



NATIONAL ASSOCIATION OF
Community Health Centers

Important Content Note:

This technical assistance resource was developed prior to the August 2017 release of the Health Center Compliance Manual by the Health Resources and Services Administration's (HRSA) Bureau of Primary Health Care (BPHC). The BPHC Compliance Manual, issued August 2017, indicates where PINS, PALs and other program guidance are now superseded or subsumed by the BPHC Compliance Manual.

See:

<https://bphc.hrsa.gov/programrequirements/pdf/healthcentercompliancemanual.pdf>

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Note that in all Information Bulletins:

The term **“health center”** refers to public or private nonprofit entities that: (1) receive grants under Section 330 of the Public Health Service Act (Section 330), including Sections 330(e), 330(f), 330(g) and 330(h) (collectively “Health Center Program Grantees”); and (2) entities that have been determined by the Department of Health and Human Services (DHHS) to meet the Section 330-Related Requirements to receive funding without actually receiving a grant (“health center look-alikes”).

The term **“Section 330-Related Requirements”** refers to requirements set forth in:

- Health Center Program Statute: [Section 330 of the Public Health Service Act \(42 U.S.C. §254b\)](#),
- Program Regulations: [42 CFR Part 51c](#) and [42 CFR Parts 56.201-56.604](#)
- Health Center Program Requirements: <http://www.bphc.hrsa.gov/programrequirements/index.html>

The term **“Grant Requirements”** refers to Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards: 2 CFR Part 200, as adopted by DHHS at 45 CFR Part 75.

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is published with the understanding that the publisher is not engaged in rendering legal, financial or other professional service. If legal advice or other expert assistance is required, the services of a competent professional should be sought.

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Evaluation of the Health Center’s Chief Executive Officer

The Chief Executive Officer (“CEO”) plays a key role in the operation of a health center and in carrying out the policies of the Board of Directors. The CEO:

- ◆ Advances the mission of the health center and leads the organization in carrying out board policy
- ◆ Oversees successful clinical, fiscal, and operations management
- ◆ Leads the development of the annual operating plan and guides the health center in accomplishing that plan
- ◆ Develops and maintains strong working relationships with the board, the health center staff, and the community that the health center serves

The CEO evaluation process is an opportunity for both the board and the CEO to assess the CEO’s performance. This information bulletin:

- ◆ Addresses why health center boards must evaluate the performance of the CEO
- ◆ Describes how to conduct the evaluation including developing an effective evaluation form and determining the evaluation process

WHY MUST A HEALTH CENTER EVALUATE ITS CEO?

Compliance-Related Reasons to Conduct the CEO Evaluation

Bureau of Primary Health Care (“BPHC”) Policy Information Notice (“PIN”) 2014-01, *Health Center Program Governance*, provides that the “health center governing board must retain (i.e. may not delegate)” authority or responsibility for approving the selection/dismissal and evaluating the performance of the health center’s CEO or Executive Director.”

This statement emphasizes the importance that BPHC historically has placed on establishing an effective system for the board of directors to annually evaluate the performance of the health center’s CEO. BPHC reviews health centers’ compliance with this requirement as part of the Operational Site Visit performed periodically for funded health centers. The Health Center Program Site Visit Guide’s “Governance” section includes questions designed to assess a health center’s compliance with this requirement, including documentation in board minutes of the performance review.

Although no specific federal laws direct a health center, or any other employer, how or when to conduct performance evaluations, such evaluations can be of great legal significance for a health center involved in a contentious legal battle with a current or former CEO. For example, numerous federal laws preclude discrimination based on certain “protected” characteristics (e.g., race, religion, gender, disability, national origin, etc.) with respect to any term or condition of employment. Therefore, a board’s evaluation of the CEO should focus solely on objective, job-related factors in order to negate any claims that the evaluation, or the board’s conduct in general, was the result of illegal, discriminatory bias. In wrongful termination or discrimination litigation, the court

or jury will carefully scrutinize the performance evaluations to determine if the evaluations contain any evidence of discrimination or if the evaluations support or undermine the board’s stated reason for adverse employment action. The board should, therefore, conduct the CEO’s evaluations honestly and candidly, regardless of how difficult it may be for a board to convey negative feedback to its CEO. The board’s failure to do so could result in significant legal liability for the health center.

Practical Reasons to Conduct the CEO Evaluation

Aside from the compliance-related reasons for conducting an annual evaluation of a CEO, there are practical reasons for doing so. It is impossible for a CEO to know whether he or she is meeting or exceeding a board’s expectations in the absence of a formal process for communication and feedback. For example, informal or irregular conversations between the CEO and the board chair, without specific reference to the CEO’s job description or to the full board’s or relevant committee’s views can be misleading to the CEO and unintentionally create legal exposure for the health center. This could result in the CEO receiving “mixed messages” and can further complicate the relationship.

Additionally, it is very difficult for a board that meets once a month to adequately communicate its satisfaction (or dissatisfaction) with a CEO without an established formal process. Without a formal process the board’s feedback is often delayed until a negative event triggers a crisis at the health center, leaving both the board and the CEO frustrated. However, if conducted correctly, a CEO’s evaluation should be a time for the board to communicate its priorities to the CEO, explain what the board thinks is going well and what may need improvement, and, importantly, allow the CEO the opportunity to let the board know what his/her management priorities may be and how the board can assist him/her in achieving those priorities

DEVELOPING THE CEO EVALUATION FORM

Obviously, the first step in evaluating a CEO should be to decide upon an evaluation form. Health center boards may choose one of two options: they may either purchase or locate and “borrow” an existing evaluation form, or they may develop their own form. There are several different types of evaluation forms to be found on the Internet or that may be purchased from consulting firms or organizations such as BoardSource, a non-profit organization that provides training and resources to nonprofits around the country. In general, though, nearly all evaluation forms must be tailored in some way to fit the particular circumstances and characteristics of each health center.

The foundation for developing or tailoring a CEO evaluation form should be the:

- ◆ CEO’s job description
- ◆ CEO’s individual performance goals
- ◆ Health center’s annual operating plan
- ◆ Health center’s mission statement

There will likely be overlap in the goals, responsibilities, and expectations set forth in these documents so the drafter of the evaluation form should be sure to edit the form to avoid creating an overly long and repetitive evaluation tool.

Following are some suggestions for inclusion of topics in a CEO evaluation form. However, a health center will need to add questions addressing the goals and responsibilities specific to the health center. For each question, the board can rate the CEO on a numeric scale. For example, the board may consider using a

range from 1 to 5: with 1=poor, 2=fair, 3=good, 4=very good, 5=excellent. Additionally, the form should allow sufficient space for specific comments regarding the CEO’s performance.

CEO Job Description

Each responsibility described in the CEO’s job description should be formulated into a question for the CEO evaluation form so that the CEO’s performance of those responsibilities can be assessed.

CEO’s Employment Contract

The CEO’s employment contract and job description should be reasonably consistent and, in fact, the CEO’s employment contract should specifically incorporate his/her job description. However, often, CEOs’ employment contracts contain additional detailed performance goals and expectations and incentives. These clauses should be reviewed and, if appropriate, included as part of the CEO’s evaluation form.

CEO’s Individual Performance Goals

In general, on an annual basis, the CEO and board should establish individual performance goals for the CEO that address any concerns about performance or priorities of the board for the coming year. These goals and priorities will likely change as the center’s goals and priorities change, and the CEO’s responsibilities will shift along with them. Along with goals tailored to the organization’s performance, these goals may also address the CEO’s professional development. Depending upon the health center’s development (i.e., how long it has been operating, whether it is in a “growth” mode, if there is been a recent turn-over in management staff, etc.) these goals, and the emphasis on each of them, will vary.

Specifically, the performance goals may include areas such as:

- ◆ Effective management style
- ◆ Negotiating skills
- ◆ Ability to motivate others
- ◆ Willingness to delegate responsibilities
- ◆ Time management skills
- ◆ Communication skills
- ◆ Writing skills

Mission Statement

Questions concerning the CEO's adherence to and promotion of the health center's mission statement should be included on the evaluation form.

Annual Operating Plan

The operating plan is developed annually by the health center staff under the supervision of the CEO-led management team and is approved by the board. If not adequately captured as part of the CEO's performance goals, the elements of the operating plan should be addressed on the CEO evaluation form to measure the CEO's progress in leading the advancement of the goals of the plan. This will also allow the board to evaluate the CEO's effectiveness at managing and leading his/her staff.

Programmatic and Administrative Requirements

Health centers are highly regulated, complex organizations with numerous programmatic and administrative requirements, as set forth in the Section 330 legislation, the DHHS implementing regulations, and BPHC policy (as well as other federal and state laws, regulations and programs in which the health center may participate). Boards should consider incorporating the following functional areas into the evaluation process.

Management and Operations

The CEO is responsible for leading the center's management team in carrying out the health center's strategic objectives in a competent and professional manner. Specifically, the board may wish to evaluate the CEO's ability to:

- ◆ Provide appropriate support to the board and operationalize the board's policies
- ◆ Recruit and maintain a quality management team
- ◆ Communicate with the board and the management team
- ◆ Manage personnel and systems
- ◆ Allocate resources and operate within available resources
- ◆ Identify and resolve problems
- ◆ Delegate authority as appropriate to other management and professional staff

Clinical Program Oversight

Though he or she must work closely with the health center's Medical Director, the CEO is ultimately responsible for ensuring that the health center provides quality clinical services to its patients. As a result, the board should evaluate the CEO's ability to:

- ◆ Ensure that the necessary clinical policies and procedures and clinical systems, which are consistent with board-approved policies, are implemented
- ◆ Implement a board-approved plan and budget designed to ensure that the center's patients have access to primary and preventive services and assistance in accessing other health and social services
- ◆ Recruit and retain a clinical staff with the appropriate training and experience to meet the needs of the community served by the center
- ◆ Recommend for board approval a service delivery model that meets the needs of the center's target population
- ◆ Contract for health services that cannot be effectively offered by the health center's employees and/or independent contractors so as to meet the requirements for availability, accessibility, quality, comprehensiveness, and coordination
- ◆ Continuously hold contractors accountable for their responsibilities and actions
- ◆ Develop health care goals and objectives to meet the needs of the community served by the center
- ◆ Implement a patient grievance procedure
- ◆ Develop an appropriate risk management program

Finance Oversight

The CEO must take appropriate steps to maintain a financially viable and cost-competitive health center. The board should, therefore, review whether the CEO ensures that:

- ◆ A budget that accurately projects both the resources available and the expenditures required to meet health center goals and objectives is developed for board approval;
- ◆ Accounting and internal control systems are appropriate to the size and complexity of the health center and are based on Generally Accepted Accounting Principles;
- ◆ The health center's grant application and required reports are prepared and submitted to the board and, as required to the federal government in a timely fashion;
- ◆ Board-approved billing, credit, and collections policies and procedures are in place that allow the health center to maximize its revenue from all sources without presenting a barrier to care for clients;
- ◆ Financial reports are routinely generated and reviewed by management staff and members for the board;
- ◆ An annual independent financial audit is performed in accordance with federal audit requirements;
- ◆ The health center appropriately plans for facilities and major equipment needs, and the capital and other resources necessary to meet those needs is secured;
- ◆ The health center's information management systems make information accessible, accurate, relevant, and current.

Marketing and Development

Though difficult to measure, it is important that a CEO guide the health center in maintaining a positive public image and in developing relationships with its community partners. These responsibilities work in conjunction with the CEO's responsibility to find or expand the health center's sources of funding, including from private sources. To that end, the board should consider whether the CEO:

- ◆ Leads the health center in maintaining a positive professional reputation in the community served by the health center;
- ◆ Cultivates effective relationships with community and business leaders, public officials, BPHC, and other federal, state and local government agencies;
- ◆ Is able to act as an articulate and knowledgeable spokesperson for the health center;
- ◆ Is a strong advocate for the health center's interests;
- ◆ Seeks funding from multiple sources, including private sources of funds.

Though difficult to measure, it is important that a CEO guide the health center in maintaining a positive public image and in developing relationships with its community partners.

DEVELOPING THE CEO EVALUATION PROCESS

Once the board has agreed upon the critical questions, the next step in evaluating a CEO is to establish the evaluation process. There are typically five steps in this process: determining who will participate in the evaluation process, distributing the evaluation form, analyzing the results, reviewing the results with the CEO, and soliciting the CEO's feedback.

Determine Who Will Participate in the CEO Evaluation Process

BPHC expects the board to conduct the CEO evaluation process, though the board may want to do so by delegating the responsibility to its executive committee, human resources committee, or an ad hoc board committee created for the purpose of evaluating the CEO. It is important that the board ensures that the chosen committee is truly representative of the board as whole, and that objectivity remains the guiding principle throughout the entire evaluation process. The chairperson of the board, or the chairperson of the committee of the board charged with the responsibility of evaluating the CEO, should lead the evaluation process but should not actually conduct the evaluation alone as this will taint the process, making it too personal and creating a result that is not be truly reflective of the board in its entirety.

There are two different methods for completing the evaluation forms – by consensus or by having each board member separately evaluate the CEO.

Consensus — The board may hold a closed, executive session where the board members together complete one single evaluation form. For boards that choose the “consensus” approach, the meeting (or meetings) to evaluate the CEO may be extremely time-consuming if there is disagreement among the members regarding

the CEO's performance. In addition, some board members may feel more comfortable completing a form, particularly in an anonymous fashion. However, in some cases, board members are unwilling to complete lengthy, written evaluation forms, or may have language or skill barriers to doing so. Under those circumstances the consensus approach allows each member an opportunity to voice his/her opinion.

Individually — The chairperson may have each member complete an evaluation form. This task may be more difficult in cases where there is disagreement about the CEO's performance. On the positive side, the individual forms create a complete record of the evaluation process that could, in the future, document the board's views if the relationship between the board and the CEO deteriorates. Individual evaluations may create more work for the chairperson or committee chair who must compile the information into a single, coherent evaluation.

As a last step in deciding who should participate in the evaluation process, the board should consider whether it would like the CEO to complete an evaluation form as a self-evaluation. This allows the board and CEO to compare one another's perceptions of the CEO's performance.

Distribute the CEO Evaluation Form

The CEO evaluation form should be distributed to the evaluation participants well enough in advance to allow ample time for completion. The chairperson should set a deadline for completing the forms or holding a "consensus" meeting and then stick to that deadline. Despite a chairperson's best efforts, board members may turn in the forms late or fail to turn them in at all. The board should agree, before the evaluations are distributed, the manner by which to resolve these situations so as to avoid disagreements later.

Analyze the Results

Once the evaluation forms have been completed, the responses for each question should be added together and the average response computed. Next, the average responses for each question should be added together and the average response for the evaluation as a whole should be calculated. This will put the results in a format that is useful for the board's discussion and analysis.

Review the Results with the CEO

After tabulating the results of the evaluation, the board and CEO should meet in a closed executive session or a special meeting to review and discuss the results. Based on the results, the board and CEO can develop a written performance plan and/or individual performance goals for the CEO describing areas for focus and improvement for the following year. Additionally, the evaluation process is often used as a basis for determining whether the CEO will receive a salary increase or incentive compensation for the following year.

Solicit the CEO's Feedback

Finally, the board must be sure to obtain the CEO's feedback regarding the evaluation process. While it is certainly important that the board understand whether the CEO agreed or disagreed with the board's evaluation, it is also important that the participants discuss whether the format was appropriate, whether the board and the CEO believed that the form used captured all of the necessary elements, and which areas could be improved in the next evaluation.

CONCLUSION

The performance of the CEO directly affects the success of a health center. Consequently, the evaluation process should not be limited to a single evaluation. boards should not wait for the evaluation to address serious problems with the CEO, nor should it wait for the evaluation to acknowledge the CEO's successes. Open lines of communication are essential to a sound, successful working relationship.

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