12.100 *The corporation should be given enough money to run it properly not having to run to government and beg for money.*

12.101 *Three year budget in order to do long-range planning.*

12.102 *Boards should have control over own funding and expenses, hiring should be set at board level, not by practitioners, control to be in each hospital and make them accountable.*

12.103 *Decentralize decision-making power so as to induce action and to create an environment of belonging and participation at the local and regional level ... not the opposite.*

12.104 *Allow the board to make the decisions they see fit and are able to function with financially. Some government decisions force our board to take the heat for decisions made beyond our control.*

12.105 *The Health Act must be changed to truly empower the board to function in accordance with the responsibilities it has been assigned.*

12.106 *Greater authority over complementary delivery components ... e.g. physician, nursing homes. This is the integrated model of health care.*

12.107 *Establish a wellness coefficient for the Province. Allow each region to meet that level. Reward those that come close to the coefficient by increasing their budget.*

Recommendations

12.108 We recommend that the Department of Health and Community Services, in consultation with the regional hospital corporations, clarify and document the roles and responsibilities of regional boards and Department vis-à-vis policy-setting and decision-making.

12.109 We recommend that the Department provide the hospital corporations with long-range budgets in order to facilitate board strategic and operational planning. Boards should be given the opportunity to provide input into this long-range budgeting process.

Communication of Department of Health and Community Services' policies and directives to regional hospital corporations/boards

12.110 Many comments from board members identified the need for improved communications between the Department of Health and Community Services/Minister and regional hospital corporations/boards. Board members indicated that many decisions are made at the last minute and without regional consultation. They also expressed the belief that the Department does not seem willing to listen to the concerns of boards nor deal with those concerns on a timely basis.

12.111 The board Chair deals directly with the Minister and occasionally has meetings with members of the Department of Health and Community Services. Board members occasionally meet with the Minister. The CEO and corporate management deal with departmental staff. Some board members noted that there are some communication difficulties between departmental and corporate staff. Our impression from feedback we received is that while communication between the Minister and board Chairs is good, other communication between the Department, and the regional corporations/boards could be improved.

12.112 When asked if there is sufficient coordination between the corporations and the Department of Health and Community Services, thirty-four of ninety-one survey respondents indicated that there was not. An additional thirty-three respondents were unsure. Only twenty-four agreed that there is currently sufficient coordination between the Department and the corporations. Twenty-six of ninety-one respondents also felt that the Department is not providing a consistent message to hospital corporations about government expectations.

12.113 From feedback provided by board members, it appears that the Department/Minister passes information on new policies and directives to the CEO and the Chair at about the same time. Operating information

provided by the Department goes directly to regional management. There may be some regional variations in this process.

12.114 Interviewees noted that budget information, government policy changes, internal directives, and other information are regularly received from the Department/Minister by the board. However, many board members indicated that this information often comes through management.

Recommendations

12.115 We recommend that the Department develop more formalized mechanisms for obtaining the feedback of regional corporations/boards with regard to policy decisions and directives being considered by government.

12.116 We also recommend that the Department strive to improve its timeliness in communicating policy-decisions and directives to the regional corporations/boards.

Departmental involvement in the strategic direction of the regional hospital corporations

12.117 As already discussed, the Department is heavily involved in policy-setting and long-term planning for hospital services. In our opinion, the Department should be ensuring that regional hospital corporations have up to date mission statements and strategic plans. The Department should assess those mission statements and strategic plans to see that they are in line with departmental plans and approve them prior to their adoption.

12.118 We feel it is very important that the Minister/Department provide sufficient up front information to allow corporations and their boards to prepare appropriate strategic plans. In our survey fifty-three of ninety-four respondents agree that the Minister of Health and Community Service's expectations as to the corporation's strategic direction have been provided to the board. Forty-nine of ninety-two thought that the corporate strategic plan had been approved by the Minister of Health and Community Services. However, only thirty-one of ninety-three respondents agreed that the Minister of Health and Community Services has identified specific performance targets that he expects the Corporation to achieve.

Recommendation

12.119 We recommend that the Minister/Department review and formally approve the strategic plans of the regional hospital corporations before they are adopted.

Governance information used by boards

12.120 Our fifth governance evaluation criterion is as follows.

Boards of Crown Agencies should monitor the performance of the corporation to assure themselves that strategic plans are being followed, that board policies have been complied with, and that executive limitations have been respected. Where necessary, boards should take action to correct deficiencies.

Monitoring of management by boards

12.121 We asked board members how they determine whether the corporation is doing a good job. Board members indicated that they make this evaluation in various ways. Most involve looking at reports prepared by management.

- They look at various reports to determine how well their regional corporation is doing in relation to the strategic plan. (Some board members mentioned that their boards are trying to develop performance indicators.)
- They look at negative public feedback and complaints.
- They look at budget versus actual financial results.
- They look at the results of the accreditation process.
- They assess overall corporate performance during annual board retreats.
- They consider the results of patient surveys.
- They request presentations relating to specific sections of the hospital operation.

12.122 We feel that each corporation should develop its own set of performance indicators that are tied to its strategic objectives. Annual targets should be set for these indicators and actual results should be compared against these targets in reports provided to the board by management. The Minister should require each corporation to develop these performance indicators and targets and approve them. Other reports to the board should address the degree of compliance with board policy, or the education of board members. In fact, many of the reports would contain information similar to that indicated above. The reporting format would simply be more formalized.

12.123 As one board member said:

We need to provide better definitions of services being provided by a corporation, better measures of the resources needed to provide that service, and then establish realistic funding formulas to ensure that the service is provided effectively. Coordination will then be needed of services between regions and incentives provided for effective use of provincial resources.

Recommendations

12.124 We recommend that the Minister/Department require the regional hospital corporations to develop performance indicators for their strategic objectives and set annual targets for each performance indicator identified. The Minister should approve these performance indicators and targets. The Minister/Department should also consider setting standard performance indicators for all regional corporations where considered appropriate. These could be used for comparative purposes.

12.125 We recommend that management reporting to the board be formally structured to provide comparisons between actual and targeted performance. Additionally, some reporting should address management compliance with board policies and the education of members. Such reporting should be provided on a regular, periodic basis.

Board external reporting

12.126 Our sixth governance evaluation criterion is as follows.

Boards of Crown Agencies should ensure that sufficient, relevant information is reported to Government and the Legislative Assembly, through the Minister responsible, to allow the assessment of the success of the Agency in meeting its strategic goals and satisfying its mission.

12.127 Fifty of ninety respondents to the survey indicated that their board has developed guidelines on the information to be provided to each group it accounts to. Fifty-two respondents felt that the information provided is sufficient to allow an evaluation of how well the corporation has performed.

Public reporting/liaison

12.128 Board members indicated that most of the regional boards have an external communication policy or are in the process of developing one. In general, external communications are handled by the Chair, the CEO, and an assigned communications person from corporate staff.

12.129 Board members identified many stakeholders with which their board has important relationships. These included the Minister, the Department of Health and Community Services, local councils, other regional hospital corporations through the NBHA, hospital foundations, other health-care organizations (Victoria Order of Nurses, nursing homes, and others), boards of trade, Members of the Legislative Assembly, community leaders, service clubs, medical staff, etc.

12.130 In most regions, some of the board meetings are open to the public and media. Board meeting packages are provided to the media on these occasions. Boards also provide information to stakeholders through regional newsletters, the corporate annual report, community meetings, press releases, and employee bulletins. Operations reports and more detailed financial information are provided to the Department of Health and Community Services.

12.131 We noted in our review that at least one region does not hold public board meetings. We repeat the recommendation of the NBHA, “*That all NB hospital corporations move as soon as possible to open board meetings....*”

12.132 In our interviews we asked board members how performance information is communicated to major stakeholders. Interviewees most

often mentioned the news media (through press releases), public meetings and regional newsletters. The annual report was mentioned only once by the sixteen board members we interviewed.

12.133 We also asked interviewees if they felt that information currently provided is sufficient to allow external parties to properly evaluate the degree of success of the corporation in achieving its mission and strategic goals. Ten of fourteen who responded felt that there was sufficient information provided. Four said that improvements could be made. One director thought their corporation should find a more systematic way of informing the public about corporate activities and suggested regular meetings with the public. Another noted that while their board was working on developing performance indicators, they had no plans to report against them externally.

12.134 There seem to be two distinct types of information to be provided to stakeholders. The first level involves day-to-day operations, changes in services provided, and other information of a general nature. Based on what we have been told, we believe that the boards are doing a good job in disseminating this type of information. The second level involves accountability information and will be discussed in the next section. Although some boards have started looking at this area, we feel that there are significant improvements that should be made to ensure that appropriate accountability information is provided to stakeholders.

Accountability information provided by the boards – annual report

12.135 In 1991, the Province of New Brunswick adopted an annual report policy for all government departments and Crown agencies. It establishes certain requirements regarding the form and content of annual reports. The policy defines the prime function of an annual report to be:

the major accountability document by departments and agencies for the Legislative Assembly and the general public. It serves as the key public link between the objectives and plans of a government entity and the results obtained.

12.136 The policy goes on to state:

To the degree possible, departments and agencies should give a clear account of goals, objectives and performance indicators. The report should show the extent to which a program continues to be relevant, how well the organization performed in achieving its plans and how well a program was accepted by its client groups.

12.137 The policy is applicable to Part III of the public service (i.e. the regional hospital corporations). Therefore, we undertook a brief review of regional hospital corporation annual reports for the year ended 31 March 1997 to see how well this policy is being complied with.

12.138 In general, we found that there are significant areas of non-compliance with the Province's annual report policy. A list follows.

- There is no discussion of the level of client acceptance of key corporate programs.
- There is no discussion of the continued relevance of key corporate programs.
- In all but two cases, corporate strategic objectives were not disclosed.
- None of the annual reports presented budget versus actual comparisons, and only a couple provided any information explaining why intended financial results had not been achieved.
- We were unable to identify any performance indicators that had been linked to the strategic objectives of the corporation. Some statistics were presented by certain corporations, but they had not been identified as performance indicators nor linked to specific strategic objectives.
- We noted the extensive use of photos in many of the annual reports. This is not permitted under the annual report policy. The policy in fact states, "*Annual reports are not normally to be used as promotional vehicles. When promotional activities are required, this will usually be accomplished through a separate publication.*"
- We also noted that, in a couple of cases, the corporate mission statement was not presented.

12.139 As we mentioned previously, we feel that much of the information that would be required to report performance is currently available and being considered by boards. Providing such information through the annual report should allow all stakeholders to see which targets were met. The report should also provide explanations where targets were not met, and explain actions to be taken in future to improve performance. In certain cases, the board may feel that established targets are not achievable. For example, some board members indicated in their feedback to us that it is impossible to deliver defined services with the financial resources currently being provided by the Department. The annual report would be an appropriate place to make this observation, and back it up with objective information.

Recommendation

12.140 We recommend that regional hospital corporations comply fully with the provincial annual report policy in future corporate annual reports.

Board relationship with Crown Corporations Committee and Public Accounts Committee

12.141 Regional hospital corporations do not currently appear before the Crown Corporations Committee or the Public Accounts Committee (PAC) of the Legislative Assembly of the Province of New Brunswick. The opportunity to ask questions about the operations of the regional hospital corporations is limited to the annual appearance of the Department of

Health and Community Services before the PAC. Even there, the officials of the Department are not able to respond to detailed questions concerning hospital spending.

12.142 In 1995, both the Crown Corporations Committee and the Public Accounts Committee recommended that senior administrators or board members from hospital corporations be required to appear before them annually. This issue was also discussed in the Standing Committee on Law Amendments pursuant to a review of the discussion paper "*Hospital Corporation Accountability*" tabled in the House on 26 March 1996. That committee was divided on the issue of whether senior administrators or board members from hospital corporations should be required to appear before a legislative committee. The committee did agree, however, that a requirement for open meetings would ensure a means of public accountability. They therefore recommended "*that a period of public input and participation be included as a mandatory part of all regular and annual meetings of hospital corporation boards.*"

12.143 The terms of reference of the Standing Committee on Crown Corporations state:

All annual reports of provincial agencies, boards and commissions stand permanently referred to the Crown Corporations Committee. For purposes of the Committee, provincial agencies, boards and commissions mean any provincial agency, board, commission or corporation

- *That is accountable through a Minister to the Legislative Assembly of New Brunswick for the conduct of its affairs; and/or*
- *To which the Lieutenant Governor in Council makes some or all of the appointments; and/or*
- *In which the Crown in right of New Brunswick is a majority shareholder.*

12.144 Regional hospital corporations are accountable through the Minister of Health and Community Services to the Legislative Assembly of New Brunswick for the conduct of their affairs. Therefore, we conclude that regional hospital corporations fall under the terms of reference of the Standing Committee on Crown Corporations.

12.145 Most representatives of the Department, the NBHA, and the boards of trustees of the regional hospital corporations that we talked to felt that the corporations should not appear before a legislative committee.

12.146 The former Minister of Health and Community Services made the following argument against regional hospital corporations appearing in a letter to the Crown Corporations Committee. "*Under the Hospital Act hospital corporations are accountable to the government through the Minister of Health and Community Services for the efficient, effective*

provision of quality hospital services within the approved budget and subject to established services.” He listed a variety of ways in which the Department monitors corporation operations, including financial and service reports, liaison with staff, regular meetings between the Minister and departmental staff and corporation board Chairs and staff, and assessment by the Canadian Council on Health Services Accreditation. He went on to say, “In addition, the Auditor General annually reviews operational and financial statements, and the department establishes operational policies for corporations. The Canadian Council on Health Services Accreditation is exacting accountability from a corporation’s board of trustees by requiring compliance with its standards. And many different avenues are used to ensure accountability to the government. Accountability to the community, however, is less prescribed. Of course, there is accountability through the courts and the power of the public media. Pre-determined selection criteria for recruiting trustees, their continuing education and performance evaluation are also helpful in dealing with the question of accountability.”

12.147 Other arguments advanced against the appearance of regional hospital corporations before the Crown Corporations Committee included the following:

- Public accountability is already being served through the Minister.
- It would provide a public platform for each corporation to advocate for more resources.
- It would provide for expression of potentially diverging, if not conflicting, interpretations of government policies and how they should apply. Each of the eight corporations would likely offer its own interpretation.
- It would result in officials circumventing their own board and the Department as well as the Minister in answering directly to the committee of the Legislature.

12.148 We agree that regional hospital corporations can only be held accountable for limited, mainly operational, aspects of the hospital services provided to New Brunswick residents. However, many of the arguments made as to why they should not appear before the Crown Corporations Committee could be advanced for any one of a number of New Brunswick Crown Agencies that appear before the Committee.

12.149 Regional hospital corporations are covered in the terms of reference of the Crown Corporations Committee. Also, they are generally responsible for making decisions in the area of operations that impact upon approximately \$600 million per annum of health care spending. Many much smaller Crown corporations appear before that committee. Therefore, we feel that their appearance before the Crown Corporations Committee would be appropriate. As an alternative, a case could be made for their appearance before the PAC with the Department of Health and Community Services.

12.150 We gave consideration to suggesting that the Minister appear before the Crown Corporations Committee. This would reflect the reporting responsibility of the regional hospital corporations to the Minister, and the Minister to the Legislative Assembly. While there may be merit to this approach, we note that the practice has not been followed for either the Crown Corporations Committee, or the PAC. We are therefore not recommending any change in the established practice. We do feel however that it would be important for the Chair of each board to appear along with the CEO. The Chair would respond to questions with the assistance of the CEO. This would ensure that board accountability for performance is addressed.

12.151 Boards do hold regular public meetings. However, these meetings are generally intended to disseminate information about operations to stakeholders, and are not sufficient for formal accountability purposes.

Recommendation

12.152 We recommend that the Chair of the board and CEO of each regional hospital corporation appear annually before the Crown Corporations Committee. Discussions should be limited to operational issues and the corporate annual report. Policies set by the Department of Health and Community Services should not be covered. They would more properly be discussed with the Department of Health and Community Services at Public Accounts Committee hearings. As an alternative, the Chair and CEO of each regional hospital corporation could appear with the Department of Health and Community Services before the Public Accounts Committee.