Almost all public hospitals in Ontario are governed by a board of directors that is responsible for the hospital’s operations and for determining the hospital’s priorities in addressing patient needs in the community. In the 2009/10 fiscal year, there were over 150 hospitals in the province (unchanged from 2007/08).

Boards can play a vital role by providing the leadership necessary to ensure that hospitals offer the best patient care possible while functioning efficiently, effectively, and economically. Ineffective boards can detrimentally affect patient care and contribute to inefficiencies. Research in the United States on governance has found a direct link between hospital board practices that focus on quality and higher performance by the hospital, both clinically and financially. Ontario is one of the few provinces in Canada in which hospitals still have their own individual boards of directors. Most other provinces eliminated them when they introduced decentralized models, such as regional health boards, for the delivery of health-care services.

Hospitals report on most matters to one of 14 Local Health Integration Networks (LHINs) across the province, rather than directly to the Ministry of Health and Long-Term Care (Ministry). The LHINs are accountable to the Ministry. In the 2009/10 fiscal year, the total operating costs of Ontario’s hospitals were about $23 billion ($20 billion in the 2007/08 fiscal year), of which the Ministry funded about 89%.

In 2008, we surveyed 20 hospital boards with respect to their governance practices and found that many had adopted a variety of best practices, such as an orientation program for new board members and a written code of conduct and confidentiality guidelines. However, many board members who responded to our survey indicated the need for clarification of the specific roles of hospital boards, the LHINs, and the Ministry. As well, many board members identified areas where they felt hospital governance practices could be strengthened. Some of these areas, as well as observations arising from our research, interviews with experts in Ontario hospital governance, and other work, were detailed in our 2008 Annual Report as follows:

- Ex-officio board members—persons appointed by virtue of their position within the hospital or another organization, such as medical and community groups, volunteers, hospital foundations, and municipalities—may be placed in the challenging position of representing specific interests that might, at times, be in conflict with the hospital’s and community’s...
best interests. A survey of hospital boards in the Greater Toronto Area noted that the average board had six ex-officio members, with one board having 12 such members out of a total of 25.

- Almost 70% of board members indicated that information-technology skills were underrepresented on their board, and almost 50% identified legal skills as being underrepresented.
- Only slightly more than half of board members who responded to our survey indicated that the information they received on their hospital's progress toward the achievement of the hospital's risk-management goals was "very useful," with most other members stating that it was just "moderately" or "somewhat useful."
- More than 55% of hospitals have bylaws permitting individuals to pay a small fee or meet other criteria to become "community corporate members," which entitles them to elect the hospital's board members. There is a risk that a hospital's priorities can be significantly influenced if enough board members are elected who have a specific agenda or represent a specific interest group.
- Various Ministry-funded reports have recommended that certain good governance practices, such as facilitating competency-based recruitment and setting term limits for directors, be addressed in legislation. This may warrant review when future amendments to the Public Hospitals Act are being considered.
- Good governance practices and lessons learned that had been identified by reviewers, investigators, and supervisors of hospitals experiencing difficulties had not been routinely shared among hospital boards.

**Status of Recommendations**

According to information provided by the Ministry in spring and summer 2010, progress has been made in addressing several aspects of the two recommendations we made in our 2008 Annual Report. Such progress includes legislative changes and additional guidance intended to clarify certain roles and responsibilities and to strengthen hospital governance practices. The status of the actions taken by the Ministry is summarized following each recommendation.

**BEST PRACTICES IN HOSPITAL GOVERNANCE**

**Recommendation 1**

The Ministry of Health and Long-Term Care should work with its stakeholders, including the Local Health Integration Networks ( LHINs), to help ensure that hospital boards are following good-governance practices, such as:

- recruiting board members with the required competencies and avoiding any conflicts of interest by, for instance, minimizing the number of non-legislated ex-officio board members;
- establishing effective processes for obtaining, when needed, community input that represents the views of the people the hospital serves; and
- requiring that management provide concise, understandable, and relevant information for decision-making, including periodic information on what progress the hospital is making in achieving its strategic and risk-management plans.

As well, the Ministry should work with its stakeholders to develop a process for sharing best practices in governance among hospital boards province-wide.

**Status**

At the time of our follow-up, the Ministry indicated that it expected recent changes to legislation would help to improve governance practices. For example,
changes were made under the Public Hospitals Act to help minimize potential conflicts of interest. In particular, effective January 1, 2011, hospital employees and medical staff are no longer permitted to be voting members of the board.

As well, the Excellent Care for All Act (the Act) received Royal Assent in June 2010, with most sections coming into force immediately, and the remaining sections coming into force upon development of the associated regulations. At the time of our follow-up, the Ministry indicated that the Act’s intent is to strengthen the governance of hospital boards, ensure that patient views and experience are part of the operating and planning processes, and ultimately make quality of care a critical goal throughout hospitals. In particular, the Act requires each hospital to establish a quality committee that reports to the board and makes recommendations to the board regarding quality improvement initiatives and policies. Further, one of the quality committee’s responsibilities is to oversee the development of an annual quality improvement plan, which addresses, among other things, the results of required patient satisfaction surveys and patient relations processes (for example, a complaints process). As well, the annual quality improvement plan is to include annual performance improvement targets and information concerning the linking of executive compensation to the achievement of those targets. Further, hospitals are required to create a “declaration of values” for patients after consulting with the public.

The Ministry indicated that the extent of public consultation needed to fulfill many of these new legislated requirements would provide the board with community input. Further, the annual quality improvement plan would provide the board with relevant information for decision-making, risk management, and reporting progress against plans.

Although legislative changes do not address recruiting board members with the required competencies, minimizing the number of ex-officio board members, or establishing term limits for board members, the Ministry noted that the Ontario Hospital Association (OHA) continues to provide hospitals with guidance on board governance. Further, the Ministry continues to support the OHA’s role in sharing best practices in hospital governance through the OHA’s Guide to Good Governance and the OHA’s various learning opportunities for hospital board members.

OVERSIGHT OF HOSPITAL BOARDS

Recommendation 2
The Ministry of Health and Long-Term Care should:
• as recommended in various Ministry-initiated reviews, consider incorporating good-governance practices, including those that would facilitate competency-based recruitment and set term limits for directors, into future changes to legislation or other requirements;
• clarify the respective roles and responsibilities of hospitals, Local Health Integration Networks (LHINs), and the Ministry;
• encourage the LHINs to ensure that key information is shared between LHINs and hospitals to assist hospital boards in working effectively with the LHINs; and
• in conjunction with the LHINs, develop a process to summarize and share key issues and recommendations arising from external reviews—such as those from peer reviews, investigations, and supervisor appointments—to assist hospital boards in recognizing and proactively addressing similar issues at their hospitals.

Status
As discussed in more detail under Recommendation 1, at the time of our follow-up the Ministry indicated that legislative changes were expected to strengthen hospital boards’ governance practices. Further, the Ministry continued to support the OHA’s role of sharing best practices (such as those for competency-based recruitment and term limits for directors) that are not part of the legislative changes.
With respect to clarifying the respective roles and responsibilities of hospitals, LHINs, and the Ministry, the Ministry noted that it is responsible for establishing legislation, provincial standards, guidelines, and policies. LHINs are responsible for managing their local health service providers, including hospitals, and working with them to ensure compliance with provincial legislation, standards, and guidelines. The Ministry also indicated that a number of initiatives had been put in place since 2008. In particular, the roles and responsibilities of hospitals and LHINs had been clarified with respect to the integration of services in the Local Health Integration Network/Health Service Provider Governance Resource and Toolkit for Voluntary Integration Initiatives. As well, in February 2009, draft guidance was issued regarding LHIN-initiated audits and reviews of hospitals, including indicators that serve as an early warning for the need for intervention. The Ministry noted that work is under way to finalize this guidance. Further, in October 2009, the Ministry-commissioned LHIN Guide to Good Governance was issued; among other things, this document helped clarify the role of LHIN boards and the expectation that LHIN boards would meet regularly with the hospital boards, which would promote the sharing of key information. These guidelines are available to hospitals interested in better understanding the roles and responsibilities of LHINs.

With respect to developing a process for summarizing and sharing key issues and recommendations arising from external reviews (such as those from peer reviews, investigations, and supervisor appointments), the Ministry indicated that it is continuing to explore the best way to communicate these items.