

Palomar Pomerado Health Governance Committee Meeting

Tuesday, October 10, 2006
10 a.m. - Noon

Palomar Medical Center
Escondido, CA 92025
Note room location: PMC Café Conf Room

Light Refreshments available in conference room
for Committee and invited guests only

- Call To Order
 - Public Comments
- | | | Min | Pages |
|----|--|-----|-------|
| 1. | * Approval of Minutes - June 13, 2006 | 2 | 1-2 |
| 2. | * PPH BOARD POLICIES REVIEW/APPROVAL
<i>including items tabled from June meeting:</i>
<i>Gifts & Donations Policy; and</i>
<i>Credit Cards Policy (Statement of Understanding--for PPH Business Only)</i>
- Jim Neal | 15 | 3 |
| 3. | CONFLICT OF INTEREST CODE BIENNIAL REVIEW 2006 Update
- Jim Neal | 3 | 4 |
| 4. | SUCCESSION PLANNING POLICY Update
- Michael Covert | 5 | 5 |
| 5. | IN-HOUSE LEGAL COUNSEL Update
- Michael Covert | 5 | 6 |
| 6. | LEGISLATIVE/GOVERNMENTAL RELATIONS Update
<i>including PPH lobbying efforts</i>
- Gustavo Friederichsen | 15 | 7 |
| 7. | ANNUAL BOARD SELF-EVALUATION – <i>potentially January/February</i>
- Michael Covert | 5 | 8-49 |
| 8. | ANNUAL BOARD EDUCATIONAL SEMINAR – <i>potentially early 2007</i>
- Michael Covert | 5 | 50 |
| 9. | ANNUAL CEO EVALUATION – <i>potentially January</i>
- Michael Covert | 5 | 51 |

ADJOURNMENT

Distribution:

Linda Greer, RN (Chairperson)
T.E. Kleiter
Gary L. Powers
Michael Covert, CEO
Gustavo Friederichsen, Chief Marketing & Communication Officer

Guests: Jim Neal, Director, Corporate Compliance
Kwaja Floyd, PPH Administrative Fellow


cc: C. Meaney, Nancy Bassett, RN, MBA (Alternate/fyi only)

NOTE: Asterisks indicate anticipated action; action is not limited to those designated items

"In observance of the ADA (Americans with Disabilities Act), please notify us at 858-675-5106
48 hours prior to the meeting so that we may provide reasonable accommodations"

Palomar Pomerado Health
GOVERNANCE COMMITTEE MEETING
Palomar Medical Center – Café Conference Room
June 13, 2006

AGENDA ITEM	DISCUSSION	CONCLUSION / ACTION	FOLLOW-UP
CALL TO ORDER	10:05p.m.	Meeting commenced	None
APPROVAL OF MINUTES	The minutes of March 11, 2006 were reviewed and approved.	MOTION: By T.E. Kleiter, 2 nd by Gary Powers and carried to approve the Minutes of March 11, 2006 as submitted.	None
ESTABLISHMENT OF QUORUM	Linda Greer, RN, Chairperson T.E. Kleiter Gary Powers <i>Also attending:</i> Michael Covert, CEO James Neal, Director Compliance & Integrity Diana Horne, Substitute Secretary to Committee	Information	None
NOTICE OF MEETING	The notice of meeting was mailed consistent with legal requirements.	Information	None
PUBLIC COMMENTS	None	Information	None
IN-HOUSE LEGAL COUNSEL UPDATE	Should the Interviews for the In-House Legal Counsel be done through the Governance Committee or an AD-HOC committee?	The decision was to have the Governance Committee assume the responsibility for the interview process.	Notify the Board/dissolve the ad hoc committee
REVIEW OF PPH POLICIES	In accordance with PPH Bylaws Section 2.3.1 and PPH Policy No. Gov-13, review of Policies should be undertaken as required or at least every three years. Policy Fin-03, PPH Credit Cards - T.E. Kleiter recommends each person in position of a PPH credit card be required to sign a statement of understanding that the use of such credit card is for PPH business only.	Nine Policies were reviewed by this committee and approved to send to the full Board of Directors for approval. Policy approved with the added statement.	Forward to full Board for approval. J. Neal will include appropriate statement in the Policy and design the statement of understanding and bring back this committee at the next meeting.

AGENDA ITEM	DISCUSSION	CONCLUSION / ACTION	FOLLOW-UP
	<p>Policy FIN-011, Annual Adoption of Statement of Investment – Mr. Neal suggested this Policy be changed to a Policy and Procedure with a procedure containing most of the detail information now on the current policy.</p> <p>Policy Gov-31, Whistleblower Protection - Mr. Neal suggested this Policy be changed to a Procedure. Mr. Kleiter requested “student & facility” be removed and “Medical Staff & Auxiliary” be put in.</p> <p>Policy Gov-34, Gifts and Donations – Tabled to next meeting</p>	<p>Approved to be changed to a procedure. Noted that this procedure was reviewed by the Board governance committee</p> <p>Approved to be changed to a procedure. Noted that this procedure was reviewed by the Board governance committee.</p> <p>Tabled</p>	<p>None</p> <p>None</p> <p>Mr. Neal to provide a copy of the PPHF Gift Policy.</p> <p>None</p> <p>None</p> <p>None</p>
FOUNDATION FACILITY NAMING POLICY	Should the PPHF Naming Policy become a PPH Board Policy?	Approved	None
LEGISLATIVE/ GOVERNMENTAL RELATIONS UPDATE	In accordance with regular updates to the Committee concerning relevant legislative and governmental affairs, on behalf of the Chief Marketing and Communication Officer.	Information	None
BOARD EDUCATION SESSIONS	Mr. Covert emphasized the need for Board Directors to attend Board Education Sessions.	Information	None
ADJOURNMENT	11:45 p.m.		
SIGNATURE	<p>Linda C. Greer, RN, Chairperson</p> <p> Diana Horne, Substitute Secretary to Committee</p>		

**Governance Committee
Board Policies Review/Approval**

TO: Governance Committee

DATE: October 10, 2006

FROM: Christine Meaney for Jim Neal, Director,
Corporate Compliance and Integrity

BACKGROUND: In order to bring PPH policies up to date, and to continue review on a tri-annual basis, revisions to all policies have now been made.

Those policies that have been reviewed/updated are being brought to the Committee on a regular basis to ensure this is accomplished. Following Governance Committee and Board approval, policies will then be input/revised online in the Lucidoc program.

Policies for current review-cycle/revision will be brought to the meeting by Mr. Neal, including those tabled from the June meeting (Gifts & Donations Policy; and Credit Cards Policy – Statement of Understanding—for PPH Business Use Only).

BUDGET IMPACT: None

**STAFF
RECOMMENDATION:** Review/Approval requested

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

**Governance Committee
Conflict of Interest Code Biennial Review 2006**

TO: Governance Committee

DATE: October 10, 2006

FROM: Christine Meaney for Jim Neal, Director,
Corporate Compliance and Integrity

BACKGROUND: PPH is required to review its Conflict of Interest Code on a biennial basis, the last occasion being 2004. Following discussion between Mr. Neal and Ms Meaney, it was felt that due to there being no substantial change on this occasion, the Board Office advised the County Board of Supervisors August 29, 2006 by completion and return of its 2006 Local Agency Biennial Notice, that no amendment was required.

BUDGET IMPACT: None

**STAFF
RECOMMENDATION:** Informational

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

**Governance Committee
Succession Planning Policy Update**

TO: Governance Committee

DATE: October 10, 2006

FROM: Christine Meaney, Secretary to Governance Committee

BACKGROUND: Following Board request for the drafting of a PPH Succession Planning Policy, the CEO has been working on such a draft and will provide an update/review to the Committee.

BUDGET IMPACT: None

**STAFF
RECOMMENDATION:** Information/Potential action

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

**Governance Committee
In-House Legal Counsel Update**

TO: Governance Committee

DATE: October 10, 2006

FROM: Christine Meaney, Secretary to Governance Committee

BACKGROUND: As a result of the perceived need for a PPH in-house legal counsel regarding certain legal matters, the CEO will provide an update to the Committee.

BUDGET IMPACT: None

**STAFF
RECOMMENDATION:** Information/Potential action

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

**Governance Committee
Legislative/Governmental Relations Update**

TO: Governance Committee

DATE: October 10, 2006

FROM: Christine Meaney, Secretary to Governance Committee

BACKGROUND: So that regular information may be provided to this committee, Gustavo Friederichsen, Chief Marketing and Communication Officer, will provide an update on legislative/governmental issues.

BUDGET IMPACT: None

**STAFF
RECOMMENDATION:** Information/Discussion

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

Governance Committee
Annual Board Self-Evaluation, and potential Facilitator

TO: Governance Committee

DATE: October 10, 2005

FROM: Christine Meaney, Secretary to Governance Committee

BACKGROUND: To meet JCAHO requirements, it is suggested that the Committee discuss planning for an Annual Board Self-Evaluation Meeting for January or February, 2007, depending upon calendaring commitments, noting that the Annual CEO Evaluation should be undertaken in January.

For information, the survey form for the Board's Self-Assessment by the Governance Institute has proved a useful tool, as well as the Board Self-Evaluation Peer Review survey (copies attached).

The involvement of a Facilitator should again be considered to compile and review a statistical report for the Board as a result of the above survey tools, as this has occurred in previous Annual Board Self-Evaluations. If so, it is respectfully suggested that Ronald Riner, M.D., who has successfully conducted two prior PPH Annual Board Self-Evaluations, be invited. Dr. Riner, whose bio is attached, would be willing to do so if the Board agreed. This would also provide a continuum benchmarking of the Board's progress.

BUDGET IMPACT: None

STAFF RECOMMENDATION: Action requested

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:



The Governance Institute's 2005 Board Self-Assessment

The Governance Institute has engaged in an ambitious project to revise and update its current 15-minute Self-Assessment to reflect current best practices in governance. The new board self-assessment will include state-of-the-art measures of governance performance, more appropriate scales, and wording that minimizes bias and maximizes validity and reliability.

The new survey questionnaires are designed in a manner that guarantees successful data collection and analysis.

The Governance Institute's Fast Track Board Self-Assessment

By completing The Governance Institute's Fast Track Board Self-Assessment, you are committing to a thoughtful review of your performance as a board. The report presents the assessment survey findings, highlights areas of excellence, and recommends areas for improvement.

The survey questionnaire measures your board's performance against recommended or "best" practices. We consider the assessment process a basis for board education and planning and the first step toward optimal board performance. One or more of the recommended practices may not be applicable to your organization—depending on your board culture, the way you prefer to do business, and the way you prefer to do your board work. You will want to discuss these results as a board and determine what should or should not apply to your organization.

The report and a discussion of the results should encourage you to further assess *how effectively* your board carries out and/or observes these recommended practices.

The 50-question survey and this report cover the following categories:

- Board Duties and Responsibilities
- Board Practices
- Board Member Performance

Anatomy of the Survey

For each of the above categories of assessment, there are a variety of questions. The first section focuses on *how effectively* the board performs its duties and responsibilities. The second section focuses on *how often* the board and/or a committee of the board follow certain board practices. The final section focuses on *how many individual board members* engage in specific practices that have been identified as important measures of how well a board functions.

Survey responses are tabulated and displayed in various exhibits throughout the report. The exhibits are organized according to the categories above. These exhibits show the *percent of your board members* who responded in a particular way to each of the survey questions, beginning with the responses to questions showing optimal results/performance.

Overall Ratings and Top 2 Ratings—Your Governance Report Card

The first set of exhibits in the report focuses on your organization's overall rating. The second set of exhibits focuses on your organization's overall rating for individual questions compared to The Governance Institute's national database of organizations that have completed a board self-assessment.¹ Overall ratings are calculated by averaging the "top 2" responses for questions in each category and are referred to as your governance "report card."

Detail of Results

The remaining exhibits in this report provide the detail of your responses for each question in the survey; that is, for each question, the full range of responses appear, including the percent of respondents who answered "don't know" to each question and the number of "no responses" for each question. Finally, areas of excellence are noted, as well as areas for improvement.

The Governance Institute's Comprehensive Self-Assessment

The comprehensive survey questionnaire measures your board's performance against an expanded set of recommended or "best" practices. It differs from the Fast Track Self-Assessment in the following ways:

- Supplementary questions
- Increased specificity of questions
- Expanded breadth and depth
- Increased reliability and validity
- Expanded report

This 80-question survey and report cover these categories:

- Fiduciary duties of care, loyalty, and obedience
- Financial oversight
- Quality oversight
- Mission/strategic oversight
- Board self-assessment and development
- Management oversight
- Advocacy
- Board member performance

Anatomy of the Survey

The comprehensive survey is arranged by type of question rather than category. Many questions focus on whether your board *observes* specific recommended practices (yes/no questions), some ask *how frequently* your board engages in a particular practice, and others ask your *degree of agreement* with statements designed to measure how well you believe your board performs in select best practice areas. To measure board work characteristics, we ask *how many individual board members* engage in specific practices that have been identified as important measures of how well a board functions.

Survey responses are tabulated and, at that point, we organize the results according to the categories listed above. The format for the exhibits and commentary are similar to the Fast Track assessment report. However, because of the expanded breadth and depth of the survey, the report contains more exhibits and commentary.

¹ There is currently no benchmark information available for Section 3: Board Member Performance.



The Governance Institute's Fast Track Board Self-Assessment

Welcome to The Governance Institute's *Fast Track* Board Self-Assessment. The following questionnaire represents the first step in a detailed and thoughtful review of your performance as a board. The questions have been structured to reliably measure your performance against recommended "best" practices for governance.

This survey poses a variety of questions—some focus on *how effectively* your board carries out its duties and responsibilities, some ask *how frequently* your board engages in a particular board practice, and others ask *how many individual board members* engage in specific practices that have been identified as important measures of how well a board functions.

As you complete the questionnaire, please consider the following:

1. Pay careful attention to the scales for each question. Section I questions relate to board *effectiveness*, Section II focuses on how *frequently* your board engages in specific practices, and Section III asks *how many board members* perform in specific ways.
2. Carefully rate each question *individually*, not the section as a whole (i.e., "We are very effective in *all* our duties and responsibilities.").
3. Don't hesitate to indicate you "don't know" to any question if in fact you don't know. It is better to answer "don't know" than to skip questions.
4. Stick to the choices identified in the scales. Don't mark between the scale responses. When in doubt about your choice, choose the more conservative rather than the more aggressive response (e.g., if your response falls somewhere between "some of the time" and "rarely," select "rarely").
5. Make sure you have responded to all the questions. Don't lose your place on the questionnaire.
6. Return the completed questionnaire to the designated board or staff person.

Section I: Board Duties and Responsibilities

Please indicate the effectiveness of the full board in the following (even if these duties and responsibilities have been delegated to a board committee): <i>Please circle one response for each item.</i>	Very Effective	Effective	Somewhat Effective	Not Effective	Don't Know	We Don't Do This (N/A)
1. Establishing the organization's strategic direction (e.g., setting priorities, approving the strategic plan, etc.)	VE	E	SE	NE	DK	N/A
2. Ensuring the organization's mission is being followed	VE	E	SE	NE	DK	N/A
3. Using quantifiable measures to ensure the organization's fulfillment of its community service	VE	E	SE	NE	DK	N/A
4. Monitoring the organization's financial performance compared to financial goals set by the board	VE	E	SE	NE	DK	N/A
5. Ensuring that the organization's strategic plan supports the community's healthcare needs for improved community health status	VE	E	SE	NE	DK	N/A
6. Ensuring the organization has an up-to-date medical staff development plan that identifies the organization's needs for ongoing physician availability	VE	E	SE	NE	DK	N/A

Section I: Board Duties and Responsibilities (continued)

Please indicate the effectiveness of the full board in the following (even if these duties and responsibilities have been delegated to a board committee): <i>Please circle one response for each item.</i>	Very Effective	Effective	Somewhat Effective	Not Effective	Don't Know	We Don't Do This (N/A)
7. Evaluating the CEO's performance	VE	E	SE	NE	DK	N/A
8. Ensuring the CEO has a current, written succession plan	VE	E	SE	NE	DK	N/A
9. Ensuring that the board members responsible for approving CEO compensation are independent directors (i.e., board members who do not have a relationship with the organization other than serving on the board)	VE	E	SE	NE	DK	N/A
10. Evaluating overall board performance	VE	E	SE	NE	DK	N/A
11. Evaluating the performance of individual board members	VE	E	SE	NE	DK	N/A
12. Ensuring board involvement in fund development and/or philanthropy efforts for the organization	VE	E	SE	NE	DK	N/A
13. Enforcing a conflict-of-interest policy uniformly across all members of the board	VE	E	SE	NE	DK	N/A
14. Ensuring that the external auditor is selected by independent/outside directors (i.e., board members who do not have a relationship with the organization other than serving on the board)	VE	E	SE	NE	DK	N/A
15. Ensuring the organization's compliance program meets external requirements	VE	E	SE	NE	DK	N/A
16. Establishing clear policy direction for how the organization will address the challenge of physician competition/conflict of interest	VE	E	SE	NE	DK	N/A
17. Enforcing ethical practices for financial reporting	VE	E	SE	NE	DK	N/A
18. Setting goals for itself regarding public advocacy	VE	E	SE	NE	DK	N/A
19. Understanding the array of financing options with respect to acquiring debt	VE	E	SE	NE	DK	N/A

Section II: Board Practices

Please indicate the how often the board does the following: Please circle one response for each item.	Always	Most of the Time	Sometimes	Rarely	Never	Don't Know
20. Discusses the needs of key stakeholders when setting the long-range direction for the organization	A	M	S	R	N	DK
21. Receives background materials at least one week in advance of meetings	A	M	S	R	N	DK
22. Spends more than half of the board meeting discussing strategic issues as opposed to hearing reports	A	M	S	R	N	DK
23. Seeks physician involvement in the governance process (e.g., strategic planning, capital planning, quality, patient safety, etc.)	A	M	S	R	N	DK
24. Requires major new hospital clinical programs or services to meet quality-related performance criteria (e.g., volume requirements, effective staffing levels, etc.)	A	M	S	R	N	DK
25. Ensures new board members receive an orientation on the duties and responsibilities of the board	A	M	S	R	N	DK
26. Uses competency-based criteria when selecting board members	A	M	S	R	N	DK
27. Uses the ability to advocate on behalf of the organization as a criterion in the selection of new board members	A	M	S	R	N	DK
28. Includes quality-related goals when evaluating senior executives	A	M	S	R	N	DK
29. Ensures that board members responsible for audit oversight periodically meet with the external auditor(s), without management present	A	M	S	R	N	DK
30. Evaluates proposed new programs or services against specific criteria (e.g., financial feasibility, market potential, impact on quality and patient safety, etc.)	A	M	S	R	N	DK
31. Ensures that the organization's strategic plan is integrated with the long-range capital financial plan	A	M	S	R	N	DK
32. Monitors the organization's progress related to its long-range capital plan(s)	A	M	S	R	N	DK
33. Requires corrective action when quality performance indicators are not being met	A	M	S	R	N	DK
34. Ensures that board members receive support for ongoing board member education	A	M	S	R	N	DK

(Continued on back page)

Section III: Board Member Performance

Please indicate how many board members (including yourself): <i>Please circle one response for each item.</i>	All Board Members	Most Board Members	Some Board Members	A Few Board Members	No Board Members	Don't Know
35. Understand the roles and responsibilities of the board	All	Most	Some	A Few	None	DK
36. Treat board self-assessment as a top priority	All	Most	Some	A Few	None	DK
37. Actively participate in board meetings	All	Most	Some	A Few	None	DK
38. Actively participate in board education opportunities	All	Most	Some	A Few	None	DK
39. Use time available during board meetings appropriately	All	Most	Some	A Few	None	DK
40. Voice opinions of concern regardless of how sensitive the matter may be	All	Most	Some	A Few	None	DK
41. Display professional courtesy and respect when inter- acting with other board members	All	Most	Some	A Few	None	DK
42. Recognize the differences between the board's role and management's role	All	Most	Some	A Few	None	DK
43. Maintain confidentiality of information discussed in board/committee meetings	All	Most	Some	A Few	None	DK
44. Help identify individuals whose knowledge may be useful to the organization as potential board members	All	Most	Some	A Few	None	DK
45. Exhibit a willingness to consider differing opinions	All	Most	Some	A Few	None	DK
46. Exhibit a willingness to challenge traditional thinking	All	Most	Some	A Few	None	DK
47. Come well prepared to address agenda items at board meetings	All	Most	Some	A Few	None	DK
48. Make attendance at board meetings a high priority	All	Most	Some	A Few	None	DK
49. Work well as part of a team	All	Most	Some	A Few	None	DK
50. Communicate effectively with the CEO	All	Most	Some	A Few	None	DK

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The Governance Institute's Comprehensive Board Self-Assessment

Welcome to The Governance Institute's *Comprehensive Board Self-Assessment*. The following questionnaire represents the first step in a detailed and thoughtful review of your performance as a board. The questions have been structured to reliably measure your performance against recommended "best" practices for governance.

This survey poses a variety of questions—some focus on whether your board *observes* specific recommended practices, some ask *how frequently* your board engages in a particular practice, and others ask your *degree of agreement* with statements designed to measure how well you believe your board performs in select best practice areas. To measure board performance, you will be asked *how many individual board members* engage in specific practices that have been identified as important measures of how well a board functions.

As you complete the questionnaire, please consider the following:

1. **Pay careful attention to the scales for each question.** Section I questions relate to *frequency* of a particular practice, Section II focuses on whether the board has written policies and calls for *yes/no* responses, Sections III and IV consist of *yes/no* questions only. Section V uses an *agree/disagree* scale, and Section VI uses a *how many* scale.
2. **Don't hesitate to indicate you "don't know" to any question if in fact you don't know.** It is better to answer "don't know" than to skip questions.
3. **Stick to the choices identified in the scales.** Don't mark between the scale responses. When in doubt about your choice, choose the more conservative rather than the more aggressive response (e.g., if your response falls somewhere between "some of the time" and "rarely," select "rarely").
4. **Make sure you have responded to all the questions.** Don't lose your place on the questionnaire form.
5. **Return the completed questionnaire to the designated board or staff person.**

Section I: Please indicate how often the board does the following:

<i>Please circle one response for each item.</i>	Always	Most of the Time	Sometimes	Rarely	Never	Don't Know
1. Reviews financial feasibility before approving major projects	A	M	S	R	N	DK
2. Considers whether a major project adheres to the organization's mission before approving it	A	M	S	R	N	DK
3. Receives important background materials at least one week in advance of meetings	A	M	S	R	N	DK
4. Requires major new hospital clinical programs or services to meet quality-related performance criteria (e.g., volume requirements, effective staffing levels, etc.)	A	M	S	R	N	DK
5. Seeks physician involvement in governance (e.g., strategic planning, capital planning, quality, patient safety, etc.)	A	M	S	R	N	DK
6. Requires management to keep the board up-to-date on potential or current malpractice litigation against the organization	A	M	S	R	N	DK
7. Discusses the needs of key stakeholders when setting the long-range direction for the organization	A	M	S	R	N	DK
8. Uses the ability to advocate on behalf of the organization as a criterion in the selection process of new board members	A	M	S	R	N	DK
9. When necessary, updates policy statements regarding roles/responsibilities of board members	A	M	S	R	N	DK
10. Uses time available during board meetings appropriately to perform its duties	A	M	S	R	N	DK
11. Spends more than half of the board meeting discussing strategic issues as opposed to hearing reports	A	M	S	R	N	DK

Section II: Please circle "yes" or "no" for whether the board has written policies regarding the following:

<i>Please circle one response for each item.</i>	Yes	No	Don't Know
12. Specifying the board's requirements for external audit (e.g., how the external auditor is selected, scope of responsibilities of the external auditor, etc.)	Y	N	DK
13. Describing conflict of interest with guidelines for the resolution of issues related to conflict of interest	Y	N	DK
14. Describing confidentiality with guidelines for the resolution of issues related to confidentiality	Y	N	DK
15. Outlining the organization's approach to physician competition/conflict of interest	Y	N	DK
16. Defining how the organization's strategic plan is developed (e.g., who is to be involved; time frames; role of the board, management, physicians, and staff; etc.)	Y	N	DK
17. Evaluating proposed new programs or services on factors such as financial feasibility, market potential, impact on quality and patient safety, etc.	Y	N	DK
18. Establishing a process for setting the CEO's goals	Y	N	DK
19. Establishing a process for evaluating the CEO's performance	Y	N	DK
20. Establishing the board's role in fund development and/or philanthropy	Y	N	DK
21. Describing ethical practices for financial reporting	Y	N	DK

Section III: Please circle "yes" or "no" if the board or a committee of the board:

<i>Please circle one response for each item.</i>	Yes	No	Don't Know
22. Assesses the adequacy of its conflict-of-interest/confidentiality policies and procedures at least every two years	Y	N	DK
23. Requires management to have a formal up-to-date compliance plan for the organization	Y	N	DK
24. Requires management to report on resources used in support of the organization's charitable mission	Y	N	DK
25. Monitors the organization's financial performance compared to financial goals set by the board	Y	N	DK
26. Monitors the organization's financial performance compared to relevant industry benchmarks	Y	N	DK
27. Approves the organization's annual financial plan	Y	N	DK
28. Approves the organization's capital plan	Y	N	DK
29. Monitors the organization's progress related to the capital plans	Y	N	DK
30. Includes quality-related goals in the compensation plan for senior executives	Y	N	DK
31. Requires management to have an up-to-date medical staff development plan that identifies the organization's needs for ongoing physician availability	Y	N	DK
32. Requires an assessment at least every two years of the perceptions of those who work in the organization to identify their level of satisfaction with the organization	Y	N	DK
33. Participates at least annually in education regarding issues related to its responsibility for quality of care in the organization	Y	N	DK

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Section III: (continued)

<i>Please circle one response for each item.</i>	Yes	No	Don't Know
34. Assesses the organization's bylaws at least every two years	Y	N	DK
35. Uses competency-based criteria when appointing new board members	Y	N	DK
36. Uses performance-based criteria when re-appointing board members	Y	N	DK
37. Evaluates the performance of individual board members at least every two years	Y	N	DK
38. Evaluates its own performance at least every two years	Y	N	DK
39. Considers the IRS mandate of "fair market value" and "reasonableness of compensation" when determining the CEO's compensation package	Y	N	DK
40. Requires the CEO to have a written, current succession plan	Y	N	DK
41. Reviews an up-to-date community health needs assessment at least every two years to understand health issues of the communities served	Y	N	DK
42. Reviews the organization's top management succession plan at least every two years	Y	N	DK
43. Requires that the organization's strategic plan is integrated with the financial plan	Y	N	DK
44. Reviews quality performance measures at least quarterly to identify needs for corrective action	Y	N	DK
45. Conducts assessments at least every two years to ensure that the organization's mission is being followed	Y	N	DK

Section IV: Please circle "yes" or "no" for the following:

<i>Please circle one response for each item.</i>	Yes	No	Don't Know
46. Board members receive a written description of the duties and responsibilities of the board	Y	N	DK
47. Board members are required to complete a conflict-of-interest disclosure statement annually	Y	N	DK
48. One of the resolutions for knowingly violating conflict of interest is removal from the board	Y	N	DK
49. Board members responsible for audit oversight meet with the external auditors, without management, at least annually	Y	N	DK
50. The board has an orientation program for new board members	Y	N	DK
51. The board has an annual education plan to ensure ongoing board member education	Y	N	DK
52. Funding to support the board's annual education plan is included in the organization's financial plan	Y	N	DK
53. The CEO's evaluation process includes a private session between the CEO and designated members of the board to discuss the results of the evaluation	Y	N	DK
54. The CEO's compensation plan is based, in part, on the CEO performance evaluation	Y	N	DK
55. The board members responsible for approving CEO compensation are independent/outside directors (i.e., board members who do not have a relationship with the organization other than serving on the board)	Y	N	DK
56. The external auditor is selected by independent/outside directors	Y	N	DK

(Continued on back page)

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Section V: How much do you agree or disagree with the following statements regarding the board?

<i>Please circle one response for each item.</i>	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
57. Enforcement of the organization's conflict-of-interest/confidentiality policies is uniformly applied across all members of the board	SA	A	D	SD	DK
58. The board plays a major role in establishing the organization's strategic direction, such as setting priorities and approving the strategic plan	SA	A	D	SD	DK
59. Board self-assessment is treated as a top priority by the board	SA	A	D	SD	DK
60. An annual goal-setting process for board performance is treated as a top priority by the board	SA	A	D	SD	DK
61. The expectation that board members advocate on behalf of the organization is clearly established during board member orientation	SA	A	D	SD	DK
62. As a whole, our board communicates effectively with the CEO	SA	A	D	SD	DK
63. Our chairperson ensures that individual board members have opportunities to participate or be heard in board meetings	SA	A	D	SD	DK
64. The board demands corrective actions in response to under performance on the financial plan	SA	A	D	SD	DK

Section VI: Please indicate how many individual board members do the following:

<i>Please circle one response for each item.</i>	All	Most	Some	A Few	None	Don't Know
65. Participate in educational opportunities on issues affecting our governance	A	M	S	F	N	DK
66. Recognize the differences between the board's role and management's role	A	M	S	F	N	DK
67. Maintain confidentiality of information discussed in board meetings	A	M	S	F	N	DK
68. Help identify individuals whose knowledge may be useful to the organization as potential board members	A	M	S	F	N	DK
69. Strive to represent the healthcare needs of the community	A	M	S	F	N	DK
70. Voice opinions of concern regardless of how sensitive the matter may be	A	M	S	F	N	DK
71. Come well-prepared to address agenda items at board meetings	A	M	S	F	N	DK
72. Make attendance at board meetings a high priority	A	M	S	F	N	DK
73. Actively participate in board meetings	A	M	S	F	N	DK
74. Communicate effectively with the CEO	A	M	S	F	N	DK
75. Understand the array of financing options with respect to acquiring debt	A	M	S	F	N	DK
76. Are willing to challenge recommendations of the Medical Executive Committee(s) regarding physician appointment or reappointment to the medical staff	A	M	S	F	N	DK
77. Display professional courtesy and respect when interacting with other board members	A	M	S	F	N	DK
78. Exhibit a willingness to consider differing opinions	A	M	S	F	N	DK
79. Exhibit a willingness to challenge traditional thinking	A	M	S	F	N	DK
80. Work well as part of a team	A	M	S	F	N	DK



The Governance Institute's 15-Minute Self-Assessment for Hospital Boards

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NR = No Response (not included in tabulation)

Section 1: Mission & Planning Oversight

- A. Each board member has received a copy of our organization's mission statement.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- B. Proposals brought before our board are evaluated to ensure that they are consistent with the mission statement. Our Rating:
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- C. We have reviewed and discussed our mission statement within the past 12 months to ensure that it is current and relevant.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- D. Our board has received and adopted a strategic plan and we approve modifications to keep it current.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- E. The administration, the medical staff, the nursing service, and other appropriate departments and advisors participate in our planning process.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- F. The board regularly reviews progress toward meeting goals in the plan to assess the degree to which the hospital is meeting its mission.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- G. Our board members are active and effective in representing the community's healthcare interest and serve as a communication link between the hospital, government officials, and others important to the provision of community health services.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor

Section 2: Quality Oversight

- A. Our board understands and accepts our responsibility-legal, moral, and regulatory-for the actions of all physicians, nurses, and other individuals who work in the hospital.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- B. We appoint physicians to board committees and seek physician participation in the governance process to assist us in our patient quality-assessment responsibilities.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- C. We fully understand our responsibilities and relationships with the medical staff, and have effective mechanisms for communicating with them.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- D. We carefully review recommendations of the medical staff regarding new physicians who wish to practice at our hospital.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- E. We reappoint individuals to our medical staff based on how they have performed since their last appointment, using comparative outcome data.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor

- F. We review and carefully discuss quality reports which provide comparative statistical data about our hospital's clinical services and patient care and set targets to ensure improvement.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- G. We require/receive, on a regular basis, and discuss malpractice data reflecting our hospital experience and the experience of individual physicians who we have appointed to the medical staff.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- H. We regularly receive and discuss data about our medical staff to ensure that future staffing will be adequate regarding ages, numbers, specialties, and other demographics.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- I. We periodically review and assess the attitudes and opinions of those who work in the hospital to identify our strengths, weaknesses, and opportunities for improvement.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor

Section 3: Financial Oversight

- A. The board reviews and adopts an annual budget which sets revenue and expense targets and receives and discusses regular reports during the year to determine compliance.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- B. The board receives and adopts a long-term capital-expenditure plan which estimates projected sources, uses, and costs of future funds for buildings and equipment.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- C. Our board approves specific targets and limits on items such as debt, liquidity, return on investment, profitability, and other financial ratios to provide us with early warning signals of financial performance. Our Rating: Excellent. Good Fair Poor
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- D. We receive and review follow-up reports on programs that were previously approved, such as joint ventures, to ensure that our original projections and expectations are being met.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- E. Our board recognizes that our oversight of finances must be closely related to our quality and strategic planning oversight responsibilities.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor

Section 4: Management Oversight

- A. A committee of the board conducts an evaluation of the CEO each year using specific targets agreed upon in advance with the CEO.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- B. Our board members clearly understand the differences between the board's oversight role and the CEO's management role.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- C. Our board communicates effectively with the CEO regarding goals, expectations, and concerns.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- D. Our board supports the CEO in providing support of the medical staff with its responsibility to evaluate and resolve quality of patient-care issues.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- E. Our board periodically surveys CEO employment arrangements at other hospitals to assure that our compensation, contract, and conditions are reasonable and competitive.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- F. We periodically review the hospital's top management succession plan to assure ourselves of leadership continuity.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor

Section 5: Board Effectiveness

- A. The board policies and criteria for selecting new members of the board are clearly defined and followed to ensure continued leadership and appropriate representation.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- B. The governing body evaluates its own performance and the performance of each board member to determine appropriateness of continued service on the board.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- C. We have a written conflict-of-interest policy that includes guidelines for the resolution of any existing or apparent conflict of interest; board members, physicians, or administrators do not conduct transactions with the hospital that could appear to be self-dealing.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- D. All members of the board understand and fulfill their responsibilities and each board member has received written descriptions of the board's duties and reporting relationships.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- E. All members of the board participate in an orientation program and a regular program of continuing education.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- F. The board periodically reviews its own structure to assess its size, committee structure, member tenure, turnover policy, and tenure of officers and committee chairpersons.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- G. The frequency and duration of board and committee meetings are adequate to conduct the board's oversight responsibilities, but do not discourage attendance and participation by misusing valuable trustee time.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- H. Our chairperson exercises a firm and fair hand with individual board members to ensure that all have equal opportunity to participate, time is not monopolized by a few, and agenda items are dispatched after reasonable discussion.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- I. The board members receive the agenda and back-up materials well in advance of meetings.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor
- J. The board members come well prepared to discuss agenda items.
Our Rating: _____ Excellent _____ Good _____ Fair _____ Poor

Section 6: Individual Assessment

- A. Continuing Education. I participate in outside educational opportunities to remain current on changing trends and issues affecting our governance.
My Performance: _____ Excellent _____ Good _____ Fair _____ Poor
- B. Demonstrated Interest. I attend, prepare for, and participate at board and committee meetings, and assume a fair workload with my colleagues.
My Performance: _____ Excellent _____ Good _____ Fair _____ Poor
- C. Interpersonal Relations. I deal fairly and appropriately with other board members, management, and professional staff.
My Performance: _____ Excellent _____ Good _____ Fair _____ Poor
- D. Relations with Management. I recognize the differences between the board's role and the CEO's role.
My Performance: _____ Excellent _____ Good _____ Fair _____ Poor
- E. Confidentiality. I understand the confidential nature of board deliberations and maintain privacy regarding issues and information discussed in board and committee meetings.
My Performance: _____ Excellent _____ Good _____ Fair _____ Poor

- F. **Conflict of Interest.** I am satisfied that no conflicts of interest exist in my service as a hospital board member.
My Performance: _____ Excellent _____ Good _____ Fair _____ Poor
- G. **Board Recruitment.** I participate in identifying individuals whose skills and knowledge may be useful to the hospital as potential board members.
My Performance: _____ Excellent _____ Good _____ Fair _____ Poor
- H. **Community Representation.** As a hospital board member, I strive to represent the healthcare needs of the community and share the hospital's needs and concerns with external constituencies.
My Performance: _____ Excellent _____ Good _____ Fair _____ Poor
-

This 15-minute self-assessment was developed by The Governance Institute to assist boards in identifying their strengths and areas in which they can improve their performance.

For further information about the use of this or other resources for board development contact:



The Governance Institute
 6333 Greenwich Drive, Suite 200
 San Diego, CA 92122
 Phone: (858) 909-0811
 Fax: (858) 909-0813
www.governanceinstitute.com

**PPH BOARD SELF-EVALUATION
PEER REVIEW
Wednesday, December 14, 2005**

BOARD MEMBER – PLEASE CIRCLE NAME

N. Bassett / L. Greer / A. Larson / T. Kleiter / B. Krider / M. Rivera / N. Scofield

*Please rate the individual's performance on a scale from 1 to 3 with
(1) indicating Fair, (2) indicating Good, and (3) indicating Excellent.*

DOES THE ABOVE INDIVIDUAL:

- (1) Work to educate himself/herself regarding Trends in the Health Care Industry?
1 2 3
- (2) Approach issues from a broad, impartial and System perspective, maintaining objectivity?
1 2 3
- (3) Respect his/her fellow board members' opinions and works to promote a collegial working relationship?
1 2 3
- (4) Understand the difference between his/her role as a Board Member and that of Management?
1 2 3
- (5) Possess the skills and attributes necessary to Chair Committees and represent the committee's actions to the full Board?
1 2 3
- (6) Come well prepared for Board and Committee Meetings to participate actively?
1 2 3
- (7) Respect the confidentiality of Board deliberations?
1 2 3
- (8) Appropriately use board time during reports, comments and deliberations?
1 2 3
- (9) Regularly participate in Health System activities and effectively represents PPH to the public?
1 2 3

RONALD N. RINER, M.D.

Dr. Riner is president of his own advisory and consulting firm, which he started in 1980. He has served as a consultant and professional advisor to medical practices, health systems, professional medical associations, the insurance industry, pharmaceutical companies, universities and medical device companies on issues having bearing on the interface of the business community with those providing health care services or supplying and developing of healthcare products. He has also served as a member of the executive management team for one of the largest health care systems in the United States. He has participated in the formation of numerous strategic alliances, mergers and acquisitions within the healthcare field. He is the former Chairman of the Board of Directors for the Alleghany Health System of Tampa, Florida. In that position, he was instrumental in beginning the process by which that organization became part of a newly formed large multi-state healthcare system. He has also previously served as an outside Director for Horizon/CMS, one of the largest investor owned sub-acute national transitional health care systems prior to its merger with HealthSouth. In that position, he served as a member of the Compliance Committee and Compensation Committee. He has also served as a Director for LifeRate Systems, Inc., a publicly traded company undertaking software development and information system implementation for health care organizations. He is a former Director for the Seton Institute of International Development, a company providing medical assistance to third world countries and is a former Director for the St. Louis Chapter of the American Heart Association. In St. Louis he has been a member of the Board of Directors for the Association for Corporate Growth, and has served on the Advisory Board of the Mathews Dickey Academy. He is currently a board member of the Princeton Club, a former Chair of the Alumni Secondary Schools Committee for Princeton and serves as a member of the Oversight Committee of the American College of Cardiology responsible for business development and vendor relations in the College's efforts at instituting a national data repository for clinical outcomes. He is also an outside director for Angelica Corporation - a company that focuses on managing linen services for hospitals and other healthcare providers. It operates 29 laundry plants in or near metropolitan areas throughout the United States. He is the editor of a publication focused on healthcare economics, which has a wide domestic and international readership (35 countries). Areas of special interest include:

- New business development
- Formation and negotiation of strategic alliances
- Strategic planning for health care delivery organizations, clinical practices and healthcare related businesses [information companies, group purchasing, etc.]
- Mergers and acquisitions referable to health care
- Group practice formation and enhancement of medical practice models
- Enterprise management and advisory services to senior management teams
- Educational and advisory forums for boards and select groups of executive, scientific and clinical leadership

A graduate of Princeton University, Dr. Riner attended Cornell University Medical College and received his internship and residency training at The New York Hospital/Memorial Sloan Kettering Cancer Center. He performed his specialty training in cardiovascular diseases at the Mayo Clinic in Rochester, Minnesota and received formal business education at the Olin School of Business at Washington University, Kellogg School of Business in Chicago and Harvard University in Boston. He is a Fellow of the Executive Institute for Advanced Study in International Affairs in at Washington University. He has had over 15 years of private medical practice experience prior to devoting himself entirely to the *business* of medicine. He is a member of numerous specialty societies and academies. His diverse experiences within the healthcare field, having practiced and served as advisor within every facet of medicine (academic/private/solo/small-large group) and also having served at senior management and governance levels within large health systems provides unique vantage points and skills resulting in his being a frequently requested speaker, advisor and consultant for hospitals, health systems, educational institutions, pharmaceutical and medical device companies and other components of the health care field.





Board Self Evaluation Meeting

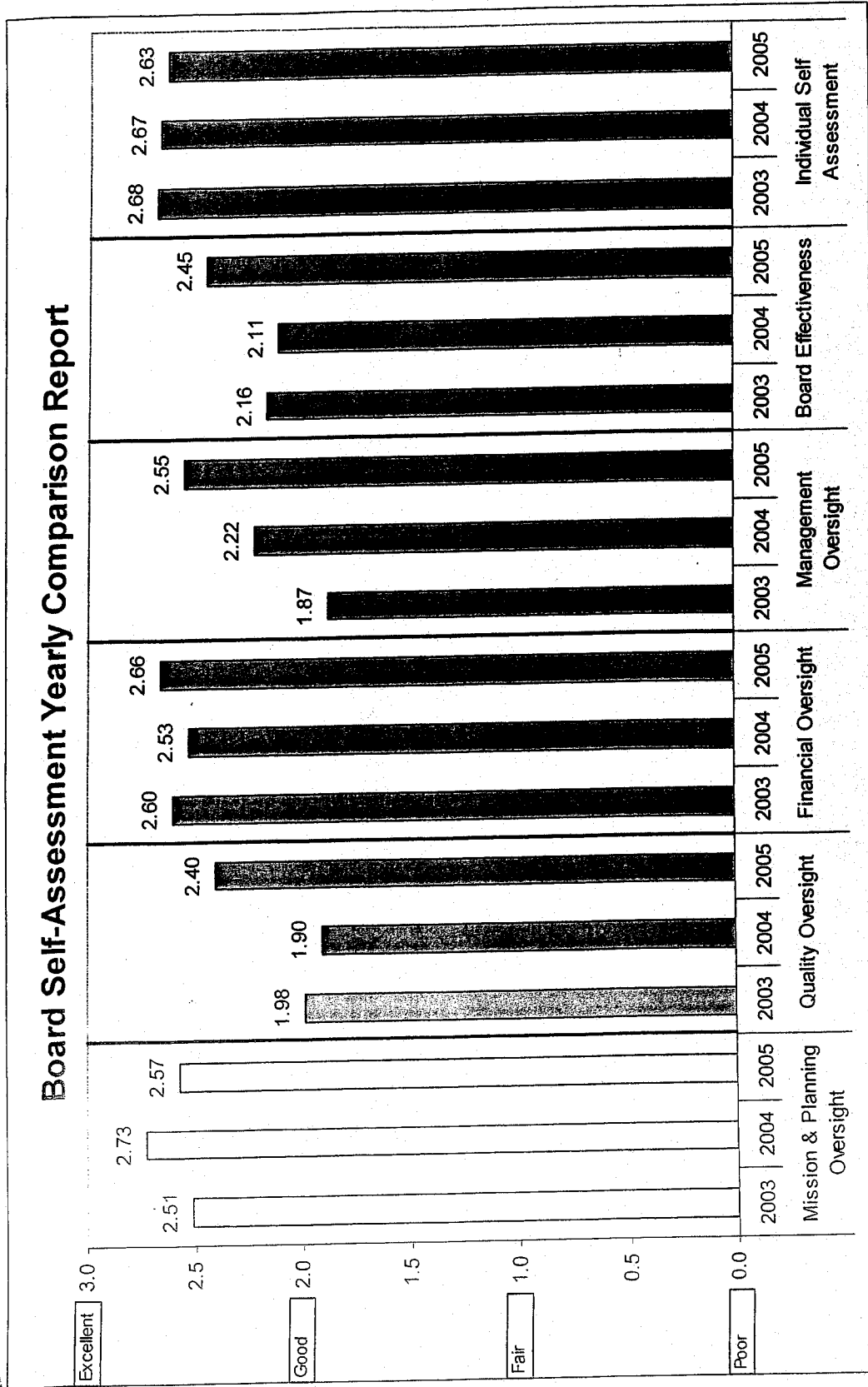
December 14, 2005

Ronald N. Riner, M.D., FACC
The Riner Group, Inc.
1034 S. Brentwood, Suite 1640
St. Louis, MO 63117
314-727-7098
314-727-2735 Fax
www.rinergroup.com



Yearly Comparison Report

Yearly Comparison Report



Green = 2005 Highest Rating, Yellow = 2005 Higher than 1 Year, Lower than 1 Year, Red = 2005 Lowest Rating



Fast Track Board Self-Assessment

Fast Track Self-Assessment

Overall Ratings

■ Palomar Pomerado □ Benchmark



Board Duties & Responsibilities

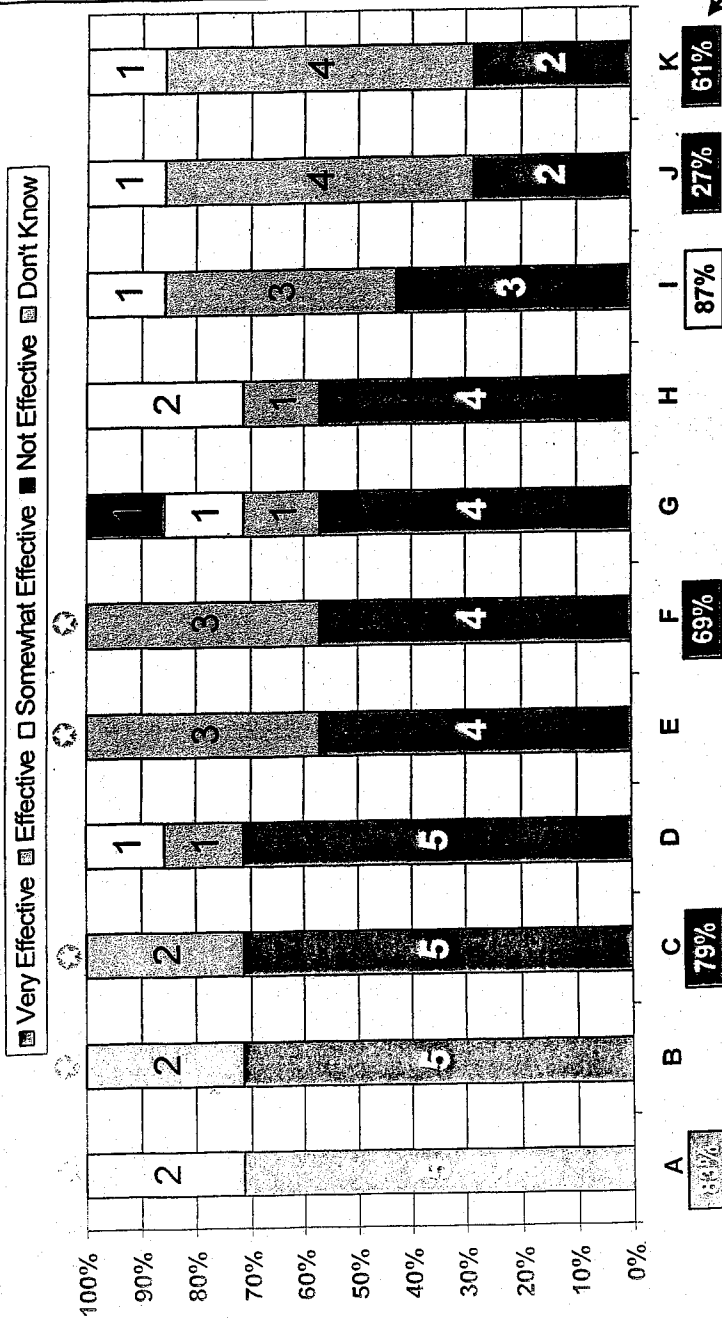
Measures how effectively board carries out duties and responsibilities
Benchmark = percentage who responded "Very Effective" or "Effective"

Board Practices

Measures how frequently board engages in a particular practice
Benchmark = percentage who responded "Always" or "Most of the Time"

Fast Track Self-Assessment

Board Duties & Responsibilities

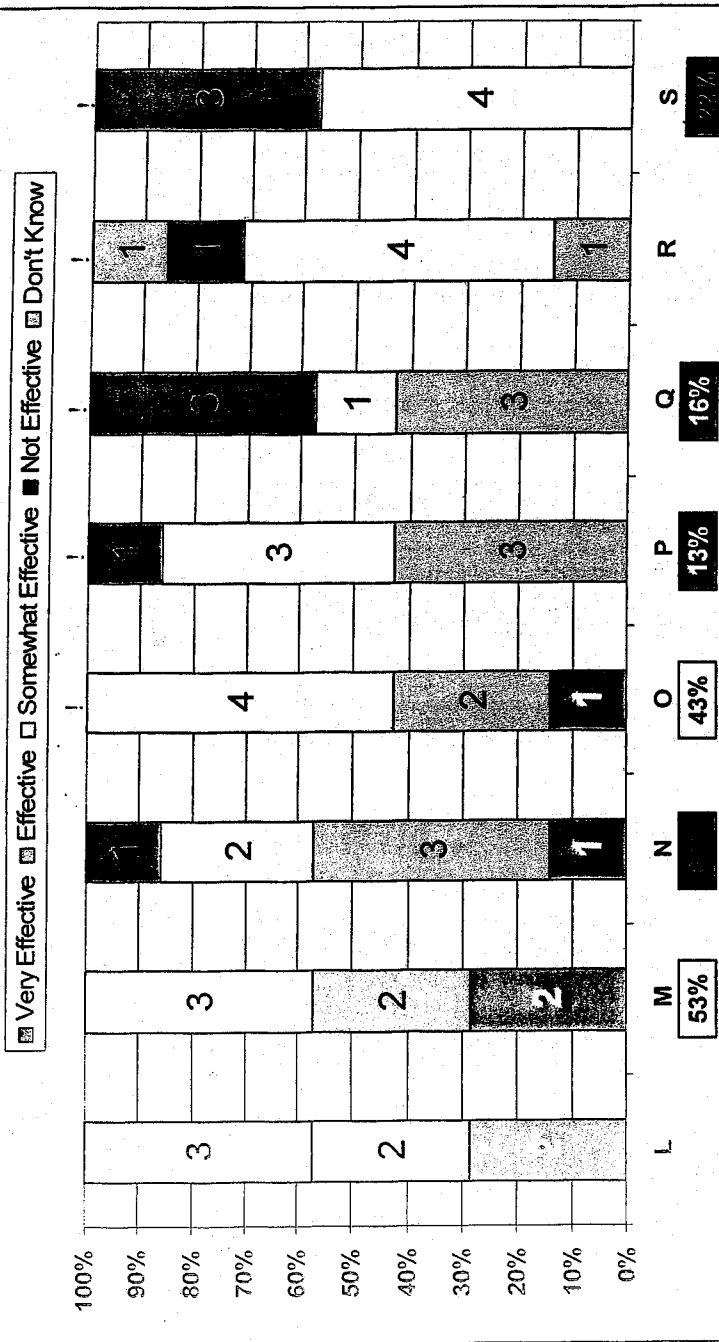


- A) Understanding the array of financing options with respect to acquiring debt.
- B) Evaluating the CEO's performance.
- C) Monitoring the organization's financial performance compared to financial goals set by the board.
- D) Enforcing ethical practices for financial reporting.
- E) Ensuring the organization's compliance program meets external requirements.
- F) Ensuring the external auditor is selected by independent/outside directors.
- G) The board ensures a conflict-of-interest policy is uniformly enforced across all members of the board.
- H) Ensuring the board members responsible for approving CEO compensation are independent directors.
- I) Establishing the organization's strategic direction.
- J) Evaluating the performance of individual board members.
- K) Evaluating overall board performance.



Fast Track Self-Assessment

Board Duties & Responsibilities



Benchmark = percentage who responded "Very Effective" or "Effective"

- L) The board ensures the organization has an up-to-date medical staff development plan.
- M) Ensuring the organization's mission is being followed.
- N) Using quantifiable measures to ensure the organization's fulfillment of its community service.
- O) Ensuring that the organization's strategic plan supports the community healthcare needs.
- P) Setting goals for itself regarding public advocacy.
- Q) Ensuring involvement in fund development and/or philanthropy efforts for the organization
- R) Establishing clear policy direction for addressing physician competition/conflict of interest.
- S) Ensuring the CEO has a current, written succession plan.

Fast Track Self-Assessment

Board Practices

Always ☐ Most of the Time ☐ Sometimes ☐ Rarely ☐ Never ☐ Don't Know ☐ No Response

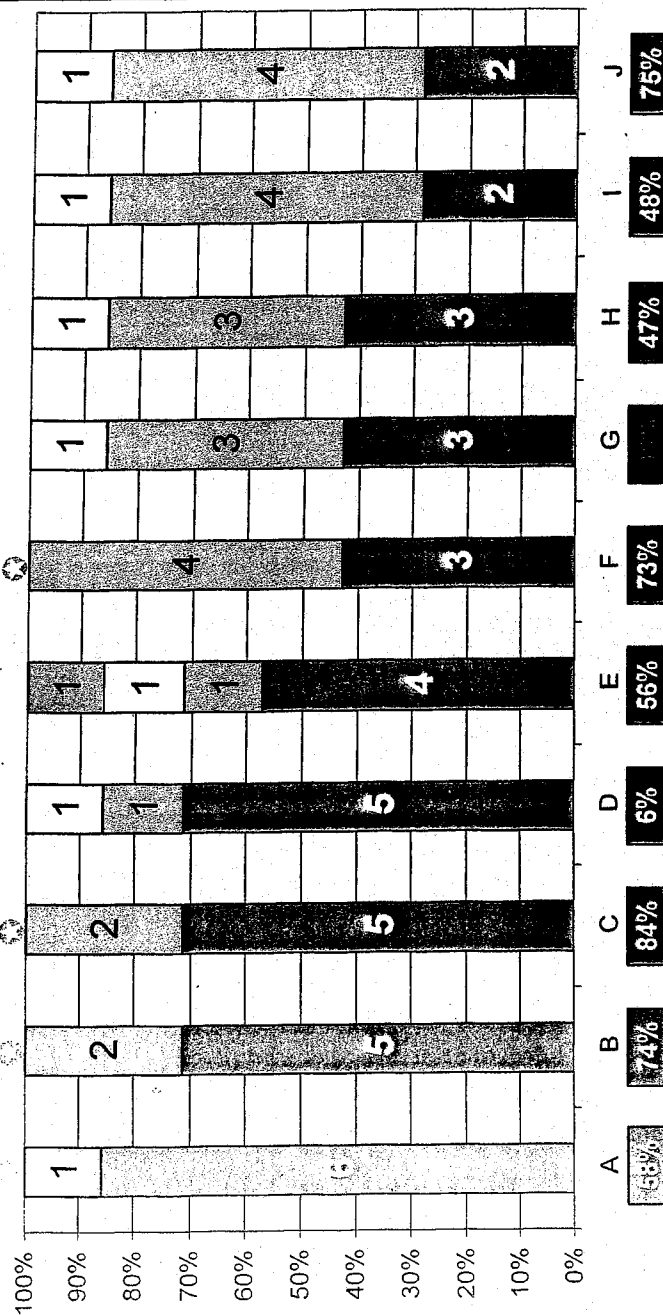
Benchmark Result Key

☐ = > 5% Above Benchmark

☐ = Within +/- 5% of Benchmark

☐ = > 5% Below Benchmark

= Area of Excellence (90% or more of those surveyed responded "Always" or "Most of the Time")

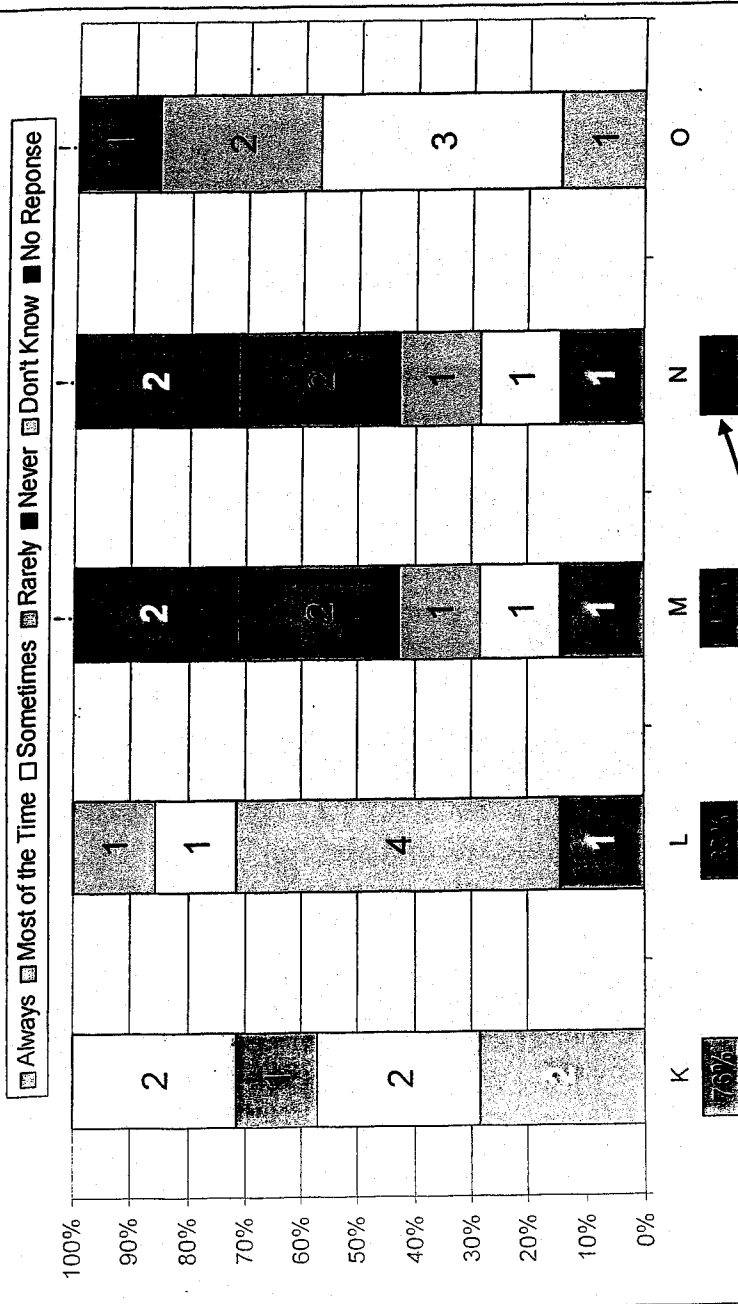


Benchmark = percentage who responded "Always" or "Most of the Time"

- A) Ensures that the board members receive support for ongoing board member education.
- B) Requires corrective action when quality performance indicators are not being met.
- C) Ensures new board members receive an orientation on the duties and responsibilities of the board.
- D) Seeks physician involvement in the governance process.
- E) Includes quality-related goals when evaluating senior executives.
- F) Ensures that the organization's strategic plan is integrated with the long-range capital financial plan.
- G) Monitors the organization's progress related to its long-range capital plan(s).
- H) Evaluates proposed new programs or services against specific criteria.
- I) Requires major new hospital(s) clinical programs or services to meet quality-related performance criteria.
- J) Discusses the needs of key stakeholders when setting the long-range direction for the organization.

Fast Track Self-Assessment

Board Practices



Benchmark Result Key

- ☐ = > 5% Above Benchmark
- ☐ = Within +/- 5% of Benchmark
- ☐ = > 5% Below Benchmark

! = Area for Discussion (50% or less responded "Always" or "Most of the Time")

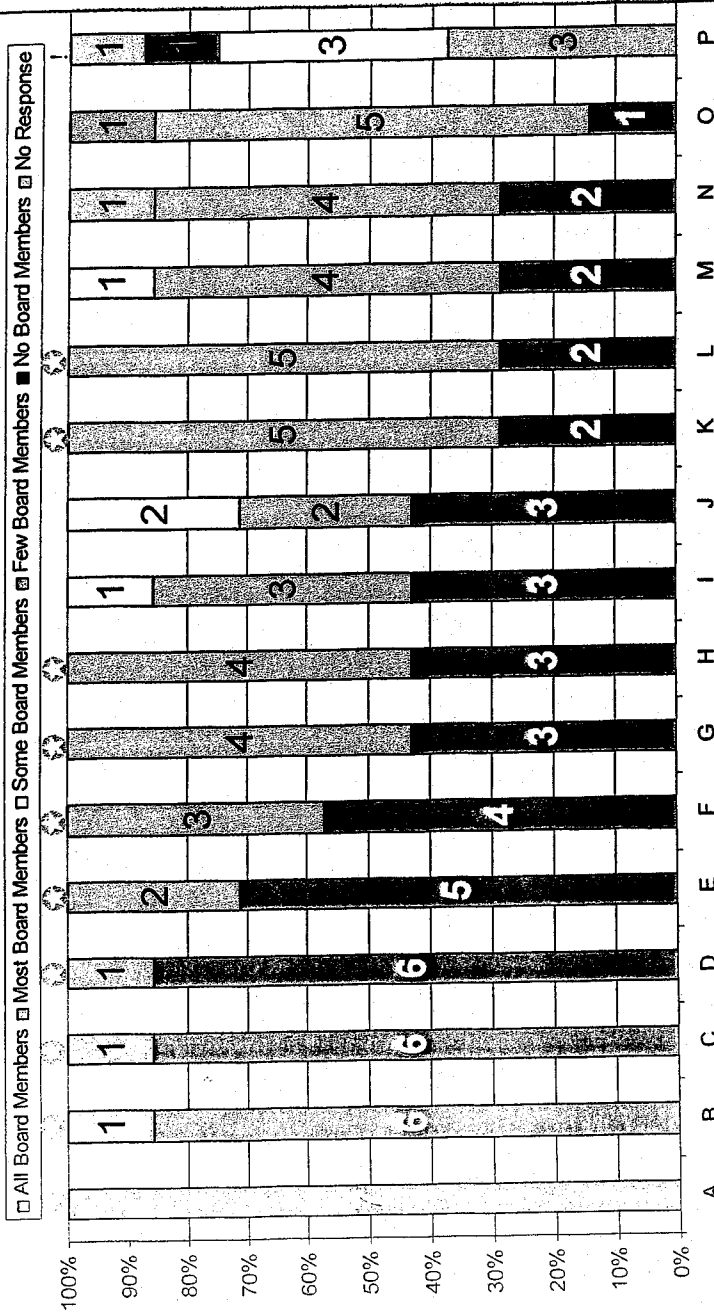
Benchmark = percentage who responded "Always" or "Most of the Time"

- K) Ensures that board members responsible for audit oversight periodically meet with the external auditor(s), without management.
- L) Receives background materials at least one week in advance of meetings.
- M) Uses the ability to advocate on behalf of the organization as a criterion in the selection of new board members.
- N) Uses competency-based criteria when selecting board members.
- O) Spends more than half of the board meeting discussing strategic issues as opposed to hearing reports.



Fast Track Self-Assessment

Board Member Performance



No Benchmark Data Provided

= Area of Excellence (90% or more of those surveyed responded "Always" or "Most of the Time")

! = Area for Discussion (50% or less responded "Always" or "Most of the Time")

A) Make attendance at board meetings a high priority.
B) Work well as part of the team.

C) Maintain confidentiality of information discussed in board/committee meetings.
D) Display professional courtesy and respect when interacting with other board members.
E) Communicate effectively with the CEO.

F) Actively participate in board meetings.
G) Exhibit a willingness to consider differing opinions.

H) Understand the roles and responsibilities of the board.
I) Actively participate in education opportunities.

J) Voice opinions of concern regardless of how sensitive the matter may be.
K) Come well prepared to address agenda items at board meetings.

L) Recognize the differences between the board and management's role.

M) Exhibit a willingness to challenge traditional thinking.

N) Use time available during board meetings appropriately.

O) Treat board assessment as a top priority.

P) Help identify individuals whose knowledge may be useful to the organization as potential board members.

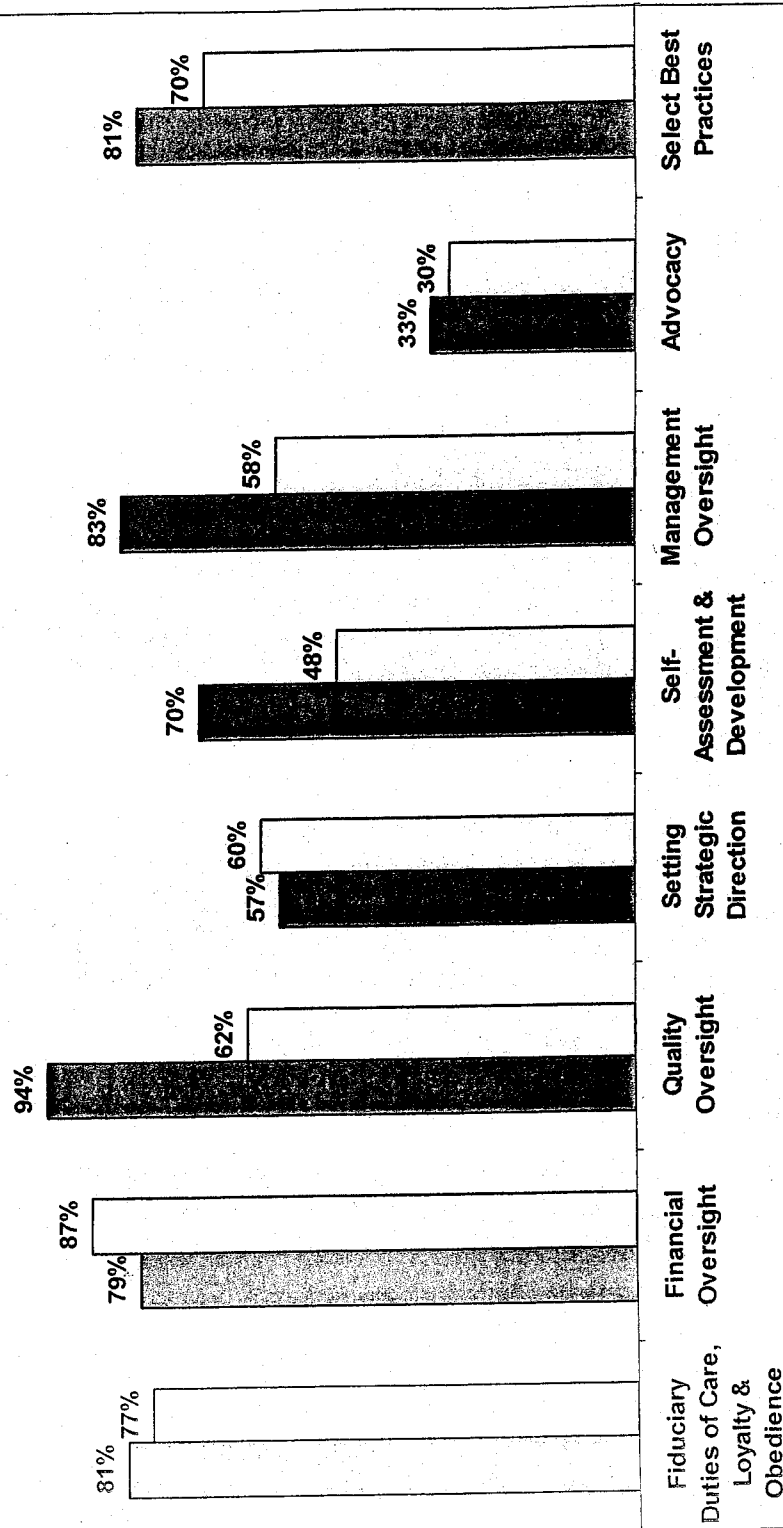


Comprehensive Board Self-Assessment

Comprehensive Board Self-Assessment

Overall Ratings

 Palomar Pomerado
  Benchmark

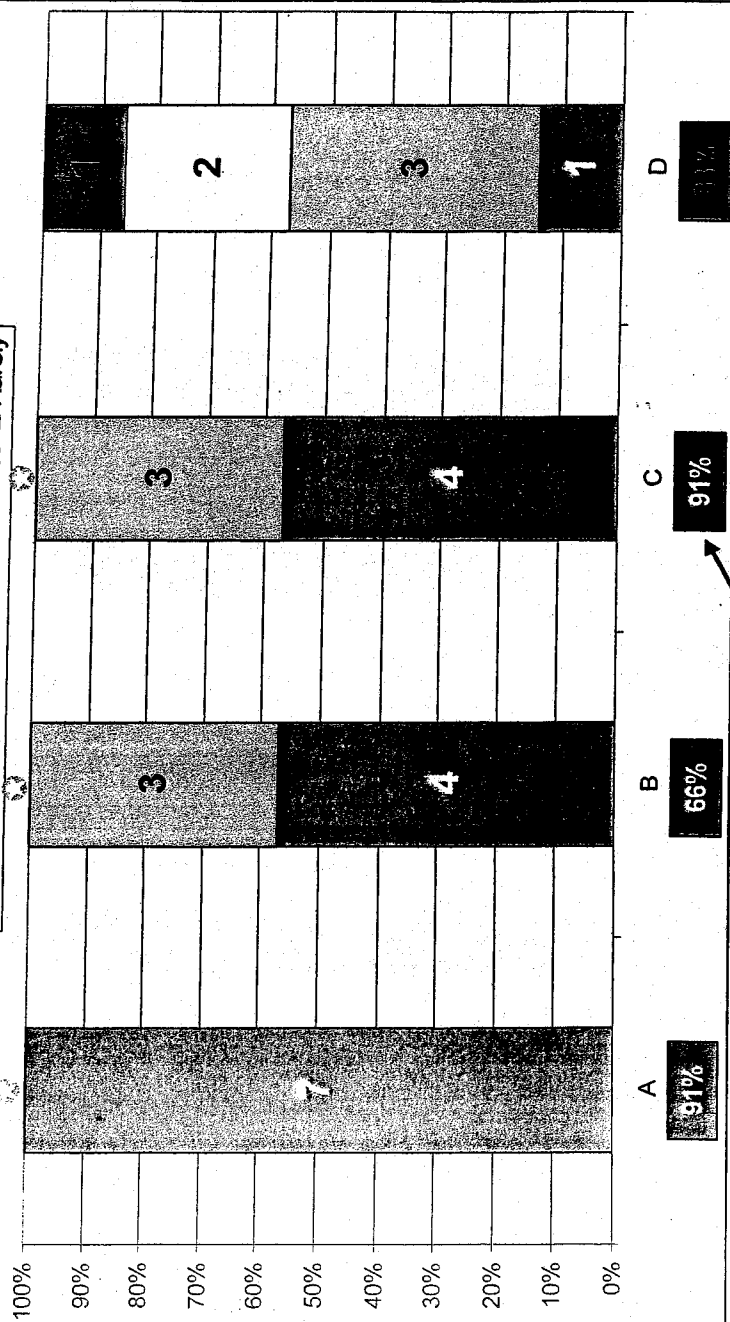


Overall ratings are calculated by combining the "top 2" responses for questions in each category. Those responses are compared The Governance Institute's national database of organizations that have completed a board self-assessment or responded to the 2003 hospital and health system survey of best practices, which resulted in the publication of *Governance Forecast*.

Comprehensive Board Self-Assessment

Fiduciary Duties of Care, Loyalty & Obedience

Always Most of the Time Sometimes Rarely



Benchmark Result Key

- = > 5% Above Benchmark
- = Within +/- 5% of Benchmark
- = > 5% Below Benchmark

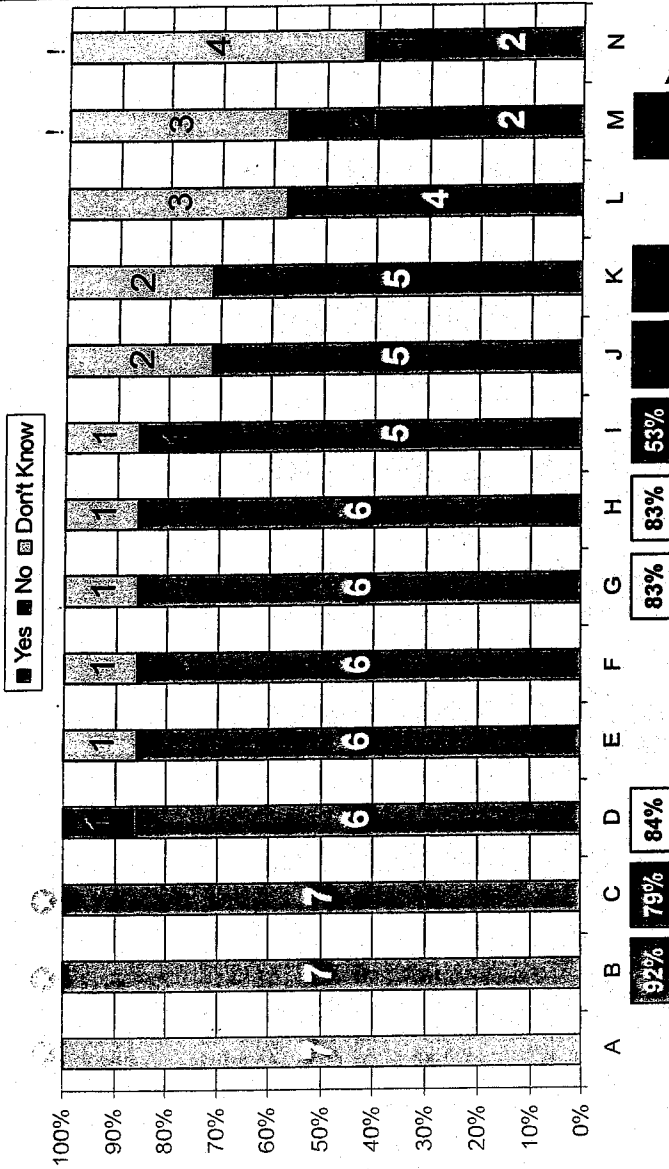
= Area of Excellence (90% or more of those surveyed responded "Always" or "Most of the Time")

Benchmark = percentage who responded "always" or "most of the time"

- A) Reviews financial feasibility before approving major projects.
- B) Requires management to keep the board up to date on potential or current malpractice litigation against the organization.
- C) Considers whether a major project adheres to the organization's mission before approving it.
- D) Receives important background materials at least one week in advance of meetings

Comprehensive Board Self-Assessment

Fiduciary Duties of Care, Loyalty & Obedience



Benchmark Result Key

- = > 5% Above Benchmark
- = Within +/- 5% of Benchmark
- = > 5% Below Benchmark

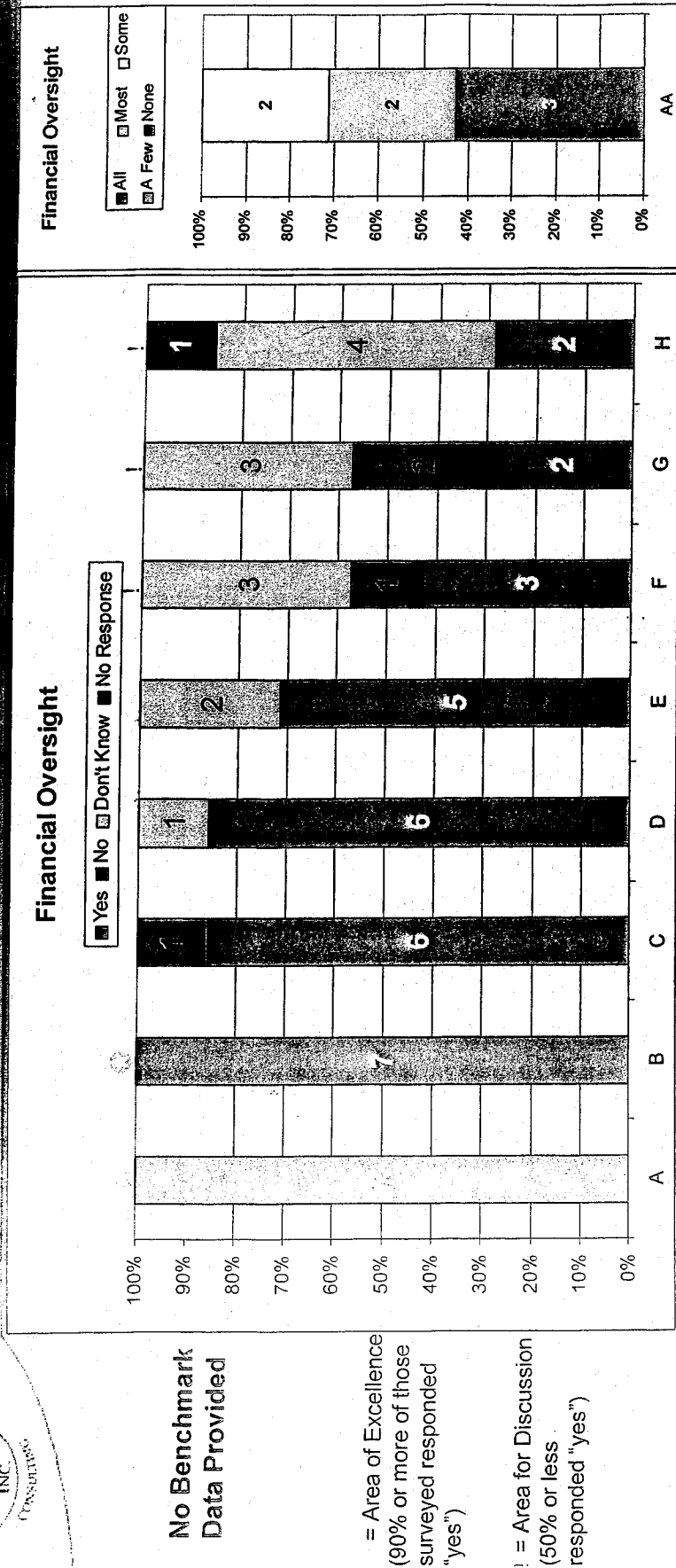
= Area of Excellence (90% or more of those surveyed responded "yes")

! = Area for Discussion (50% or less responded "yes")

- A) The board members responsible for approving CEO compensation are independent/outside directors
- B) Board members are required to complete a conflict-of-interest disclosure statement annually
- C) Monitors the organization's financial performance compared to financial goals set by the board
- D) Board members receive a written description of the duties and responsibilities of the board
- E) Considers the IRS mandate of "fair market value" and "reasonableness of compensation" when determining CEO's compensation package
- F) Requires management to have a formal up-to-date compliance plan for the organization
- G) Assesses the adequacy of its conflict-of-interest/confidentiality policies and procedures at least every two years
- H) Has a written policy describing conflict of interest with guidelines for the resolution of issues related to conflict of interest
- I) Conducts assessments at least every two years to ensure that the organization's mission is being followed
- J) Monitors the organization's financial performance compared to relevant industry benchmarks
- K) Has a written policy describing confidentiality with guidelines for the resolution of issues related to confidentiality
- L) Requires management to report on resources used in support of the organization's charitable mission
- M) One of the resolutions for knowingly violating conflict of interest/confidentiality is removal from the board
- N) Has a written policy outlining the organization's approach to physician competition/conflict of interest

Benchmark = percentage who responded "yes"

Comprehensive Board Self-Assessment



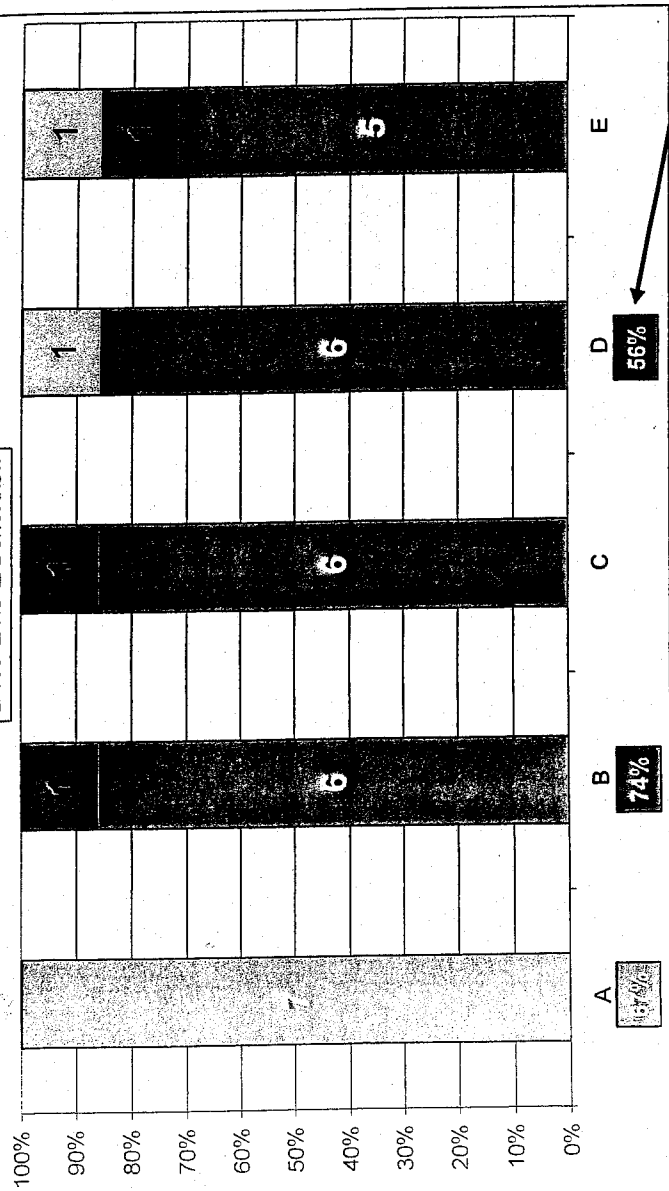
- A) Approves the organization's capital plan.
- B) Approves the organization's annual financial plan.
- C) Requires that the organization's strategic plan and financial plan are integrated/aligned.
- D) Monitors the organization's progress related to the capital plan(s).
- E) Has a written policy specifying the board's requirements for external audit.
- F) The external auditor is selected by independent/outside directors.
- G) Board members responsible for audit oversight meet with the external auditors, without management, at least annually.
- H) Has a written policy describing ethical practices for financial reporting.

AA) Understand the array of financing options with respect to acquiring debt.

Comprehensive Board Self-Assessment

Quality Oversight

■ Yes ■ No ■ Don't Know



Benchmark Result Key

White = > 5% Above Benchmark

Light Gray = Within +/- 5% of Benchmark

Dark Gray = > 5% Below Benchmark

White = Area of Excellence (90% or more of those surveyed responded "yes")

- A) Participates at least annually in education regarding issues related to its responsibility for quality of care in the organization.
- B) Reviews quality performance measures at least quarterly to identify needs for corrective action.
- C) Requires an assessment at least every two years of the perceptions of those who work in the organization to identify their level of satisfaction within the organization.
- D) Includes quality-related goals in the compensation plan for senior executives.
- E) Requires management to have an up to date medical staff development plan that identifies the organization's needs for ongoing physician availability.

Comprehensive Board Self-Assessment

Benchmark Result Key

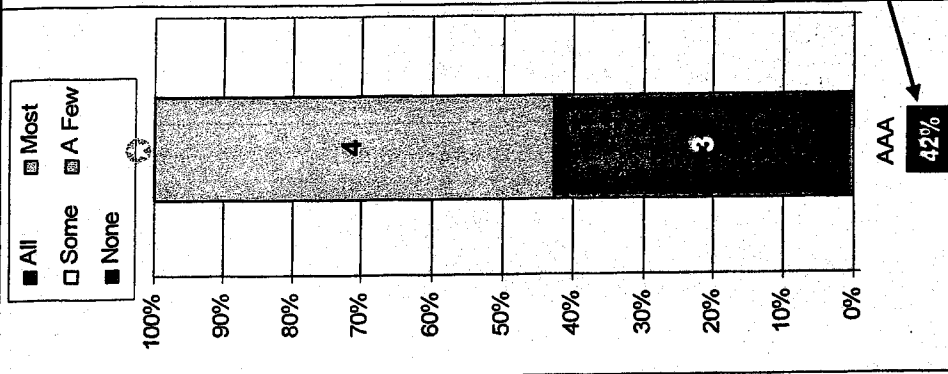
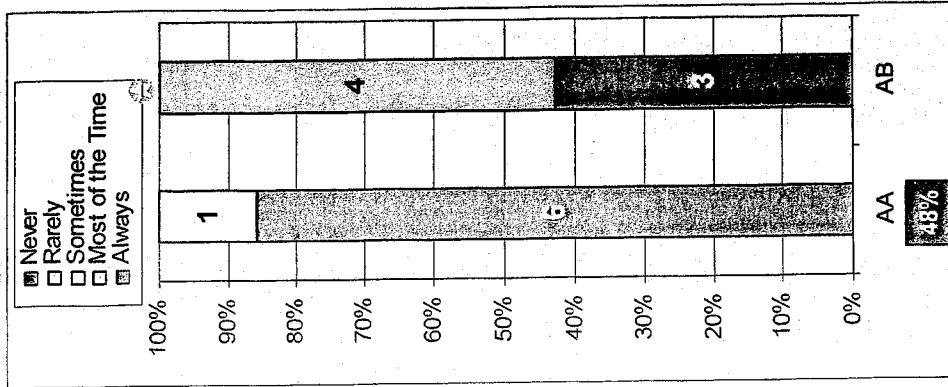
= > 5% Above Benchmark

= Within +/- 5% of Benchmark

= > 5% Below Benchmark

= Area of Excellence (90% or more of those surveyed provided a top-2 response)

Quality Oversight



Benchmark = percentage who responded in top 2 categories.

AA) Seeks physician involvement in governance.

AB) Requires major new hospital(s) clinical programs or services to meet quality-related performance criteria.

AAA) Are willing to challenge recommendations of the Medical Executive Committee(s) regarding physician appointment or reappointment to the medical staff.



Comprehensive Board Self-Assessment

Benchmark Result Key

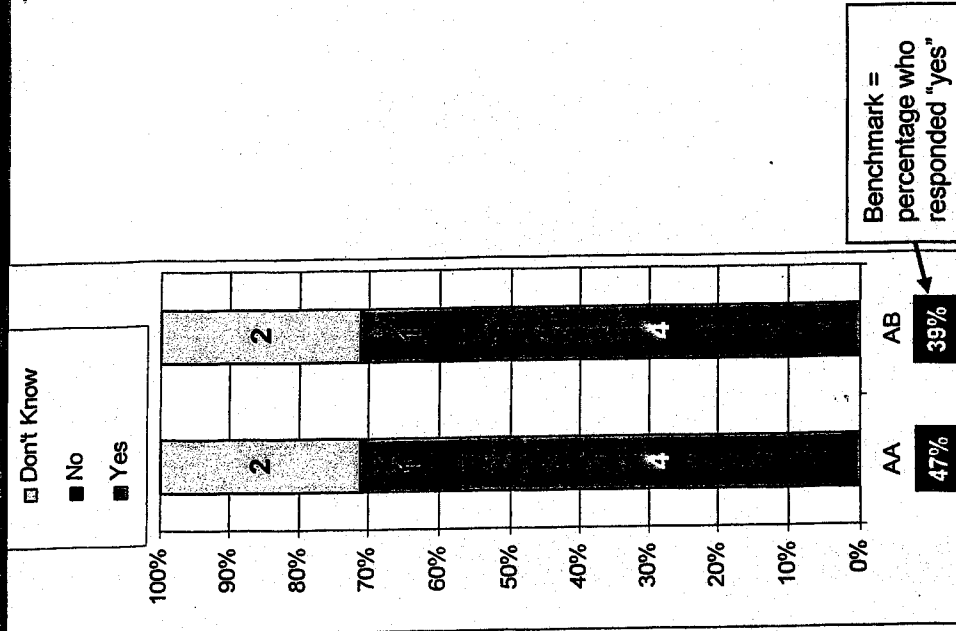
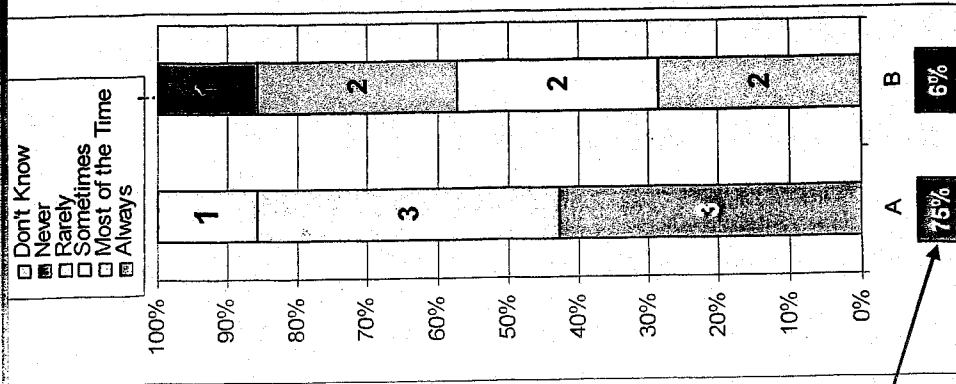
= > 5% Above Benchmark

= Within +/- 5% of Benchmark

= > 5% Below Benchmark

! = Area for Discussion (50% or less provided a top-2 response)

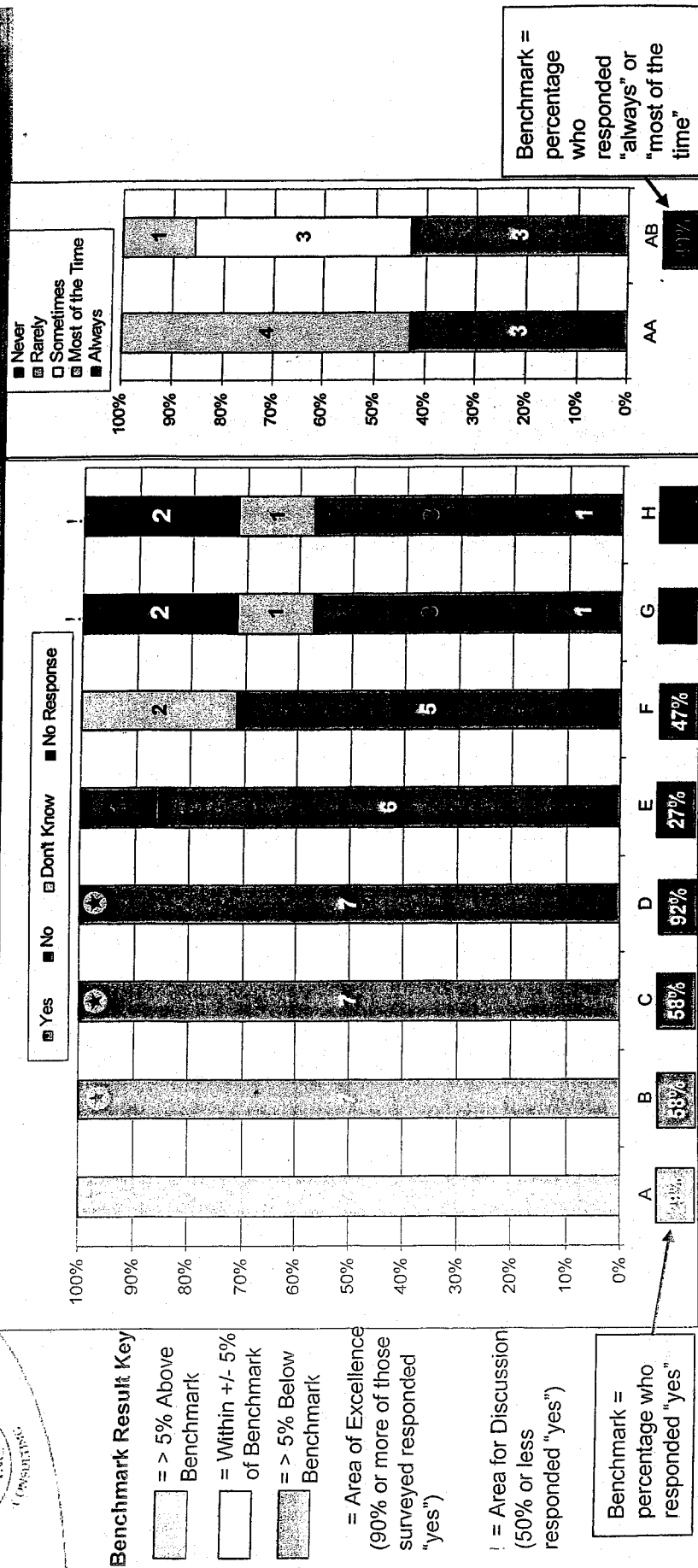
Setting Strategic Direction



- A) Discusses the needs of key stakeholders when setting the long-range direction for the organization
- B) Spends more than half of the board meeting discussing strategic issues as opposed to hearing reports.

- AA) Has a written policy for evaluating proposed new programs or services on factors such as financial feasibility, market potential, impact on quality and patient safety, etc.
- AB) Has a written policy for defining how the organization's strategic plan is developed.

Comprehensive Board Self-Assessment

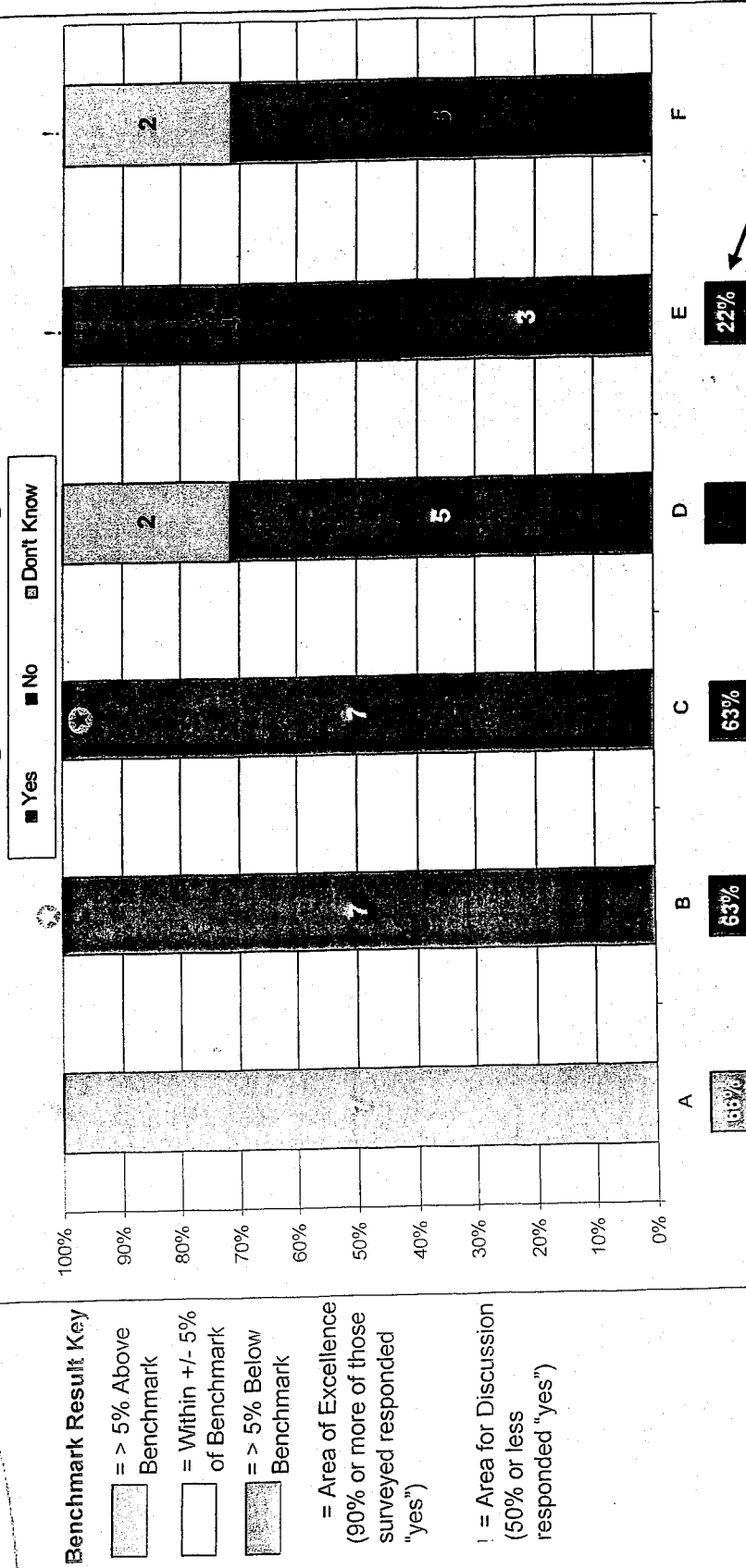


Self-Assessment & Development

- A) Funding to support the board's annual education plan is included in the organization's financial plan.
- B) Has an annual education plan to ensure ongoing board member education.
- C) Has a board orientation program for new board members.
- D) Evaluates its own performance at least every two years.
- E) Uses performance-based criteria when re-appointing board members.
- F) Assesses the organization's by laws at least every two years.
- G) Evaluates the performance of individual members at least every two years.
- H) Uses competency-based criteria when appointing new board members.
- AA) Uses time available during board meetings appropriately to perform its duties.
- AB) When necessary, updates policy statements regarding roles/responsibilities of board members.

Comprehensive Board Self-Assessment

Management Oversight



- A) The CEO's compensation plan is based, in part, on the CEO performance evaluation.
- B) Has a written policy establishing a process for evaluating the CEO's performance.
- C) Has a written policy establishing a process for setting the CEO's goals.
- D) The CEO's evaluation process includes a private session between the CEO and designated members of the board to discuss the results of the evaluation.
- E) Requires the CEO to have a written, current succession plan.
- F) Reviews the organization's top management succession plan at least every two years.

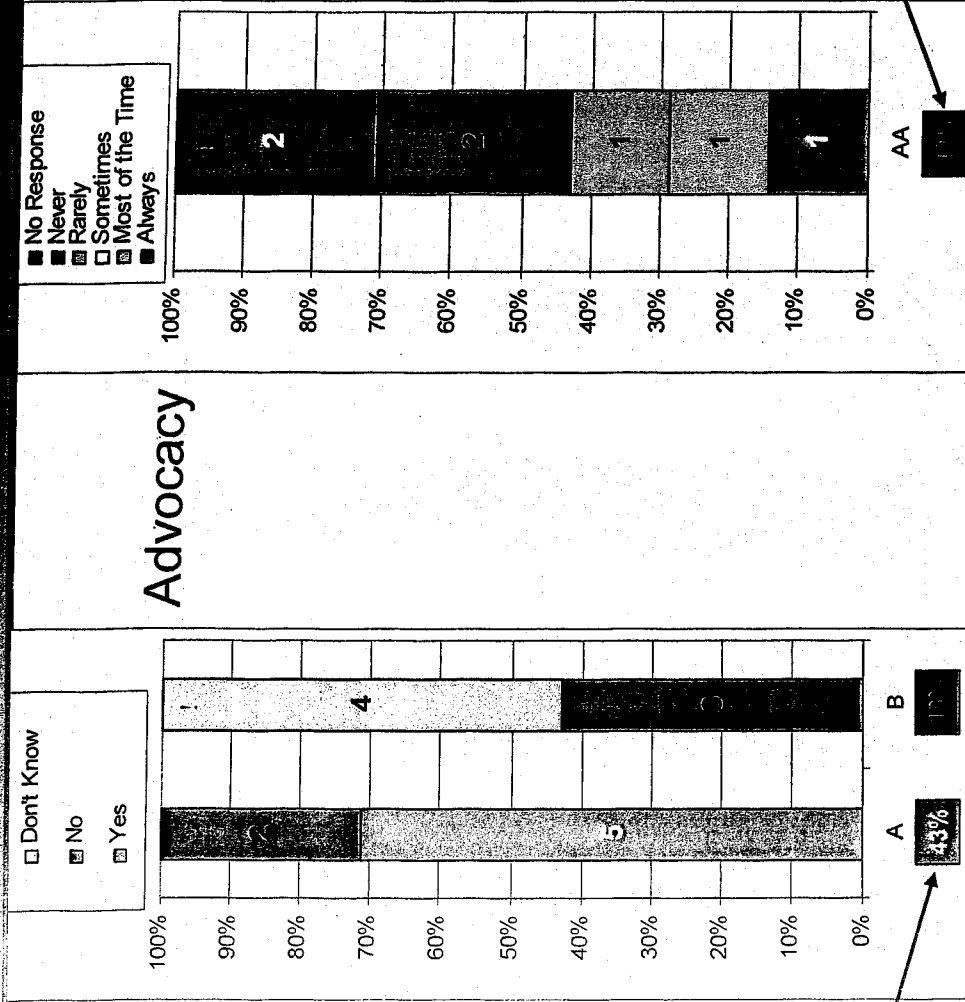
Comprehensive Board Self-Assessment

Benchmark Result Key

- = > 5% Above Benchmark
- = Within +/- 5% of Benchmark
- = > 5% Below Benchmark

! = Area for Discussion (50% or less responded "yes" or provided a top-2 response)

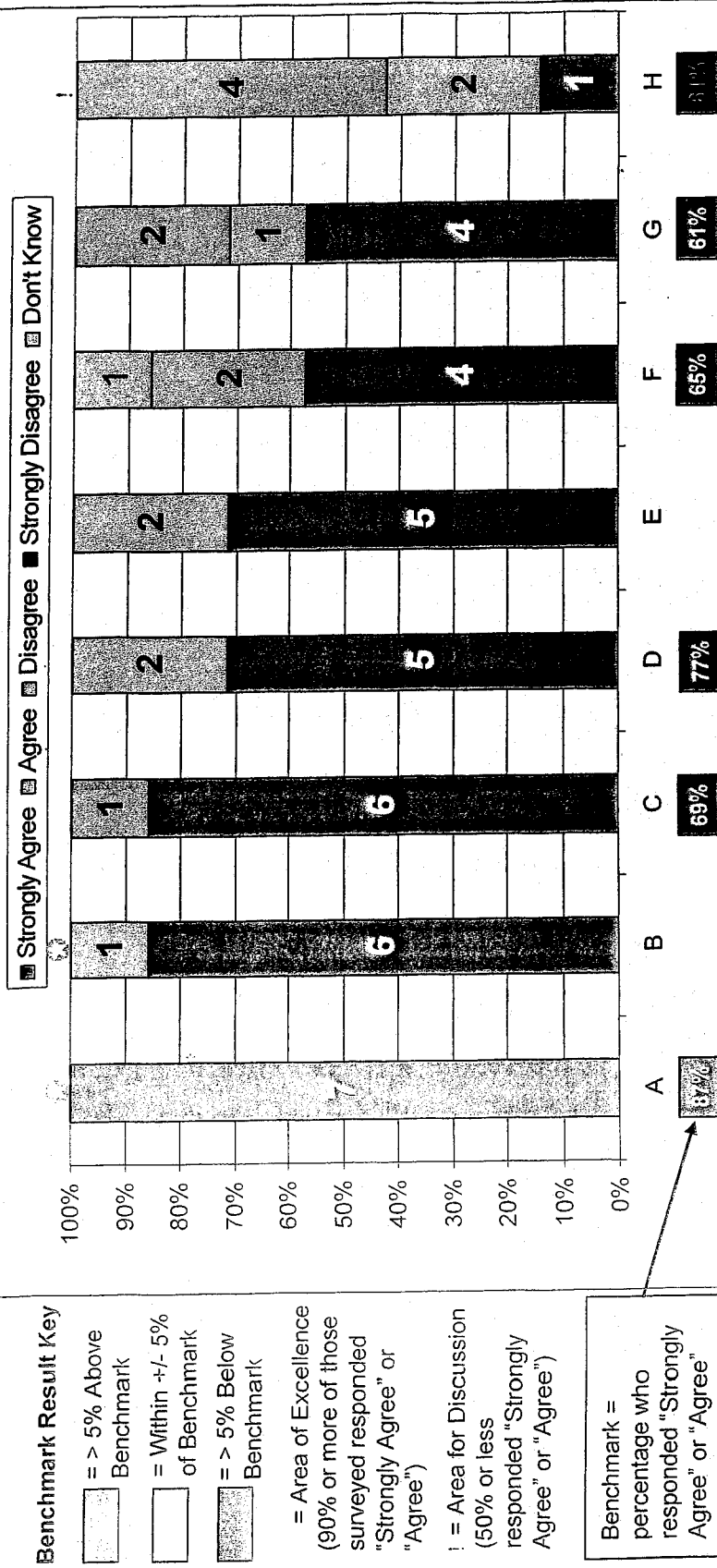
Advocacy



- A) Reviews an up-to-date community health needs assessment at least every two years to understand health issues of the communities served.
- B) Has a written policy establishing the board's role in fund development and/or philanthropy.
- AA) Uses the ability to advocate on behalf of the organization as a criterion in the selection of new board members.

Comprehensive Board Self-Assessment

Select Practices

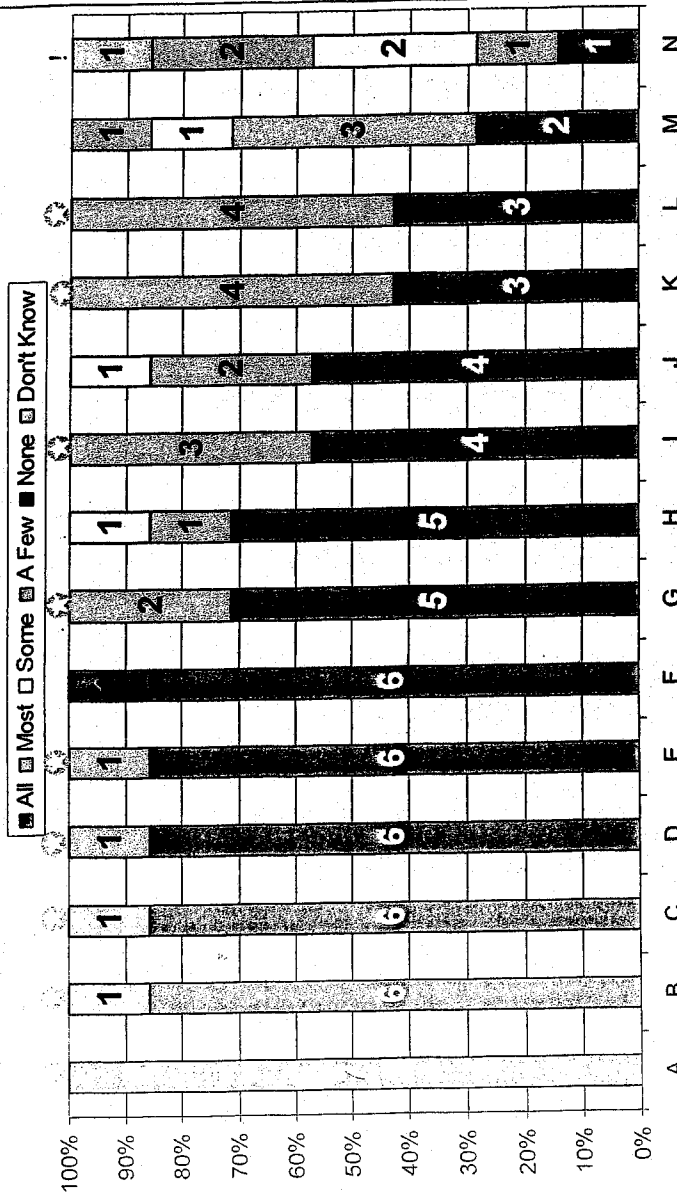


- A) The board plays a major role in establishing the organization's strategic direction, such as setting priorities and approving the strategic plan.
- B) As a whole, our board communicates effectively with the CEO.
- C) Enforcement of the organization's conflict of interest/confidentiality policy is uniformly applied across members of the board.
- D) The board demands corrective actions in response to under performance on the financial plan.
- E) Our chairperson ensures that individual board members have opportunities to participate or be heard in board meetings.
- F) The expectation that board members advocate on behalf of the organization is clearly established during board member orientation.
- G) Board self-assessment is treated as a top priority by the board.
- H) An annual goal-setting process for board performance is treated as a top priority by the board.



Comprehensive Board Self-Assessment

Board Member Performance



No Benchmark
Data Provided

- A) Make attendance at board meetings a high priority.
- B) Work well as part of a team.
- C) Display professional courtesy and respect when interacting with other board members.
- D) Communicate effectively with the CEO.
- E) Actively participate in board meetings.
- F) Maintain confidentiality of information discussed in board meetings.
- G) Participate in educational opportunities on issues affecting our governance.
- H) Exhibit a willingness to consider differing opinions.
- I) Voice opinions of concern regardless of how sensitive the matter may be.
- J) Exhibit a willingness to challenge traditional thinking.
- K) Come well-prepared to address agenda items at board meetings.
- L) Recognize the differences between the board's role and management's role.
- M) Strive to represent the healthcare needs of the community.
- N) Help identify individuals whose knowledge may be useful to the organization as potential board members.

Summary

Summary Points

- ◆ In General: Good Board Survey Results
 - Select questions in particular areas suggest further attention
 - Future board member identification, board member selection criteria, and board member performance evaluation
 - CEO and top management succession planning
 - Board's role in fund development and advocacy
 - Board member and physician conflict of interest policies
 - General board meeting issues (receipt of material beforehand, spending more time on strategic issues, etc.)
- ◆ "Don't Know" answers need to be addressed

**Governance Committee
Annual Board Educational Seminar**

TO: Governance Committee

DATE: October 10, 2005

FROM: Christine Meaney, Secretary to Governance Committee

BACKGROUND: The Committee may wish to consider the Annual Board Educational Seminar that has normally occurred once each year. This enables the Board as a whole to attend an off-site educational conference. Information on potential conferences will be brought to the meeting.

BUDGET IMPACT: None

**STAFF
RECOMMENDATION:** Information/Potential action

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

**Governance Committee
Annual CEO Evaluation**

TO: Governance Committee

DATE: October 10, 2006

FROM: Christine Meaney, Secretary to Governance Committee

BACKGROUND: In order to meet JCAHO requirements, the Committee at its October 10 meeting may wish to discuss planning for the Annual Board CEO Evaluation during January, 2007. The last annual evaluation occurred January 25, 2006. This has normally taken the form of a Special Board Meeting.

BUDGET IMPACT: None

**STAFF
RECOMMENDATION:** Action requested

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time: