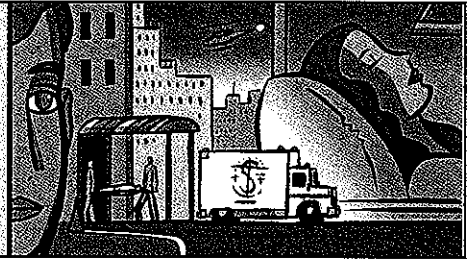


# A B O V E B O A R D



## GOVERNANCE

# Terminating Board Term Limits

By Errol L. Biggs

**A**s most hospital board members know, nearly all hospitals today operate in a very competitive environment where reimbursement methods and levels change constantly and physicians fight to maintain their incomes, often in direct competition with the hospital. Many hospitals working in this environment have term limits for board members, which require individuals to stay off the board for at least a year after a predetermined term length; they may be renominated later for another term. Many governance authors recommend term limits to ensure trustee turnover. However, it is becoming apparent that term limits need to be reexamined and hospitals that enforce them need to review why.

### Disadvantages of Term Limits

Hospitals are complex organizations, and often they are the largest employers in a community. They require knowledgeable and talented board members. However, in today's turbulent society, it is becoming more difficult to recruit such people. And once recruited, no matter how talented they are, these trustees usually need two to four years of education to understand the nuances of the health care industry as a whole and hospitals in particular. To lose such knowledgeable and experienced board members because of arbitrary term limits appears highly counterproductive.

### Another Approach

Rather than losing members this way, it makes more sense to periodically com-

plete a trustee performance appraisal and then not renominate board members who score badly in the process. "Term limits are a residual of the 1960s and 1970s when it was considered important that certain people be placed on non-profit boards. A board appraisal process is a much more effective way [than term limits] to allow board members to resign or change their behavior," says Lee Seidel, a professor of health administration at the University of New Hampshire.

Parkview Episcopal Medical Center in Pueblo, Colo., dealt with the issue in a very direct way. After implementing term limits for several years, the board found it was losing knowledgeable, experienced, and dedicated trustees as a result; so in 1993, the board voted to change its bylaws to eliminate them. "Being a good hospital trustee requires learning about a very complex industry, and that takes time. We frequently found a trustee was becoming particularly effective just as we were losing him or her because of term limits," says James Hadley, former chairman of the Parkview board. "Also, with CEO turnover sometimes too high, it is important for the board to act as the organization's 'corporate memory' and for decisions to be made with a long-term focus," he adds.

"There is no need to have term limits for board members as long as you have active and productive people. When the hospital goes through a board review process, members who are not productive may be asked not to stand for reelection," says Earl Bakken, chairman emeritus, North Hawaii Community Hospital, Waimea.

### Annual Selection

Taking another approach, Inova Health System, a five-hospital system in northern Virginia, appointed a governance committee to research possible trustee selection options. After reviewing most of the usual methods, the board decided to elect trustees annually, and to elect the chair for one five-year term. "The board felt this method was better than having term limits, and would keep the board members focused on how they were performing on a more regular basis," says Knox Singleton, president and CEO. "This method of selecting board members has worked very well for us and has helped members concentrate on their governance role and effective leadership for a large organization."

At least one other group agrees. The Washington, D.C.-based Health Care Advisory Board completed a study on appointing board members ("The Rising Tide," 1996) for its member organizations, and has recommended trustees be elected on an annual basis as well. This process allows the nominating committee to determine annually whether to renew individual trusteeships. The roles of the board chair and the nominating committee become extremely important in such a system, and these individuals need to be willing to make objective and sometimes difficult decisions. Performance appraisals can help.

### Performance Appraisals

To accomplish annual selection as smoothly and objectively as possible, a

formal evaluation process should be in place; ideally, the board size should be such that it does not become onerous and all-consuming. This process will provide an opportunity to craft individual roles for each trustee, giving a clear sense of the purpose and importance of his/her role. Completing the process annually gives trustees feedback on how they are performing and how they can provide maximum benefit to the hospital. The process also smooths the way for the board and trustees to part amicably if a trustee lacks certain skills or commitment.

The annual board member performance appraisal should be brief, of a manageable size, and should be completed and reviewed with the trustee by the chair. There can be as few as five to 10 questions of various point values, with a specified total deemed as proof of satisfactory performance. Questions usually relate to a board member's attendance, meeting preparation, understanding of the role, willingness to take appropriate risk, board decision support, health care industry knowledge, understanding results of decisions, dependability, ability to work with others, willingness to compromise, etc. The use of performance appraisals allows the chair to monitor board composition over time, identify less effective trustees, and coach others to better performance.

The trustee annual performance appraisal does not take the place of a periodic board self-assessment, however. The

self-assessment may contain as many as 50 questions about board performance and board perceptions. That survey is usually completed by trustees and tabulated by an outside consultant, to be used as the basis of a major discussion at a board retreat.

#### **The Board Chair**

Although eliminating term limits for board members makes sense, conversely, there are good reasons to limit the board chair's term. "The board chair should change every two to four years. The learning curve is too [great for] less than two years," says Seidel. "The chair-elect model is a good one because it forces the board to focus on who should be the next chair and provides that person with at least a year to closely observe the role and responsibilities. Someone may be a very good board member, but would not make a good chairperson, which the board needs to keep in mind when selecting a chair," he says. If a chair-elect model is used, the chair may wish to have that person assist in the performance appraisal process.

"It is my experience that the board chair needs to have a high energy level. In today's hectic health care environment, most individuals have difficulty maintaining that level after three to five years as chair," says Richard Bogue, former director of governance programs at the American Hospital Association. Earl Bakken agrees: "The chairperson should change after a reasonable period, say

three to six years, before he/she loses interest or faces burnout. However, the former chairperson should stay on the board."

#### **Conclusion**

Hospital boards with term limits may wish to consider changing their bylaws to eliminate them, implementing an annual selection and performance appraisal process instead. "Term limits alone will not be effective for [every] purpose. What the board really needs to concentrate on is developing specific criteria for selecting its members; developing an effective orientation and ongoing continuing education program for board members; implementing an effective performance appraisal process; and developing a succession program," says William Schirmer, former vice president, Quorum Health Resources. The board should also consider restricting the chair's term to no more than five years.

Being a trustee today is more difficult than ever, and hospitals can't afford to lose excellent trustees because of term limits, especially in this environment. **T**

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