Code of Conduct for Board Members

The Code of Conduct articulates the health center’s commitment to ethical behavior, detailing the fundamental principles, values, and framework for action within the organization. Three major Code of Conduct standards guide the service of Board members of non-profit corporations.

- **Business Judgment Standard** requires directors or officers to exercise their honest, unbiased judgment in the conduct of the affairs of the corporation.
- **Ordinary and Reasonable Care Standard** allows every case to be decided on its own facts, taking into consideration factors such as the qualifications of the individual Board member and the amount of time devoted to the board service.
- **Fiduciary Rule Standard** reflects the expectation of corporate stakeholders regarding oversight of corporate affairs. This standard recognizes that an individual elected to a non-profit board serves as a fiduciary of the corporation. The responsibility for management of the corporation rests on the shoulders of the directors.

The Duties of Loyalty, Due Care and Obedience are integral to the Code of Conduct and must be fulfilled by Board members.

- **Duty of Loyalty** – Board members must pledge their loyalty to the health center and acknowledge that their personal interests cannot be furthered at the expense of the health center.
- **Duty of Due Care** – Board members are required to act in good faith in performing their duties as directors, including duties as a member of any committee of the board, to exercise the proper amount or care in their decision-making process that an ordinarily prudent person would exercise under similar circumstances. Embedded within the duty of care is the concept of reasonable inquiry. Specifically, directors should make inquiries to management to obtain information necessary to satisfy their duty of care. It is the process the Board follows in establishing that it had access to sufficient information and that it has asked appropriate questions that is most critical to meeting its duty of care.
- **Duty of Obedience** – Board members are expected to be faithful to the health center’s mission. Once the Board sets policy, individual Board members are not permitted to act in any way that is inconsistent with that policy or the goals of the health center.

The expansion of health care regulatory enforcement and compliance activities and the heightened attention being given to the responsibilities of corporate directors are critically important to all health care organizations. Enhanced oversight of corporate compliance programs is consistent with and essential to ongoing federal and state corporate responsibility initiatives. Governing boards increasingly are called to respond to important new developments. These new issues are so critical to the operation of health centers that they require attention and oversight, as a matter of fiduciary obligation, by the Board.

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1 Corporate Responsibility and Corporate Compliance, OIG/DHHS, AHLA

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Disclaimer about this document  http://bphc.hrsa.gov/technicalassistance/resourcecenter/disclaimers.html
The Corporate Compliance Program serves as an internal control
- Demonstrates the health center’s strong commitment to honest and responsible conduct
- Improves the quality, efficiency, and consistency of health care services and operational/administrative activities, while reducing related costs
- Improves the efficiency and effectiveness of employees’ and contractors’ performance
- Limits corporate direct liability based on a breach of the fiduciary duty of care

The Corporate Compliance Program is designed to ensure the health center is compliant with all laws, regulations and policies that apply to the health center
- Designate a Compliance Officer/Contact and Compliance Committee
- Conduct Internal Auditing and Monitoring
- Develop Written Standards and Policies
- Conduct Appropriate Training and Education
- Develop Effective Lines of Communication
- Investigate Detected Problems and Develop Corrective Actions
- Enforce Disciplinary Standards Through “Well Publicized” Guidelines

Internal auditing and monitoring is critical to the Board carrying out its oversight responsibilities. Board oversight is enhanced when health centers have systems in place which accurately collect and organize data for required reporting of program related statistics as well as to support board and management decisions and planning. The systems must be capable of tracking, analyzing and reporting key aspects of the organization’s activities and be able to integrate clinical, administrative and financial information to allow monitoring of the operations and status of the organization as a whole.

Critical Indicators reflect the priorities and unique needs of the health center, adapting to changes that occur over time. The Board must determine what indicators will be measured, the frequency with which they will be monitored and discuss actions to be taken if indicators reveal operational concerns and/or negative trends. Among critical indicators to be considered by a health center Board (in addition to the HRSA/BPHC Required Clinical and Financial Performance Measures) are:

- Service utilization patterns - wait times to schedule appointment; no show rates; patient flow
- Productivity of the center – actual/budget provider visits; actual/budget visits per contact hour; provider visits by specialty; annual charges per provider
- Quality improvement - quality of care audits; risk management; environment
- Achievement of project objectives (annual and long range strategic plans) – completion of tasks within projected timeframe
- Financial goals – actual/budget gross and net patient revenue per visit; actual/budget payor mix; current ratio; sliding fee adjustment as percentage of grant; percent used of grant year drawdown; change in net assets
- Patient satisfaction – quarterly review of patient satisfaction surveys; patient exit interviews
- Patient grievances – review as presented
To obtain the data to monitor critical indicators, Board and Management reports need to be designed by the organization. These reports fall into several categories including Standard Monthly, Standard Quarterly, Financial Ratios and Other Performance Indicators. Some examples are:

**Standard Monthly Reports**
- Contract oversight report (sub-recipients and contracting agencies), critical indicator expectations/projections to actual experience, monthly and year to date;
- Annual operating plan goals and objectives, projections to actual experience, current month and year to date
- Budget variance reports, budget to actual, by clinic site, department and/or program – current month and year to date
- Federal drawdown, current month and year to date
- Encounters, budget to actual, by clinic site, department and/or program; and, new patient encounters – current month, year to date, comparison to prior years

**Standard Quarterly Reports**
- Long range goals and objectives, projections to actual experience, current quarter and year to date
- Payor mix – aggregate and by clinic location/department, budget to actual
- Percent of revenues from patient services versus grants, budget to actual
- Productivity by provider – encounters by provider per hour, per month and year-to-date and number of RVUs associated with monthly encounters compared to budget

**Financial Ratios and Other Performance Indicators**
- Current Ratio
- Debt Management Ratio
- Working Capital
- Ratio of provider to other staff, current month and year to date
- BPHC Performance Indicators/UDS site specific and state rollup
- Cost and average revenue per encounter, aggregate and by clinic location/department
- Cost per RVU, current month and year to date