Health Sector Governance
Better Governance for Better Health

Principles & Guidelines for Governance in Hospitals

Egypt 2014

Healthcare Governance and Transparency Association

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CIPE Center for International Private Enterprise

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Transparency Association

The Healthcare Governance & Transparency Association (HeGTA) is an Egyptian non-governmental, non-profit organization founded in 2012 with the vision of promoting governance and transparency in the healthcare sector in order to enable healthcare reform and to create investment opportunities. HeGTA aims to contribute to a healthcare system which is based on accountability, equality, fairness, efficiency and quality by the creation, pooling and dissemination of knowledge in the realm of healthcare governance and transparency. HeGTA is exclusively dedicated to the topics of governance and transparency in healthcare. Having a unique calibre of experts in these realms as (founding) members, HeGTA is an active player in the governance arena of Egypt and involved in different initiatives.

The Center for International Private Enterprise (CIPE), a non-for-profit affiliate of the US Chamber of Commerce, Washington D.C., builds institutions of private enterprise and market-oriented reform. CIPE's key program areas include anticorruption, advocacy, business associations, corporate governance, democratic governance, access to information, the informal sector and property rights, and women and youth.

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Reader Guidance:
What This Guide Is About

What Does This Guide Offer?

This Guide offers Principles and Guidelines to facilitate the incorporation of corporate governance practices in hospitals in Egypt. The application of these Principles would lead to thriving and sustainable organizations, showing high levels of integrity and transparency.

What Is Corporate Governance?

Corporate governance refers to the *"procedures and processes according to which an organization is directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organization – such as the board, managers, shareholders and other stakeholders – and lays down the rules and procedures for decision-making." (OECD).* Advancing the view that hospitals in many dimensions do not differ from other types of organizations, incorporating corporate governance practices would be highly beneficial for them.

Why Does This Guide Matter?

This Guide supports individual hospitals in responsibly and sustainably increasing their performance through the incorporation of corporate governance practices. Health is a fundamental component needed to ensure the well-being of society. To promote health, a sound and fair healthcare system is needed. Having corporate governance principles as advanced in this Guide implemented by a critical mass of hospitals would upgrade the whole sector. Thereby, the Guide bridges the gap between the social and humanitarian mission of the hospital on one side and its organizational nature on the other side. This should achieve high levels of performance that can meet the demands of today's patients while containing costs. Ultimately, this should lead to accessible, affordable and equal high quality services for patients and would prevent corruption as well as other unethical behavior.

How Was This Guide Developed?

The Guide was developed based on a complex methodology. Initially, a framework based on intensive desk research and best practices was developed. Accordingly, the Guide's five Principles and their Guidelines were developed by core experts.

This was followed by 34 one-on-one stakeholder interviews and six stakeholder opinion and feedback roundtables in Cairo, Alexandria, Mansoura, Tanta, Port Said and Aswan. Subsequently, the content was informed and enriched by the inputs gathered during these stakeholder engagement activities. Finally, the Guide was reviewed by a diversity of distinguished experts and stakeholders.

For What Should This Guide be Used?

This Guide is designed to lead through the process of becoming a well-governed and transparent hospital. Thereby, it aims to offer fundamental guidance to hospital owners, board members and managers, irrespective of the hospital being public or private, governmental or non-governmental, for profit or not-for-profit. For policy makers, the Guide can function as a national reference for well-governed hospitals. On the community level, the Guide shall help to determine the expectations the civil society can have towards the hospital and should facilitate checking on them.

How Is This Guide Structured?

The Guide bases on five Principles and respective Guidelines. These Principles have intersections and theoretical and/or practical overlaps. However, the Guide addresses them separately to facilitate using them in a way that helps in tackling one issue at a time. Yet, they need to be understood and implemented as a whole in order to achieve high levels of governance.

In order to facilitate understanding of how practical application could look like, the Guide entails some samples for every principle. For implementation, though, the hospital needs to develop its own sets of policies and procedures that fit its particular situation and stance.

It should be taken into consideration that the implementation process is expected to be a long term undertaking.

Acknowledgement

Word of the Author

In alignment with the structural reform attempts in Egyptian hospitals, this Guide proposes a corporate governance approach towards healthcare in which it attempts to materialize concepts of justice, accountability, sustainability and affordability to better serve humanity. It endeavors to bring the best of all worlds to create a bridge between theory and practice in Egyptian hospitals and to set a pattern for excellence. It articulates working at the roots of problems by proposing an institutional structural approach towards hospital reform that offers more than conventional quick fixes.

I am delighted to launch the Guide with Principles and Guidelines for Governance in Hospitals, which I believe, is a step to realize our vision for creating autonomous, accountable and well-governed hospitals capable of taking decisions independently and competent enough to operate in a rapidly changing sector, while positively interacting with the complex stakeholder environment they are working in. It is the starting point for stimulating ambition in expanding the notion of governance in the entire healthcare sector aiming at reaching more effectiveness and efficiency in serving the needs of the patients in Egypt. The Guide lays a credible and hard-edged foundation to be a pivotal point of reference for further activities and potential publications and research. Hopefully, the Guide creates a constructive debate around its content to further advance it over time.

As you read the Guide, it inspires you by giving broader perspectives through interlinking between the hospital's humanitarian dimension and its organizational construct. It demonstrates the collective outcome of expert inputs combined with intensive stakeholder engagement activities, which enriched the content and resulted in the creation of a big community of stakeholders believing in the topic and willing to take it further. Besides, adopting a participatory approach in developing the Guide with practitioners, policy makers and hospital top managers assured its practicality and applicability in Egyptian context.

Generally, the Guide walks you through a transformational process that leaves you at the end with an affirmed belief in the power of change to restructure and restore organizations. It makes you feel optimistic that change is attainable and possible.

I am really happy that this Guide is finally completed and very enthusiastic about the coming steps. I am extremely grateful to so many people and organizations that believed in this Guide and collaborated and contributed to make it possible. They offered outstanding support and utmost dedication to complete this Guide despite all the turbulence that we experienced over the last year.

Dr. Mostafa Hunter
Chairman, Health Governance
and Transparency Association

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LEGENDS

🔍	DEFINITION
💡	TIP
▶	SAMPLE OR FURTHER INFORMATION

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Understanding
the Guide

Background

The nature and philosophy of the healthcare sector as an industry is different from any other industry. Its main driver is humanitarian, which manifests itself through providing curative, preventive and rehabilitative services to patients. Thus, the sector's commitment to high standards of ethics and principle-centrism is of utmost importance to ensure that no patient is excluded or discriminated. Its humanitarian value is clearly reflected in bringing quality healthcare services to the entire community regardless of race, religion, social class, gender or political affiliation. In this context, the Egyptian constitution underpins the idea of right to health for every Egyptian citizen as a fundamental building block for a just and fair healthcare system.

There have been a lot of sound efforts taking place to upgrade the sector and a considerable number of reforms put in action to ameliorate the healthcare services. Yet, it still faces major challenges resulting in inefficiencies and lack of noticeable results. The signs of these notions are manifested in general dissatisfaction of all entangled stakeholders and beneficiaries, especially patients. Like any other industry, the customer is always in the center of any activity or action taking place. Likewise, the Egyptian healthcare sector development should be induced by a patient-centric paradigm that starts by conducting evaluations on the ground to assess and determine people's needs and accordingly better serve them. By leveraging on a patient-centric approach, the Egyptian healthcare sector may demonstrate unparalleled success and prosperity, ultimately resulting in improved health for Egyptian citizens.

In order to enhance the overall health conditions for Egyptian people, HeGTA supported by CIPE, introduce a structural notion aimed at increasing the sector's efficiency, productivity and upgrading. In order to achieve this structural transformation on a sector level, this Guide addresses the enforcement of governance and disclosure in the hospital as an initial step towards transforming the healthcare sector as a whole.

This Guide presents in the fundamental Principles and Guidelines for Governance in hospitals, Egypt. Governance is a guiding notion that affects every attempt or effort to enhance the healthcare sector. Being implemented, those structural notions would create potential change on several dimensions.

Firstly, it would contribute to the development of the Egyptian healthcare sector, and enabling it to become a sound system contributing to the well-being of Egyptians. By having a corporate governance approach, the Guide would empower individual hospitals to become well-performing and sustainable organisations. Once organisations like this reach a critical mass, they would have the potential to push the healthcare system forward. This would eventually enable the sector to fulfil its main duty: taking care of patients in a way that satisfies their needs.

Secondly, by nature the healthcare sector is multi-faceted and consists of a large number of stakeholders and beneficiaries. As a result, it upholds many conflicting interests. These have to be settled in a way that balances between different stakeholders' interest. Proper governance and disclosure practices would also help in achieving this in an integrated manner.

Thirdly, these Principles and Guidelines of Governance in hospitals are not confined to healthcare leaders and practitioners only. The enforcement of these Guidelines serves as a reference framework to assess the healthcare facilities on multiple structural layers and act as a tool to determine what to expect from a hospital on a local community level. In accordance, individual awareness is very crucial to the success of these Principles and Guidelines. In this context, enforcing a guide for governance and transparency is the first step towards enhancing the integrity of the entire system and combating any attempt or sign of corruption. Accordingly, this feeds in the overall objective which is Egyptian people's right to health.

Benefits of Governance

With a particular focus on the hospital as a unit, strong corporate governance practices lay the foundation for enhanced general performance. Properly governed healthcare institutions with clearly defined roles, responsibilities and segregated duties achieve high levels of efficiency and performance that can meet the demands of today's patients while containing costs. Sound governance practices would help in ensuring long term organizational sustainability by setting structures and processes for decision making processes and by facilitating a free flow of information. This would help in identifying opportunities and managing risks. Because of the large number of stakeholders and beneficiaries around the hospital, this upholds many conflicting interests. Satisfying the interest of one stakeholder should not put the interests of others in jeopardy. Proper governance practices help in achieving this.

Given the nature of hospitals as a special type of institution, its clinical governance dimension is important to consider. Along with the enhancement of clinical governance practices, the implementation of corporate governance in hospitals will lead to the creation of prosperous organizations which in the long term will grant better access to reliable quality services for patients across the country. Amongst other advantages, increased governance practices have the potential to lead to less corruption. Moreover, governance practices improve access to finance. By this, governance can help in overcoming major obstacles for growth for many health organizations.

Benefits of Disclosure

Strong disclosure practices leading to improved levels of transparency will enhance the hospital's performance by creating outside trust and credibility.

Low levels of trust within the hospital internally and externally is considered the greatest cost that organizations can suffer from. The cost of mistrust is usually reflected in the creation of hidden agendas, conflicts of interest along with a general defensive culture. Accordingly, the notion of disclosure is the spark that can fire up a win-win culture within hospitals and reduce corruption margins. By disclosing the right information to the right audience in the right format, the hospital will facilitate the understanding of its activities among different stakeholders. This will improve its reputation in its communities. Increased transparency would also mitigate the vulnerability to corruption. By enhancing accountability and allowing a free flow of information, organizations with effective transparency structures will not only boost their efficiency but also their ability to attract potential investments and resources. Internal transparency also has a positive effect on overall productivity and enhances the decision-making processes.

About the Principles and Guidelines

This Guide aims at setting a milestone in reaching increased levels of governance within Egyptian hospitals in order to empower the healthcare system to better fulfil its duties towards Egyptians' needs and realize its potentials.

Approaching these topics from a corporate governance perspective, the Principles and Guidelines are intended to help individual hospitals in improving their governance and transparency practices. It aims at being a device to help hospitals leaders to achieve increased levels of sustainable and responsible growth, expansion

and institutionalization. This would lead to thriving organizations, which operate for the benefits of involved patients and other stakeholders. Additionally, this Guide is intended to help policy makers in setting national frameworks for governance of hospitals. Moreover, it aims at helping civil society organizations and the community in evaluating hospitals from a governance point of view.

The principles and their respective guidelines address five major domains in the hospital context. They overlap and interlink in the construct of enhancing the overall governance practices in Egyptian hospitals. These five domains are:

#1 Corporate & Clinical Governance	#2 Board of Directors	#3 Audit, Control & Risk
#4 Hospital Sustainability & Responsibility	#5 Disclosure & Transparency	
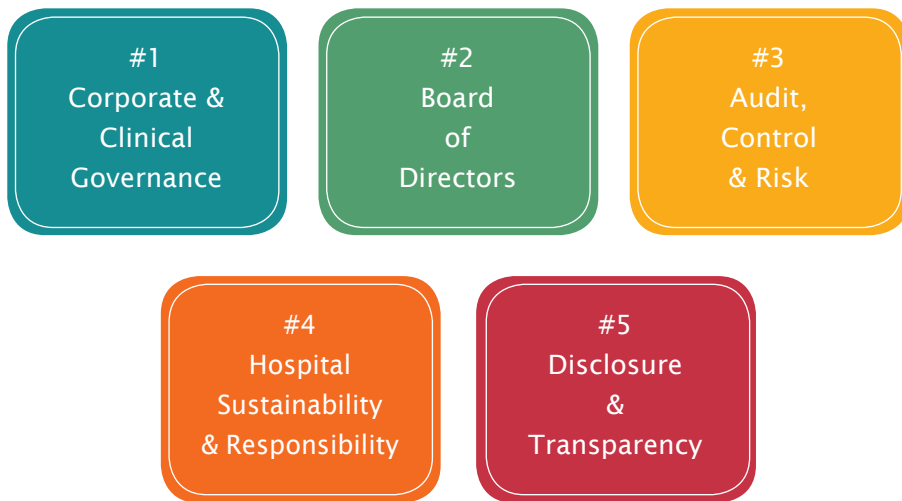
These Principles and Guidelines are designed to lead the process of becoming a well-governed and transparent hospital. Thereby, the principles and their elaboration aim to offer fundamental guidance to the hospital. In order to facilitate their understanding, the Guide entails some samples of tools for every principle ensuring practicability. In order to implement it, however, the hospital needs to develop its own sets, policies and procedures that fit its particular situation and stance.

In general, the Guide aims at elaborating the basics of the covered topics. For those who seek more in depth knowledge, certification and full professional programs exist for every discipline enclosed. There are also other different guidelines that focus on certain areas with more details.

Approach

Equality, fairness, efficiency and quality of healthcare services along with patient-centrism have to be the guiding notions at all levels of the hospital. Since hospitals offer services with a strong social dimension, the margin for inefficiencies should be strictly limited, given the negative impact this would have on the Egyptian community.

In order to reach this level of integrity and reform, some structural solutions need to be taken into consideration. Research and interviews reassured the idea that the most promising way to solve current grievances is the implementation of governance. If leveraged upon, this Guide is a promising solution to do this with the potential to create unparalleled success in hospitals. It also bridges the gap between the social and humanitarian mission of the hospital on one side and its organizational nature on the other side.

In the development of this Guide, the authors took a unique approach towards the topic. Their perspective towards governance in hospitals can be elaborated as follows:

Corporate Governance Perspective on Healthcare Governance

Despite the fact that the concept of corporate governance is highly associated with financial markets, bringing this concept to the healthcare sector is of great value. Corporate governance offers applicable solutions, which would ameliorate the hurdles hospitals currently face.

Within the scope of the Guide, the authors advance the view that despite the special nature of a hospital, it is still an organization that in many dimensions does not differ from a corporation. Thus, the implementation of corporate governance and disclosure principles would help hospitals as any other organization in becoming better structured and more transparent and thus more successful and sustainable.

From this perspective, the Guide focuses on the individual organization and not on health systems when talking about the implementation of better governance and disclosure practices. Once the Guide is implemented by a critical mass, the change in the individual hospitals will reflect on the health system as a whole and thus push change and reform bottom-up.

There are other components of governance of healthcare systems that still need to be addressed; however these are beyond the scope of this Guide.

Adaptation to the Hospital Context

Although there are many similarities between corporations and hospitals some vital differences remain, for example to the nature of the organization itself, its structure, types of service provided, regulatory frameworks and functionality. Accordingly, incorporating corporate governance principles without adjustment to the nature of hospitals would create dissonance. This is why, this Guide focuses on creating the necessary adaptation to integrate corporate governance principles in hospitals and the healthcare sector in a way that fits this specific environment.

Merging of Corporate Governance and Clinical Governance

By nature, the hospital offers medical services to its patients. In order to increase overall quality of this service provision process, all players in the hospital need to work together. Accordingly, clinical governance needs to be implemented to ensure a proper link between patients, physicians, nurses and other stakeholders. On the other hand, corporate governance ensures the organizational sustainability of the hospital by enabling it to tackle health problems more efficiently. Eventually, corporate governance practices would also create value for the patient by containing costs and prices while enhancing quality.

An important aspect in this context is to acknowledge the conceptual relations between corporate and clinical governance, and to also pay attention to the differences between them. As a result, the Guide's perspective is to merge both corporate governance and clinical governance in a way that secures their particularities but leverages on the conceptual overlaps and synergies between both.

Merging of Corporate Governance and Sustainability

Proper corporate governance practices, especially when including guidance with regards to responsible and inclusive business conduct, contribute substantially to improved organizational sustainability. This means that implementing these notions would secure the current objectives and activities of the hospital without compromising its future goals. The authors believe that achieving organizational sustainability is important for every organization but should especially be pursued in hospitals. This is because hospitals have the mandate to offer a service with a social dimension which cannot be substituted easily in case of organizational failure. For this reason, the Guide dedicated a principle entirely to answer the question how organizational sustainability can be improved on top of and linked

with the classic corporate governance practices outlined in the other principles which already by nature have a positive impact on the long-term competitiveness of the hospital.

Unification of Public and Private Hospitals

The authors took the decision to develop a unified Guide for all hospitals irrespective of them being public or private, governmental or non-governmental, for-profit or not-for-profit. The nature of ownership does not influence the content of the Principles and Guidelines. Indeed, it would turn all hospitals into economically independent and autonomously run organizations. In case of not being private and for-profit, it moves from budget-based financing with all its inherent inefficiencies to investment-based and performance-based financing. This would strengthen the segregation between ownership and operational management. However, the implementation of some principles needs to be tailored in certain cases given the different types of hospitals.

Methodology

The Principles and Guidelines were developed based on a complex methodology designed and led by the lead consultant and the project team. In accordance to the methodology, a framework based on best practice research was developed.

Content Development

- Desk Research & Best Practice Models
- Stakeholders Opinion & Feedback Roundtables
- Experts Drafts
- Experts & Stakeholders Interviews
- Experts Review

Then a core team of experts developed the five principles. The content was compiled and adapted to the healthcare context by the lead consultant. The content was informed and enriched by an intensive desk research as well as comprehensive interviews and feedback gathering measures covering a broad spectrum of experts and stakeholders. Finally, it was reviewed by a diversity of experts and stakeholders.

Desk Research & Best Practice Activities

The desk research was intended to give the team a comprehensive overview over current issues in the Egyptian healthcare sector, similar efforts to increase governance and transparency in healthcare elsewhere and to benefit from lessons learned.

The research process for obtaining comparative cases and best practices was divided into several chronological phases: Primarily, the process started with a generic exploratory research outline based on qualitative data collection. This generic research resulted in the identification of several cases on healthcare sectors.

Firstly, two main papers worked as the roadmap towards understanding the complexity of healthcare systems; An Examination of Hospital Governance in Ghana and Governance and Transparency to Empower the Healthcare Industry: The Case of Egypt. Secondly, a paper entitled Healthcare Board Governance highlighted how boards in general develop in order to perform their responsibilities for quality and safety in healthcare, while also examining about the role, purpose, and impact of boards on organizations.

Inspired by the *OECD Principles of Corporate Governance*, the *Health Governance Principles by WHO*, Taylor's Principles of Good Governance, *ICGN Global Corporate Governance Principles* and *CACG Principles for Corporate Governance*, the overall framework of the Guide was developed. This framework defines five major Principles that cover five domains:

1. Corporate & Clinical Governance
2. Board of Directors
3. Audit, Control & Risk
4. Hospital Sustainability & Responsibility
5. Disclosure & Transparency

Experts Drafts

The five principles along with their respective guidelines and samples were allocated to core experts to draft them in close coordination with the lead consultant and the project team. In light of desk research findings, core experts combined their personal knowledge and professional hands-on experience to enrich the content of the Guide. Interesting and important insights resulting from the other content development exercises conducted were integrated in the drafts. For every domain addressed core experts and project team researched and reviewed governance activities done in different corporates, banks and institutions worldwide in search of best practice cases. The research was focused on underpinning relevant examples and best practice models internationally to reach the best possible formulation of the Guidelines. In light of these key indicators and best practices identified, the team was stimulated and in accordance blended the selected models in the Guidelines. The research process resulted in the identification of several international best practice models relevant to every domain.

Firstly, the NHS in the United Kingdom introduced *Principles for Best Practice for Clinical Audit* and the Department of Health in Western Australia issued a series of detailed guidelines on the implementation of clinical governance. Both served as building blocks for the Principle addressing clinical governance in the Guide. Additionally, the *American Health Lawyers Association (AHLA)* developed guidelines tackling corporate compliance in *The Health Care Director's Compliance Duties: A Continued Focus of Attention and Enforcement.*

Secondly, published guidelines on the *Jordanian Securities Depositary Center* website were acknowledged to be one of the best practice models for transparency and disclosure practices.

Thirdly, *Netcare Limited. Annual Integrated Report 2011* is a report published by a hospital in South Africa which worked as a comprehensive hospital report that includes financial reports, governance reports, clinical governance etc.

Fourthly, the internal auditing principles and practices were best reflected in the *Gleim CIA Review*, which are the only accepted designation for internal auditors internationally. After external review and feedback and the incorporation of corresponding comments and remarks, the principles, guidelines and samples were finalized as the core of this Guide.

For more details on best practice models and the reference cases, please refer to the List of References in the Annex at the end of this Guide.

Experts & Stakeholders Interviews

The project team was keen to engage with the whole stakeholder environment of hospitals. Therefore, it reached out to as many different experts and stakeholders as possible. During this process, the project team succeeded in covering all main stakeholder groups through an interactive participatory approach. Based on a stakeholder mapping exercise, key stakeholder groups were identified. The valuable inputs and ideas of 34 different interviewees lay a foundation for the Principles and Guidelines ensuring comprehensiveness and applicability.

The objective of the expert/stakeholder interviews was to embrace different stakeholder perspectives. Additionally, the interviews were aimed to explore the needs and problems of stakeholders around hospitals to enrich the Guide with real-life insights. The different stakeholder inputs manifested a general dissatisfaction

STAKEHOLDER REPRESENTATION		Nurses	Physicians
Hospital Managers	Ministry of Health	Local Health Authorities	Private Insurance Companies
Multi-lateral Organizations	Legislative Authorities	University Hospitals	Private Hospitals
NGO Owned (Not-for-Profit) Hospitals	Medical Syndicate	Patient Rights Organizations	Banks
Investors	Leasing Companies	Medical Suppliers	Pharma

of all involved stakeholders around the hospital. Most of the hurdles and needs the stakeholders raised are addressed by principles of governance that this Guide advocates for. Thus, incorporating governance is the proposed solution to ameliorate the stakeholder environment around the hospital.

For more information about interviewees, please refer to the List of Experts and Stakeholder Interviewees in the Annex at the end of this Guide.

Stakeholders Opinion and Feedback Roundtables

With the objective to ensure maximum outreach and inclusion of as many diverse perspectives as possible, a collaborative participatory approach was undertaken when developing the Guide. Therefore, six stakeholder opinion and feedback roundtables have been conducted while ensuring a participation that manifested a multi-stakeholder representation. Roundtables were held across Egypt in Cairo, Alexandria, Mansoura, Port Said, Tanta and Aswan. The stakeholder representation in these roundtables varied from private, public and university hospitals, local authorities in different governorates, high calibre representatives from the Ministry of Health and hospital pharmacies. Participants varied from top-level leaders to practicing physicians and hospital pharmacists. The meetings drew on the discussion of principles of governance pertaining to definitions, key success indicators and tools for implementation. Hence, a considerable level of awareness around the topic and interest for implementation was created. Additionally, there was an explicit consensus on the importance of the topic and its integration in the healthcare sector communicated across all roundtables. Based on the insights during the stakeholder opinion and feedback roundtables, there is a multi-façade of problems that need to be addressed in hospitals. This highlights the need for a comprehensive framework that continues beyond this Guide. Different groups of participants were engaged in each governorate and would form a platform to support the implementation of this Guide.

For more details about the participants, please refer to the Participant List of Stakeholder Roundtables in the Annex at the end of this Guide.

Experts Review

A final draft of the Guide was sent to a number of distinguished experts in the fields of governance and healthcare for review. The experts were asked on their feedback and comments pertaining to the applicability and user friendliness of the

Guide. Along with those dimensions, they were demanded to provide their input regarding the logical flow of the Principles and Guidelines, the comprehensiveness of the Guide in covering the most important dimensions in every domain and the diversity of the samples used. In light of the experts' feedback and remarks, some changes have been undertaken.

For more details about the expert reviewers, please refer to the List of Reviewers in the Annex at the end of this Guide.

Research Findings

General Findings from Interviews and Roundtables

From six stakeholder opinion and feedback roundtables conducted in six different governorates in Egypt, a lot of feedback and remarkable insights were generated on a country level. Adding to that, 360 degree interviewing process with stakeholders around the hospital and experts in healthcare and governance generated a strong foundation for the issuance of the Principles and Guidelines. An overarching belief coming out of this process is: leveraging on this particular notion of governance and transparency would manifest unparalleled improvement in hospitals. The Principles and Guidelines address a lot of the concerns and inquiries raised by diverse stakeholders in the core. As a result, if hospitals adopt these Principles and Guidelines, the hospital will better fulfill its duty towards its patients, guarantee its growth and sustainability.

Findings from Experts/ Stakeholders Interviews

General Remarkable Insights

- An overarching issue is the lack of definition of the concept of governance. This lack of definition is manifested in the lack of consensus among interviewees on a unified explanation.

- Lack of awareness around the topic of governance in the healthcare sector.

- Governance caters for the needs of stakeholders through translating their needs into figures and rates that hospitals can work on.

- Hospitals compatibility is based on criteria of accreditation and medical service quality but not on governance frameworks.

- Financial institutions show signs of acceptance to adopt an agreed upon framework for governance in hospitals, as they currently use their own corporate governance frameworks as "benchmark".

Stakeholders Perspectives

- *For suppliers,* maintenance is particularly important. More transparent and fair tendering procedures are identified as current issues.

- *For leasing companies,* lack of clear reporting and documentation is a hampering factor. Increased governance would translate into more proper reporting and documentation.

- *For the investment community,* the lack of common language between investment and healthcare sector is counterproductive and hurdles the process of discovering win-win scenarios for both parties. Corporate governance could work as a guiding tool for unifying the language. There is a need for hospitals to be "bankable" organizations.

- *For the banking sector,* securing the ability of their clients to pay back is very crucial as it is primarily a money lending institution. As most of the private hospitals are based on family and friends relations with obvious lack of governing structures, banks consider them risky and in accordance drift away from those projects.

- *For physicians,* there is an implicit lack of trust between them and hospital management because of a clear conflict of interest that characterizes the relationship.

- *For nurses,* the need for more training and professional development is highlighted. A vital issue that the hospital should address.

- *For the administrative staff,* hospitals mostly neglect this sector in terms of trainings and professional career guidance.

- *For patients,* there is an urge for policies enabling them to actively participate in the decision-making of their treatment plan and the decision-making processes within the hospital.

- *For university hospitals,* they face serious problems in resource depletion given the fact that they drifted away from their original educational purpose to being responsible for the provision of medical services for patients.

- *The Technical Office of the Ministry of Health* could work as the accreditation body for governance practices in hospitals.

- *For pharmacists,* a clearly defined governing structure would resolve antagonism between them and physicians through well-defined responsibilities and duties.

- *For private insurance companies,* a business perspective to the entire healthcare sector is prevalent. Incorporating governance in healthcare would facilitate measurement and performance indicators.

- *From a legislative perspective,* the constitution entails principles of governance and transparency which facilitate the issuance of bylaws and laws on that matter. The formation of a multi-stakeholder representation in the Higher Council for Health can enable putting a plan for policies on governance and disclosure in hospitals.

- *The Medical Syndicate* can be involved in the marketing process for the topic among the medical community and highlight the opportunities governance brings along for physicians; i.e. ameliorating the working conditions, providing training, acknowledging their rights etc.

Findings from Stakeholder Opinion and Feedback Roundtables

Remarkable Insights

- General consensus around the importance and the timeliness of the topic.

- In the healthcare realm, there are success stories in the implementation of quality standards, for example. Similar methodologies might be used as references for governance framework implementation.

- Intuitive collective knowledge about governance practices and activities without being aware of the scientific notion for it.

- Limited resistance to the topic of governance and disclosure when introduced in a simple engaging methodology.

- Direct connotation to privatization process and corporatization because the Arabic translation of "corporate" refers to corporations and private sector.

- Consensus that the framework for governance should be standardized across all types of hospitals (private, public, NGO-owned and university hospitals)

- Private sector hospitals are more aware of governance and disclosure than NGO-owned and public hospitals

- Medical community has a high tendency to interlink governance to medical operations while drifting away from the structural framework of governance

Legal & Policy Level Insights

- No signs of radical differences between governorates were manifested in the outcomes, which is a great opportunity for a national level applicability and implementation

- Creation of joint coordination between Ministry of Health and local authorities in governorates

- Under the current legal framework a lot of principles are applicable and can be implemented without changes

- Existing laws and bylaws governing the healthcare sector already foster governance but are not packaged together

- A large number of Ministry of Health Hospitals are governed by centralized ministerial decrees and by-laws, which would make it easier to implement principles of good governance.

- Need for more decentralization and empowerment of executive bodies

Insightful Recommendations

- Great interest in future trainings and professional coaching on governance relates topics

- Development of a maturity model to facilitate scaling up the actual implementation of the Principles and Guidelines.

- Need for a central program for governance at the Ministry of Health

- Need for linking the implementation to an incentive scheme to encourage hospitals to apply the Principles and Guidelines.

Corporate & Clinical Governance

PRINCIPLE #1: The hospital implements and fosters corporate and clinical governance practices that are both sound and effective.

Corporate Governance

Corporate governance stimulates performance and overall efficiency of organizations by offering better leadership, strategic direction as well as improving information flow and decision-making processes. This is true for any organization, including hospitals. It makes clear that corporate governance goes into the root causes of the problems many patients in Egypt face on a daily basis. Thus, corresponding practices are the right approaches to solve the fundamental issues that nowadays prevent patients from accessing and receiving fair and affordable high quality care. By being implemented properly, corporate governance practices can achieve both social and organizational objectives at the same time and create reinforcing synergies between them. Proper corporate governance practices indeed enable oversight and control over management together with compliance systems and accountability frameworks which foster efficiency and decrease vulnerability to corruption. Corporate governance gives greater confidence in the ability to generate returns, secure shareholder and other stakeholders' rights and allow better information disclosure, which improves access to and lowers cost of capital. In addition to that, corporate governance improves the reputation of the organization, minimizes risks and supports long-term sustainability which will ensure that the hospital's role in society can be met.

Particularly, the corporate governance framework of the hospital balances between principles of economic efficiency and financial sustainability on one side and social values and serving patients on the other side. Providing services that are social by nature should not jeopardize the financial aspects; financial aspects should not be on the expense of the patients and other stakeholders. However, under no circumstances should the hospital be an economically inefficient entity that loses capital.

> **OECD DEFINITION CORPORATE GOVERNANCE**
>
> Procedures and processes according to which an organization is directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organization – such as the board, managers, shareholders and other stakeholders – and lays down the rules and procedures for decision-making.

> **INCREMENTAL IMPLEMENTATION**
>
> The incorporation of corporate governance and disclosure practices as well as all topics related is a process. It is not recommended to rush activities but rather to strategically implement them based on the assessed status quo in the hospital. Therefore, the hospital should develop a plan for the transition process to ensure that the transition is sustainable.

The hospital's governing structure enables it to set its direction, achieve its mission, act efficiently and mitigate vulnerability to corruption. Irrespective of the hospital being state-owned or privately-owned, for-profit or not-for-profit, the governing structure defines the hospital as an organization entitled by the owners to offer services to beneficiaries in the highest possible quality at lowest possible cost and to secure a reasonable financial and non-financial return on investment to the owners as defined by their nature and objectives.
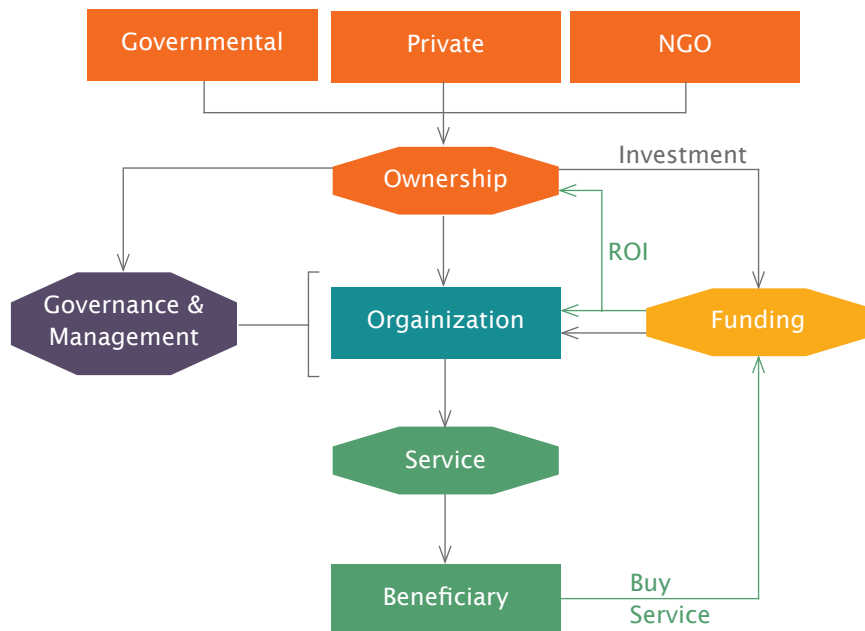
PUBLIC HOSPITAL GOVERNANCE FRAMEWORK

In public hospitals, it is important to define who is the owner of the hospital. This includes identifying, for example, which ministry is the owner and what is the current type of ownership (independent organization, state-owned enterprise or a government authority).

GOVERNMENTAL HOSPITAL

In governmental hospitals, there should be clear distinction between the role of the state as an owner and its role as a regulator.

Every hospital has an owner. Irrespective of the ownership model, the owners invest in an organization to fund the construction, equipment and operations of the hospital. The hospital then offers services to beneficiaries for a certain fee that is covered either by the patient (out-of-pocket), insurance payers, public money or donations. The generated income goes into the funding of the hospital. Any profit generated can be kept within the organization and be reinvested into the hospital and its operations or can return to the owners in the form of Return on Investment (ROI). In order to streamline these processes and achieve the best possible outcomes, the organization needs proper governance and management frameworks and practices.

Objectives of Corporate Governance

The fundamental objective of corporate governance is to boost the value of an organization for all its stakeholders by improvements in organizational performance and accountability. This is achieved by the pursuit of the following sub-objectives of corporate governance:

- To assure a professional, independent board that gives the right direction and oversight to the organization.

- To incorporate audit, control and risk management systems in order to ensure the prevention, detection and analysis of undesired outcomes.

- To support information management and disclosure practices in order to enhance transparency for better productivity, efficiency and communication practices.

- To protect the rights of owners/shareholders and other stakeholders by ensuring organizational sustainability and prosperity.

- To foster overall responsibility, sustainability and inclusiveness for the benefit of all internal and external stakeholders.

Corporate Governance Self-Concept

- The hospital understands itself as a self-governed autonomous body and acts within its corporate purpose and mission as set-up by the owners and other key stakeholders.

- The hospital commits itself to the principles of transparency, accountability, fairness, responsibility and stakeholder engagement as outlined in this Guide.

- The hospital acknowledges the stakeholder view of corporate governance principles, which addresses the wide array of stakeholders and does not only take into the account the narrow perspective of shareholders and owners.

> **SELF CONCEPT**
>
> The self-concept is the way the hospital understands itself. It reflects its commitments, standards, and engagement.

> ▶ **FUTHER INFORMATION**
> Principle #4: Business Ethics
>
> ▶ SAMPLE 2.4: Code of Conduct, Principle #2

- The hospital has a code of conduct that is communicated and accepted throughout the organization. The code of conduct articulates the organization's commitment to ethical behaviour. It details the fundamental principles, values, and framework for action within the organization and defines the organization's culture.

Corporate Governance Framework

- The hospital has a clear governing structure that defines roles and responsibilities within the hospital and sets the framework for the implementation of the principles included in this guide.

- The owners of the hospital appoint a board of directors/trustees. The board appoints the top executive management. The top executive management runs the hospital.

🔍 **FRAMEWORK**

The framework shows the structure of the hospital. It solidifies the organisation, the roles and responsibilities.
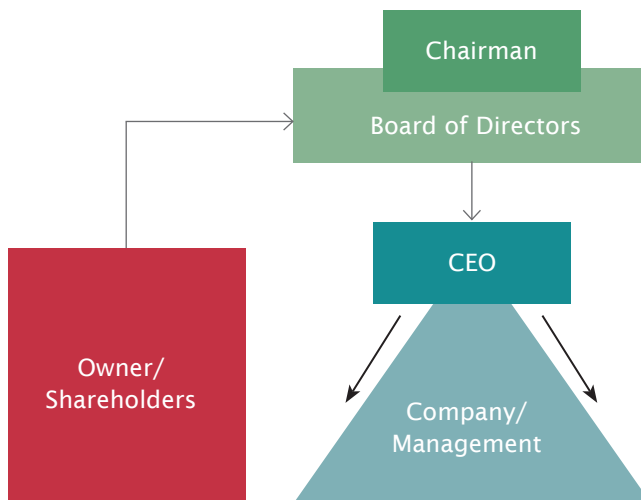
💡 **TWO TIER BOARD**

In some hospitals, a two-tiered board can be created with one Advisory Board and one Executive Board

- The governing structure of the hospital does not conflict with any legal frameworks. The hospital tries as much as possible to apply best practices within the legal framework in which it is operating.

- The corporate governance framework of the hospital segregates between four different groups of internal key-players within the hospital namely:
  – Owners / shareholders
  – Board of directors/trustees
  – Executive management and administration
  – Medical workforce

- Each group of these players has its own roles, responsibilities and set of competencies. Mixing roles between them creates conflicts of interest, jeopardizes accountability, fosters inefficiencies and increases vulnerability to corruption.
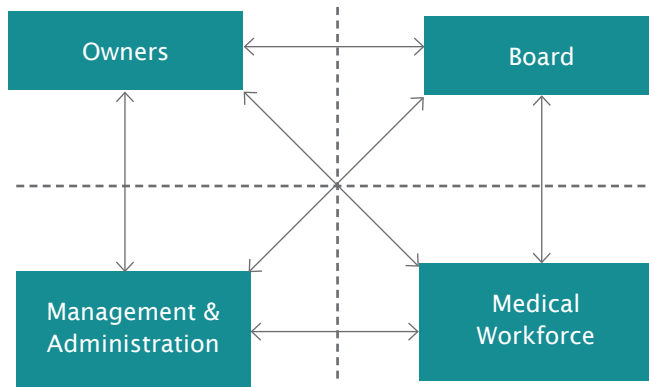
- In the case of practicing physicians within the hospital who undertake roles beyond their profession, there is a clear distinction and definition of these roles within the context of a clear and transparent conflict of interest policy.

- To ensure that these physicians have the set of competencies and qualifications needed to fulfill additional roles in a professional manner. Examples include managerial and leadership skills as well as education in management, finance and any other related disciplines.

Key Components of Good Corporate Governance:

The key components of Corporate Governance consist of the following and are further explained in detail in this guide.
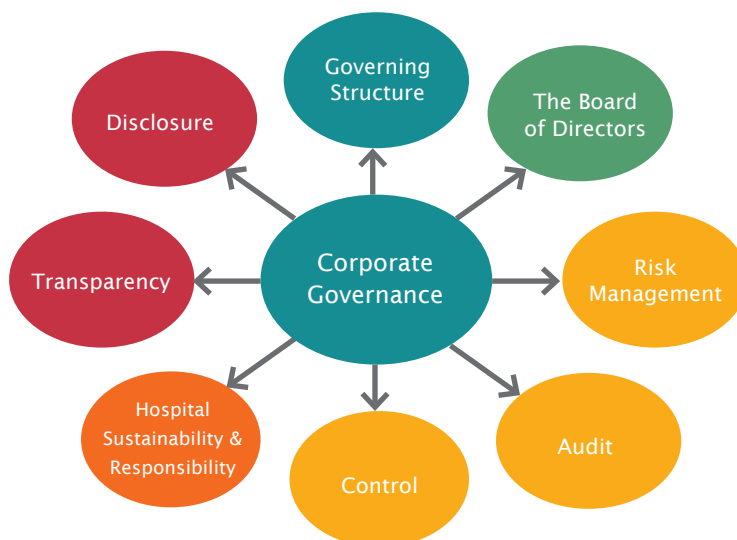
Clinical Governance

Clinical governance covers all activities, policies and procedures that help improve and sustain high standards of care to grant patients the best treatment possible. It is clear that nowadays, hospitals cannot survive without offering high quality services to the communities they serve. Clinical governance puts delivering high quality care at the same level of importance as the operational and financial performance and helps the hospital to survive and compete in the current complex environment.

Clinical governance seeks to transform methods of working to create consistency within the work processes, so that patients can be confident that they will always be treated safely and appropriately within reliable quality standards.

The term clinical governance covers different activities in which physicians should become involved in order to support and improve the quality of the care they provide to their patients and to ensure accountability of the system.

> NHS UK DEFINITION
> CLINICAL GOVERNANCE
>
> "A framework through which NHS organizations are accountable for continually improving the quality of their services and safeguarding high standards of care by creating an environment in which excellence in clinical care will flourish."

### Objectives of Clinical Governance

The fundamental objective of clinical governance is to continuously improve the quality of care in the hospital. This is achieved by the pursuit of the following sub-objectives:

- Ensuring processes of quality improvement that discover problems of poor performance at an early stage.

- Identifying and prioritizing education and development of staff to ensure a skillful workforce.

- Installing systems to support evidence-based practice and guidance from evidence-based medicine.

- Ensuring that all hospital staff has access to procedures for clinical governance accountability and leadership in each service, in order to promote a fair and open learning culture.

- Providing all quality information to verify clinical care.

- Promoting an open and fair no blame culture so that incidents that are detected and lessons learned are subsequently shared.

- Ensuring that learning from complaints, information, litigation and claims is systematically analysed and disseminated throughout the healthcare facility.

- Ensuring that ideas, innovations as well as good practices are systematically distributed.

Clinical Governance Self-Concept

- Clinical governance is understood as everyone's business. All professionals at all levels of the hospital are involved in it.

- The hospital commits to adhere to the general agreed upon aspects of good clinical governance as follows:
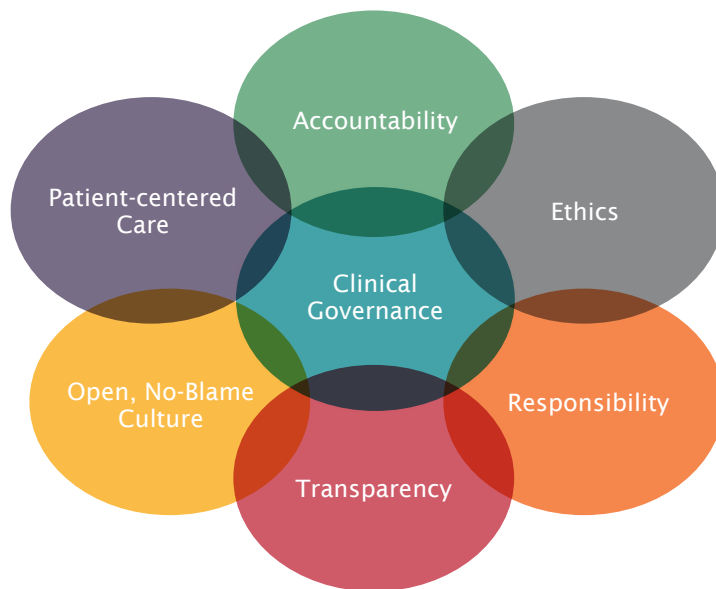
- Transparency: the hospital is managed in an open and transparent manner.

- Responsibility: towards all stakeholders.

- Accountability: staff and management are held responsible and liable for their actions to both the organization and society.

- Ethics: staff and management discharge their responsibilities in an ethical manner.

- Open, no-blame culture: a systematic approach to quality improvement rather than 'shame and blame' approach.

- Patient-centered care: patients, consumers and the community at large are involved in all aspects of health care delivery.

- The hospital shows commitment to recognizably high standards of care and constant and dynamic improvement.

- Clinical governance means the improvement of integrating management inputs, structures and processes, as well as coordination, cooperation and communication between physicians, all health care units and patients in order to achieve an overall improvement in the quality of health care.

- The hospital has an on-going process of guidance and support for executive leadership to observe quality of care and patients' safety.

- The hospital seeks to transform the culture of the organization through clinical governance practices, so that:

  - Openness and participation are encouraged.

  - Education and research are valued.

  - Good practice is freely shared.

  - New approaches are welcomed.

  - Ability to learn from mistakes.

Clinical Governance Framework

For ensuring the realization of the clinical governance objectives, the hospital should commit itself:

- To use reasonable care to guarantee the safety and adequacy of facilities and equipment.

- To select and retain competent clinicians. This also includes overseeing and supervising everybody involved in the care process as well as the formulation, adoption and enforcement of adequate rules and policies that ensure quality for the patients.

- To assure and review clinical responsibility and accountability to improve quality and safety in every part of the patient experience. This ultimately results in optimal patient outcomes.

- To be held liable to its own negligence in failing to ensure that a proper standard of care is maintained. According to this, the hospital has the duty to make a reasonable effort to monitor and control the prescribed and administered treatment by clinicians who practice within its premises.

> **LINK**
> **QUALITY/ CLINICAL GOVERNANCE**
>
> It is important to create links between the quality department and the clinical governance system of the hospital.

Key Components of Good Clinical Governance
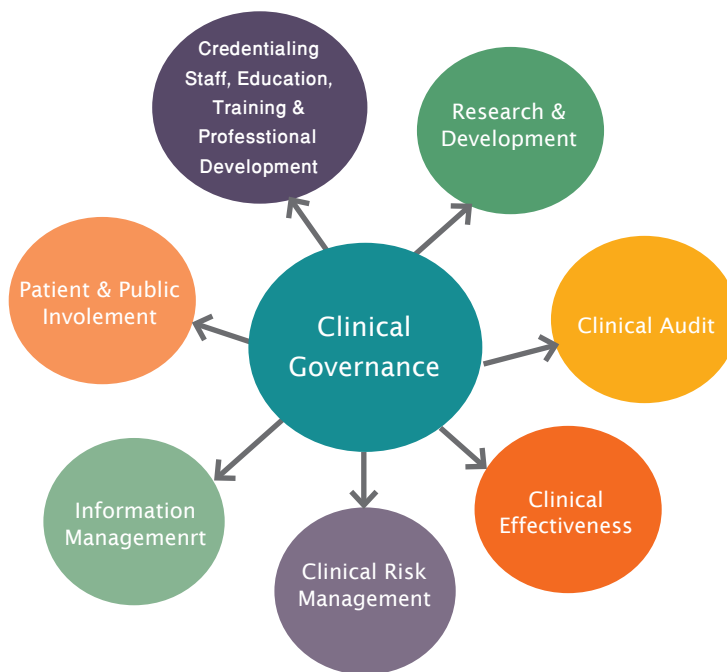
Credentialing Staff, Education, Training and Professional Development:

Proper practices with regards to recruitment, training and development of the human resources of the hospital are a crucial foundation for its long-term success.

The hospital implements professional models of clinical governance through:

- The proper selection, recruitment and retention of qualified clinical staff
- Education and professional development of medical staff to keep them up to date and maintain their professional standards.

- Continuously identifying and prioritizing needs for professional development through regular assessment and appraisal.

- Ensuring that there are installed systems for evidence-based practice.

- Introduction of new procedures under proper control and monitoring mechanisms.

- Enabling staff to be competent and improve their skills to be able to perform their jobs.

Research & Development

Proper research and development practices are important components with regards to the assurance of quality standards within the hospital and the realization of unmet potentials.

- The hospital fosters research for:
  - Continuous generation of reliable, robust research-based data.
  - Documentation and revision of results.
  - Creating bodies of evidence to improve results.
  - Detecting adverse effects.

- While targeting this, the hospital commits itself to the use of proper and scientific research approaches.

- Research ethics are ensured by an ethical committee within the hospital.

Clinical Audit

Clinical audit is a broad term that includes several strategies of quality improvement. It is understood generally as a method of continuously evaluating and improving clinical practices by systematically reviewing the provided care against set criteria.

- The hospital develops a set of criteria against which its performance is evaluated. Thereby, it orientates itself on national legislation as well as national and international benchmarks.

- The gap between the criteria and the assessed performance is used by the hospital for guidance concerning priority improvement strategies.

- The hospital uses record reviews, peer reviews, standard reviews to ensure that standards are being followed and that evidence-based practice is being utilized, as well as patient satisfaction surveys in order to conduct proper clinical audit activities.

> ▶ SAMPLE 1.1: Clinical Audit Processes, Principle #1
>
> ▶ SAMPLE 1.2: Principles for Peer Review, Principle #1

Clinical Effectiveness

Clinical effectiveness links individual clinical experience of physicians, patients' expectations and best available clinical evidence to achieve supreme outcomes.

- The hospital ensures that patient treatments take place efficiently. This means that the hospital has to stay up to date concerning clinical standards. This can be facilitated through accessing good quality information, using interventions that have proven to be effective and other components of Evidence Based Medicine.

- Operating based on Evidence Based Medicine means the progressive introduction, use, monitoring and evaluation of evidence-based clinical standards. The three tools that will assist the hospital to achieve this outcome are:

  - *Clinical standards* incorporate clinical guidelines, pathways and local practice protocols.

  - *Clinical indicators* are measures or benchmarks that enable the hospital to compare it with similar hospitals. Clinical indicators must be meaningful and reflect clinical practice standards.

  - *Clinical audits* as mentioned before can be used to evaluate and improve the effectiveness of the clinical practice.

Clinical Risk Management

Risk management includes mechanisms for assessing the probability of adverse events, their impact and procedures made to prevent them.

- The hospital develops operational guidelines to prevent harm resulting from errors, ensuring compliance with them together with proper reporting of adverse events.

- Thereby, the hospital considers the following components of risk management:

  – **Risks to patients:** Periodic questioning and reviewing of systems can minimize risks to patients, example, critical event audit or learning from complaints. Enforcing medical ethical standards is another key factor to maintain patient and public safety and well-being.

  – **Risks to practitioners:** Ensuring that clinicians are immunized against infectious diseases as well as that they work in a safe work environment and are updated on important parts of quality assurance to reducing the risks to practitioners.

  – **Risks to the organization:** Poor quality is a threat to any organization. In addition to reducing risks to patients and practitioners, organizations reduce their own risks by providing high quality employment practice, a safe work environment, and well-designed policies on public involvement.

  > ▶ FUTHER INFORMATION
  > Principle #3: Risk
  > Management

- The right balance between these risk components is a crucial foundation for a successful organization and the hospital acts on achieving this.

Information Management

The proper collection, management and use of information represent a key component in supporting and achieving clinical governance objectives.

Medical Records & Electronic Health Records:

The hospital has an integrated system for the proper collection, management and use of information. The medical record supports the provision of care by the same or another physician through providing a record. It also provides a medico-legal record of the care provided. The medical record is made in a way that it:

- Forms the basis of a historical account
- Facilitates communication between medical professionals
- Supports clinical research and evidence-based practice
- Supports decision making processes.

- Helps in identification of deviations and development of corrective measures.

- Helps in anticipating future health problems and description of preventive measures.

- Supports continuous assessment of competencies of medical staff and their development.

- Provides a legal account.

Screening and Reporting System:

Incident Reporting:

An incident reporting system is a system where there is reporting of any unusual event that does not conform to the policies and procedures or any violation of the patient care process. It ranges from very simple events where no harm occurred, to events where serious harm or death occurred.

- Incident reporting system is understood as a tool to identify errors, risks and opportunities for improvement and to prevent further harm from occurrence.
- The hospital acts on removing the barriers that prevent the free reporting in healthcare organizations including the fear of punishment or litigation after reporting.

Occurrence Reporting:

The occurrence reporting is another type of patient safety reporting systems that depends on reporting the occurrence of certain indicators. Usually, these indicators are clinical indicators or mortality and morbidity indicators.

ELECTRONIC HEALTH RECORD (EHR)

The integrated Electronic Health Record (EHR) is a tool that can benefit patients, clinicians and the organization. EHRs improve timelines of care, allow simultaneous remote access and allow back-up copies. The EHR should improve the quality of care by facilitating clinical decision-making, continuity of treatment and tailored outputs. The EHR also supports undertaking preventive health measures. In addition to that, the EHR should be used as a tool for cost containment by fostering efficiency, reducing duplications and sparing time.

INCIDENT

An incident is defined as any happening that is not consistent with the routine care of a particular patient care or an event that is not consistent with the normal operations of a particular organization.

> **SOFTWARE USE ENFORCEMENT**
>
> In some cases, the hospital has software in place but the clinicians have the tendency not to use it. It is recommended that the executive management and the board create incentives/sanctions for doctors to use given software, for example by automatically giving bonuses/blocking amounts in the financial system if the medical records were filled/ not filled as agreed upon. Software use can also enforce the screening and reporting systems.

> ▶ **SAMPLE 5.1:** How to Display Information: Examples & Inspirations, Principle #5

- Within every specialty, there must be a list of indicators that facilitate the reporting of occurrences.

- The hospital removes all barriers hampering the occurrence reporting system.

Occurrence Screening:

The occurrence screening is not a reporting system but is intended to look for the triggers and root causes of the occurrences already reported.

- Occurrence reports are reviewed on regular basis to identify deviations from practice, policy and procedures.

- The hospital ensures that identified triggers are analysed throughout to determine whether they were connected to adverse events.

Mandatory Reporting:

Mandatory reporting focuses on errors that are associated with serious injuries or death. Regulatory systems and authorities that have the power to investigate cases and issue penalties are usually the bodies that govern mandatory systems.

> 🔍 **INDICATORS**
>
> Indicators give staff clear guidelines and specific examples of reportable incidents, such as missed diagnoses, misdiagnosis, surgically related occurrences, blood - related occurrences, etc.

- The hospital implements mandatory reporting as required by law or any other regulation. These systems ensure that most serious errors are reported and investigated and that appropriate follow-up is conducted.

- The hospital understands that this system is an incentive to improve patient safety and to avoid potential penalties and reputation risks.

Voluntary Reporting:

Such reporting focuses on errors that resulted in very minimal or no patient harm. It is supposed to identify and eliminate systems' vulnerabilities before harm occurrences.

- Voluntary reporting helps to identify types of errors that occur too infrequently for an individual health care organization to immediately detect them based on its own data and pattern of error.

- Voluntary reports are confidentially submitted outside of the public arena with no penalties or fines issued around a specific case.

Patient & Public Involvement

Any organization that is providing high quality care is keen to show that it is meeting the needs of the population it serves. The system of clinical governance channels promotes this, seeking to enhance the quality of care.

▶ FUTHER INFORMATION
Principle #4: Hospital Sustainability & Responsibility

▶ FUTHER INFORMATION
Principle #5: Disclosure & Transparency

- Processes which are open to public scrutiny and which can be justified openly are part of quality assurance.

- Open proceedings and discussions about clinical governance issues are continuously conducted in the hospital.

- Respect for the individual patient and practitioner confidentiality, however, is demonstrated throughout this process.

The Board of Directors

PRINCIPLE #2: The hospital develops its Board of Directors to be effective, professional and independent in terms of its composition, size and behavior as well as empowers it to adequately discharge its responsibilities and duties.

The Board of Directors

Having a professional, vigilant independent Board has a great impact on the performance of any organization, including hospitals. Empowered by a strong and effective Board, a well-performing hospital will be able to ensure that social obligations can be fulfilled and patients will receive proper treatment and care while maintaining economic and financial sustainability. Thereby, the Board upholds the positive features that gives it better direction, improves strategy development processes and ensures risks are identified and managed. An engaged and informed Board is more likely to make the right decisions. A strong Board, which is independent from the executive management and has the right tools and expertise to exercise its duties of oversight, increases the performance of the management, fosters efficiency and secures long-term sustainability of the organization. Having the right mix within the composition of the Board creates the collective knowledge needed to direct the organization. Diversity within the Board fosters innovation and ensures that different perspectives are put into consideration. Independence of the Board ensures objectivity in decisions.

The Board of directors has the overall responsibility for the operations of the hospital. The Board ensures that financial procedures are sound and that the interests of different stakeholders are met, including owners/shareholders, patients, employees, and regulators.

An effective Board is one that adds value to the hospital in a way that fits the circumstances of the hospital. The Board enables the directors to effectively discharge their duties.

With regards to the respective roles of the Board and the Management, the Board sets the overall direction of the hospital and its main strategic goals. The execution of these goals and the day-to-day operations are the responsibility of the management. It is then the responsibility of the Board to oversee the management and make sure that internal control systems are effective and that all activities comply with policies and procedures as approved by the Board or as required by laws or regulations. Moreover, the Board ensures that all dimensions of the hospital's risk are measured and controlled. It should be clear that the Board has the authority to appoint the management and to dismiss it from its duties.

Board Purpose, Structure & Composition

Direction & Oversight

The responsibility of the Board is to provide guidance and oversight to management. It is responsible for setting the vision and mission of the hospital and for providing the right direction to achieve it.

- The Board is responsible for the overall governance of the hospital's strategy and long-term sustainability. It is responsible for overseeing the organization's operation.

- The Board sets the direction to the hospital, sets the proper governance framework for the hospital strategic planning processes and approves with the executive management on the corporate strategy, budget and key performance indicators.

- The oversight responsibility is done without having an adverse relationship between the directors and the management.

- The Board assures that executives carry out their management duties and comply with laws and regulations.

ROLE OF THE BOARD

The Board does not develop the strategy and the budget of the hospital, this should be developed by the executive management according to the direction set by the Board and then discussed and approved by the Board. The Board is not supposed to be engaged in the day management.

Structure of the Board

An effective structure of the Board is crucial for organizational success and long-term business sustainability.

The hospital Board is structured in such a way that it:

- Has a proper understanding of, and competence to deal with, the current and emerging issues of the business;

- Exercises independent judgment;

- Encourages enhanced performance of the hospital;

- Can effectively review and challenge the performance of the management.

BOARD TRANSITION

In order to manage a transition period towards a better board, the hospital can create a two tiered-board; one supervisory with a new diversity of skills and the current board remains as executive. These can stay as such or be merged after a certain period of time.

Composition of the Board

The composition of the Board needs to be closely considered in order to obtain the optimal mix of skills and experience.

- It is important to consider the Board composition in terms of the executive and non-executive directors.

- The composition of the Board fosters diversity in expertise, age and gender. There is a good balance between those with medical and healthcare background and those from other backgrounds including financial, legal, hospitality and managerial disciplines. The Board collectively has the knowledge and expertise needed to perform its duties.

- The size of the hospital Board is an important element in its overall governance structure. Determining the optimal size of the Board depends on many factors including the size of the hospital, its stage of development as well as its scope of services and operations.

- The Board shall be chaired by a non-executive director who is not managing the hospital.

> ### Adding Directors
>
> It is recommended neither to change many directors at the same time nor to suddenly change the Board to a majority of independent directors. The hospital instead should have a plan of having one or two directors added every two years.
>
> Sometimes it is recommended to add directors to the board rather than replace current ones. Even if this will make the board number too large for the hospital, this would minimize potential conflicts during the transition period. The hospital can later downsize the board again.

Directors

Since the directors have a big impact on the overall direction of the organization, they need to fulfil certain duties and obligations.

- Directors are prudent and act in good faith in a manner that is in the best interest of the organization.

- Directors are aware and mindful of their fundamental duties and obligations.

- Directors have fiduciary duty of obedience to the corporate purpose and mission.

- Directors have the obligation to advance the purposes of the organization as set forth in its articles of incorporation or bylaws.

- Directors exercise duties of loyalty, care and confidentiality towards their functions on the Board.

- Directors commit themselves to continuous professional and expertise development.
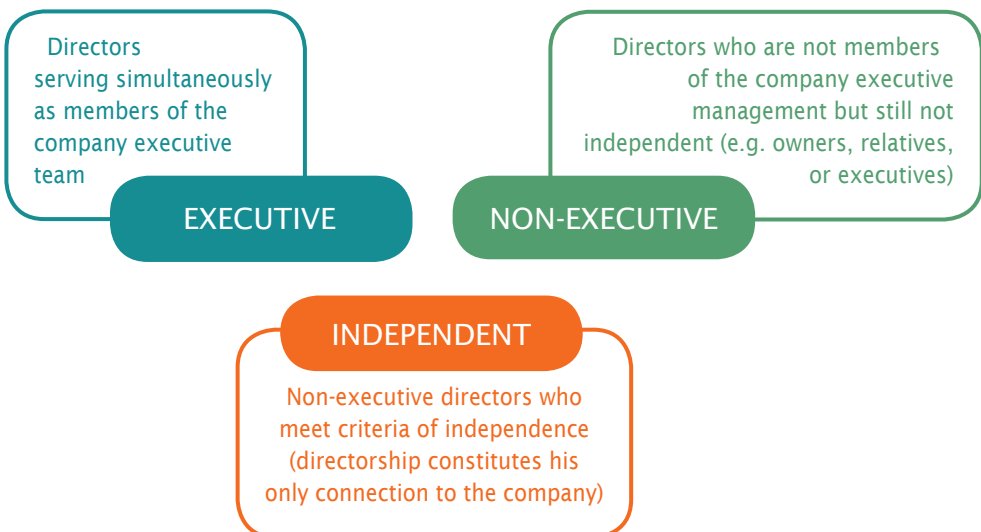
> **NGO
> Hospital Directors**
>
> In hospitals owned by NGOs, professional directors can be invited to be members in the NGO and then be nominated to the Board.

Independent Directors

In order to ensure that the Board fulfils its duties and responsibilities, it is important to include independent perspectives and opinions in all decision-making processes.

- To foster the independence of the Board, it is recommended that the Board has an adequate number of independent, non-executives directors.

- The Board regularly assesses independence of each non-executive director.

Directors serving simultaneously as members of the company executive team

EXECUTIVE

Directors who are not members of the company executive management but still not independent (e.g. owners, relatives, or executives)

NON-EXECUTIVE

INDEPENDENT

Non-executive directors who meet criteria of independence (directorship constitutes his only connection to the company)

The Role of the Chairman of the Board

The chairman is the focal point of the Board and responsible for the leadership of the Board and its efficient organization.

- The chairman facilitates the effective contribution of all directors and promotes constructive and respectful relations between directors and between Board and management.

- The chairman promotes an interactive culture in the boardroom. This fosters constructive criticism and alternative views on all issues under consideration. Consequent discussions and voting on individual questions are facilitated.

- The chairman makes sure that: all points of view are taken; all directors have the chance to give their opinion; enough time is given to critical issues; a good level of consensus is reached; and a decision is finally taken after a sound and objective decision-making process.

- The chairman acts to achieve high standards of corporate and clinical governance within the hospital.

- The role of the chairman is demanding, thus requires a significant time commitment. The chairman's other positions are not likely to hinder effective performance as chairman.

INDEPENDENT DIRECTORS IN SMALL HOSPITALS

In certain cases, independent directors serving in a small hospital become involved in operational activities. In this case, they can support the hospital in that for one or two years but then they need to be changed, as they lose their independence.

EXPERTISE PUBLIC HOSPITALS

In many public hospitals, the bylaws mention that there should be 'members with expertise' without defining the type of expertise. This can be used to add members with legal or financial backgrounds to the board to diversify the skills on the board.

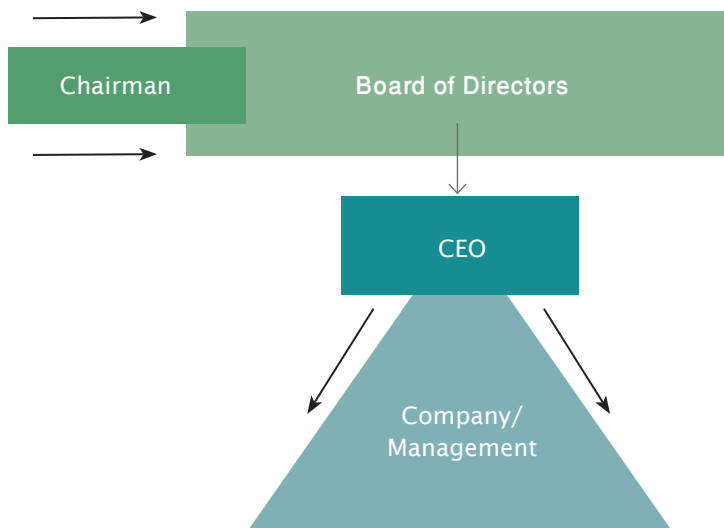## Duality of the Chairman and the CEO

There are two key tasks at the top of the hospital, that of running the Board and that of running the hospital. The separation of roles of the chairman and the chief executive officer entrenches a system of checks and balances at the heart of the hospital's highest decision-making body.

> **CEO/ CHAIRMAN DUALITY**
>
> If the positions of Chairman and CEO are combined, or if there is a close family relationship between them, or if they are both executives of the hospital, then the hospital should consider appointing an independent member of the board as a lead independent director to act as an independent resource and conduit for shareholders.

- There is a clear division between a chairman and a chief executive, to ensure that a balance of power and authority is maintained, and that no one individual has unrestricted authorities. This duality also makes the CEO accountable to the Board and helps the Board in achieving its oversight functions.

- Where these roles are combined, the reasons thereof shall be publicly explained.

• The role of the Chairman versus the role of the Chief Executive Officer (CEO)

CHAIRMAN	CEO
- Chairs the Board. - Responsible for Board agenda and work plan. - Work with the chairpersons of the board's committees. - Leads Board evaluation. - Relations with shareholders, investors and key stakeholders.	- Leads the company. - Formulates strategy, business plan and budget, to be approved by the Board. - Responsible for the financial and corporate objectives. - Ensure continuous improvement in services and products. - Ensures company sustainability.

The Board/Company Secretary

The Board/Company secretary plays an important role in supporting the effectiveness of the Board. In addition to the arranging of Board meetings and taking the minutes of meeting, the responsibilities include:

• Ensuring that Board decisions are followed.

• Conveying information among the members of the Board, the members of the Board committees, and the management.

• It is important that all directors have access to the Board/Company Secretary. The appointment and removal of the secretary isdecided by the Board as a whole.

• The Board/Company Secretary is accountable to the Board, through the chair, on all governance matters.

• The Board/Company Secretary ensures the development of, compliance with, and periodic review of the company's governance policies and practices.

Board Practices

In order to ensure optimal Board and thus organizational performance, the Board needs to commit itself to implement certain practices and activities.

- A Board charter has to be developed and to be approved and known by all directors.

- The hospital's Board meetings take place on a regular basis between four and eight times a year. Agenda topics are put in the right priorities. Specific topics are highlighted in each meeting. Attendance of directors is to be recorded.

- In order to ensure that a full range of topics is considered, it is the hospital's Board practice to schedule a specific topic to be highlighted at each meeting. The attendance of individual directors is to be recorded.

> ### DIRECTOR ORIENTATION
>
> Common components of board orientation programs include briefings from senior management, on-site visits to the hospital's facilities, informal meetings with other directors and written materials. It is recommended that the orientation should be provided to directors on an on-going basis in order to assist them in keeping abreast of issues and developments and enable them to address specific subjects in greater depth.

▶ SAMPLE 2.1: Board Charter, Principle #2

- The directors are provided with adequate information, sufficiently in advance of meetings, to enable them to reach informed decisions.

- The Board/Company Secretary keeps a permanent written record of Board discussions and directors' votes.

- Each director is advised about his rights, responsibilities, and duties. Each director of the hospital is appointed with a formal appointment letter.

- The hospital has an orientation process for directors that is designed to familiarize them with the various aspects of the hospital, including its business, strategy, operations, management, compliance programs and corporate governance practices.

- The categories of transactions that require Board approval are to be clearly defined in writing.

- The non-executive directors of the hospital meet on a regular basis without the presence of management.

- Individual directors can access the management independently. The committees of the Board, in particular have access to the management.

Professional, Independent & Informed Decision-Making

The main task of a Board is decision-making. The Board of directors executes this task in a manner that aligns with the organizational objectives.

- Directors exercise the proper amount of care in their decision-making process.

- All directors – whether independent or not - bring an independent judgment when it comes to Board decisions.

- Directors make inquiries to the management to obtain information necessary to satisfy their decision making process and do not act as passive recipients of information.

- Directors assure that there is appropriate information and reporting systems that enable the Board to make decisions.

- Directors abide to the duty of reasonable inquiry and conduct enough due diligence to reach informed decisions.

- Directors have enough knowledge and expertise to make a sound objective decision. They may, where justified, rely on the advice of management and of outside advisors. In the case the director feels that he/she is not at the level of making a decision, he/she discloses that and in some cases abides taking a decision.

OUTSIDE ADVISORS

To facilitate the consultation of external advisors, there should be a procedure agreed by the Board for Directors to have access in appropriate circumstances to independent professional advice at the company's expense.

PROPER AMOUNT OF CARE

A director is required to act in good faith with the care an ordinarily prudent person would exercise under similar circumstances. This includes the concept of reasonable inquiry so that the director obtains all necessary information related to a decision.

- The obligations of each director are owed to the hospital as a whole, and not particularly to the shareholder who appointed them. This also accounts for directors appointed as representatives of stakeholders.

- The Board maintains a level of checks and balances to balance the influence of all parties including the management. This should be achieved mainly through the presence of independent directors. The Board ensures that decisions are taken in the hospital's interests and in an objective way.

- Directors with financial and any other interest in a decision who are for any reason in a condition that makes their decisions biased away from the interests of the organization discloses that in good faith and step out of the decision-making process for this particular issue.

> **STAKEHOLDER REPRESENTATION**
>
> In some cases hospitals appoint places on the board for stakeholder representation. This would help the stakeholders to be represented, however, it entails two problems. First, sometimes the stakeholders representatives do not have the competences needed to fulfill their duties . Second, it might entail conflict of interests in deciding on issues related to their interest groups. Committees and other bodies can be a better option for stakeholder representation.

Appointments, Succession, and Evaluation

Proper human resources planning and evaluation processes for senior executives and other key persons are important for the proper functioning and stability of every organization.

- The Board appoints a CEO with integrity, technical competence, and experience.

- It is recommended that the CEO is a non-medical executive with expertise in management, while medical specialists run their departments and clinics. The Board assures that the non-medical executive is knowledgeable about the specific issues related to a hospital in comparison with other firms.

> **CEO/ PHYSICIAN**
>
> In the case where the CEO is a physician, the board should make sure that he/she has enough managerial qualifications and skills to run the hospital. In such a case, he/she should not be practicing medicine in the hospital while being in the position of the CEO to avoid conflicts of interest

- The Board is required to approve the appointment of other senior executives and senior clinical staff including the heads of other divisions of the hospital and ensure that they have the requisite skills.

- The Board will ensure that the management's succession plans for senior executives and clinical staff of the hospital are in place. The plans shall set out the required qualifications and requirements of the positions.
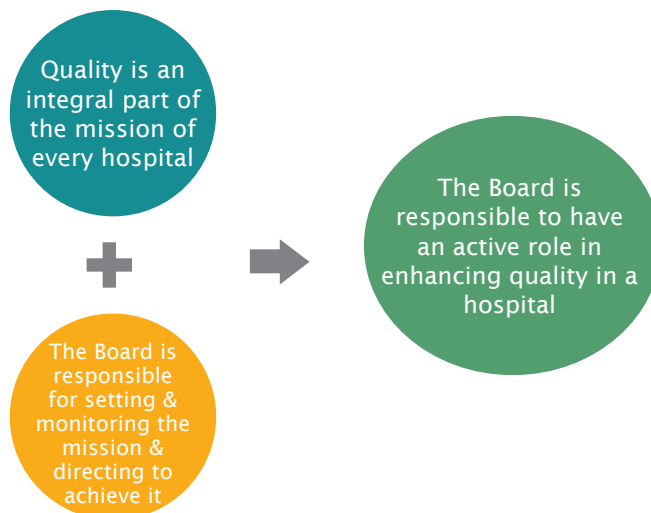
Self-assessment and Management Performance Appraisal

The Board and the management assessment appraisal are important measures to ensure best performance at both levels in order to lay the right foundation for organizational success.

- The Board regularly assesses its own performance as a Board and it may also assess the contribution made by individual directors to Board discussions.

> ▶ SAMPLE 2.2: Board Self Assessment Tool, Principle #2

- The Board formerly evaluates the performance of the CEO annually.

- The Board also supervises the performance appraisal of the other senior management of the hospital.

Quality Performance and Patient Safety Oversight

Quality is an integral part of the mission of every hospital

+

The Board is responsible for setting & monitoring the mission & directing to achieve it

The Board is responsible to have an active role in enhancing quality in a hospital

The Board of the hospital considers the quality and safety of care as a governance issue which is crucial for the effectiveness of the hospital. Thus, it considers clinical governance as an integral part of the general governance framework.

- The Board is to appreciate the interrelationship of patient safety, health care quality, performance measurement and business sustainability, as well as the business case for quality and financial aspects of the hospital.

- The Board has the responsibility to understand and the right to be involved in the assessment of performance on quality and patient safety.

- The Board members are to assess organizational performance on emerging quality of care concepts, patient safety, appropriate levels of care, cost reduction policies, and collaboration between practitioners.

- The Board ensures that the hospital takes appropriate actions when significant quality deficiencies are identified.

- The Board has to ensure that it is updated on national and international trends in health care quality on a regular basis to be able to spot new opportunities to enhance quality and safety of care.

- The Board assures the presence of a comprehensive process for competency assessment and training, credentials, and peer review ensuring the quality of the medical staff of the hospital.

- The Board of the hospital should:
    - Have fiduciary responsibility for quality.
    - Be responsible for decreasing patient harm.
    - Set targets for reducing unnecessary mortality and preventable harms.
    - Enhance delivery of reliable evidence-based care.
    - Keep an eye on "Red Flags", things that are not functioning and potential patient harms.
    - Seek information and resources about quality in the hospital.
    - Be held accountable for quality.
    - Be responsible for preventing hospital legal liability because of patient harms and malpractice.
    - Include service quality indicators in executive remuneration policy.

Planning, Controls, Ethics, Conflict of Interest Policy

It is within the Board's responsibility to ensure that the hospital maintains a high degree of integrity in its operations, which will reflect positively on overall business performance.

- Formal policies on ethics including definitions and controls on conflicts of interest are to be established, communicated to all employees and directors and assented to by them. These policies include:

  – Rules and procedures for related party transactions between the hospital and its employees or directors or their companies.

  – Related party transactions have to be approved by those independent directors of the hospital who are unrelated to the transaction.

  – Clear controls, with sanctions, preventing related parties or employees to benefit from the use of insider information.

Board Specialized Committees

The Board is ultimately responsible for the conduct of the hospital's affairs. For greater efficiency, Board committees should be established with formally delegated objectives, authorities, responsibilities, and tenure. The presence of Board committees helps the Board to achieve its functions. Committees analyse specific issues and advise the Board on them. This enhances objectivity and independence of the Board and helps in focusing on certain

CONFLICT OF INTEREST

A conflict of interest is a conflict between the duties and private interests of a person, in which this person has private interests which could improperly influence the performance of non-private duties and responsibilities.

RELATED PARTY TRANSACTION

A related party transaction is a business agreement or deal between two-parties who have a personal or special relationship existing while doing the deal.

COMMITTEES/ SMALL HOSPITAL

In cases were the hospital is small and thus cannot accommodate many different committees, the audit and quality committee can be merged. The merged committee should have members with expertise in both disciplines.

issues with special importance to the organization, in handling issues in an efficient manner, and in creating subject-specific expertise in the organization.

- The Board's committees regularly report to the full hospital Board

- Within best practice, the Board shall establish at least three committees:

  – Audit committee,

  – Quality committee,

  – Nomination and Remuneration committee.

- The chairman of the Board ensures that the Board appoints committee members and a chairperson for each of those committees. Each committee is composed of at least three members. The term of serving on the committee does not exceed that of board membership.

- Board's Committees have access, as required, to the management, external resources, including independent professional advisors, to enable them to adequately fulfil their mandate.

- The Board shall receive from each committee a report on its findings and recommendations after each committee meeting.

GENERAL PRINCIPLES FOR BOARD'S COMMITTEES

- Aid to the board, not substitution

- No executive powers

- Defined terms of references and limitations

- Chaired by independent non-executive directors

OTHER EXAMPLES FOR COMMITTEES

- Sustainability

- Leadership

- Learning & Research

- Board Transformation

- Ethics

Audit Committee

The purpose of the audit committee is to assist the Board of Directors in fulfilling its oversight responsibilities. This includes overseeing the financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with laws and regulations and the code of conduct.

- The duties and responsibilities of the audit committee shall be specified in a charter. Such duties and responsibilities inter alia include:

  – Promoting an adequate structure of internal control;

  – Reviewing the corporation's annual and quarterly financial statements;

  – Improving the quality of financial disclosure and reporting;

  – Reviewing the scope, accuracy and cost effectiveness, independence and objectivity of the external auditors.

- The audit committee has at least three members, who are all non-executive directors.

- Independence of the audit committee is a cornerstone of its functions. There is no executive or consultant to the hospital assigned as member of the audit committee.

- Audit committee members meet minimum financial literacy standards and at least one member of the audit committee is a financial expert. They understand the hospital's business and risk profile and apply their business experience and judgment in an independent and critical way.

- The audit committee has the authority to access and obtain any information from the management. It has the ability to invite any executive or director to attend its meetings.

> **SMALL NUMBER NON-EXECUTIVES**
>
> In case the number of non-executive directors is too small, the hospital board can temporarily use an external expert, who should not be with any relation to the external and internal auditor in the hospital and was not involved in developing any of the processes within the hospital.

▶ SAMPLE 2.3: Audit Committee, Principle #2

▶ FUTHER INFORMATION
Principle #3: Audit

Quality Committee

The quality committee helps the Board achieve its function in quality oversight over the hospital. It is also important for supporting the hospital to achieve best practices in clinical governance.

- The quality committee main responsibilities are:

  – Clinical performance and outcomes improvement.

  – Patient safety and satisfaction.

  – Credentials of medical staff and their satisfaction.

  – Clinical risk management oversight.

- The quality committee collectively has knowledge about legal structures and regulations, new trends in the market regarding quality, contemporary methodologies in quality management and current processes in the hospital.

- The quality committee is not the quality department. It does not go into details, rather looks at the big picture. It acts as an aid to the quality department in addition to oversight function on its performance.

- Candidates for quality committees preferably are non-executive independent Board members. Members are a mixture of physicians, managers and others such as attorneys.

- The quality committee functions as a platform and coordinator between different stakeholders.

Nomination & Remuneration Committee

The nomination and remuneration committee helps the Board to establish adequate decisions, policies and procedures to adjust nomination and remuneration matters. It is important in order to achieve independent judgement on these matters which is crucial for an effective organisation.

- The Nomination and Remuneration Committee's main responsibilities are:
  - Review the composition of the Board of directors.
  - Identify and nominate new directors.
  - Review succession plans for key executives including CEO and senior managers.
  - Propose methodology to review the performance of the Board.
  - Recommend to the Board the remuneration of each director and the CEO.
  - Review the remuneration of other senior management and senior medical staff.
- The nomination and remuneration committee members are only non-executive directors.

Audit, Control & Risk

PRINCIPLE #3: The hospital incorporates proper audit, control and risk management practices with their corresponding structures, policies and procedures.

Audit, Control & Risk

Audit, control and risk frameworks are core functions of proper governance and are thus of high importance for the proper functioning of every organization. In hospitals, which have very small margins for mistakes in these realms because of their special obligations towards society, these frameworks become even more important.

Proper internal and external audit practices help in increasing efficiency and profitability, which lead to organizational success and the potential of decreased costs for patients. They assess and evaluate areas for improvements and untapped opportunities as well as detect undesired and/or unethical behaviour in the hospital. Risk management benefits the hospital in the long term since it aims at making the occurrence of undesired outcomes/impacts less likely while increasing the likelihood that set objectives are indeed met. Sound control frameworks are intended to monitor the effectiveness and efficiency of operations and the compliance with applicable laws and regulations. Thus, they aim to ensure that the hospital is operating as anticipated.

Taken together, audit, control and risk practices empower the hospital to fulfil its operational and thus social mission for the benefits of all stakeholders, including patients who can potentially benefit from increased efficiency, ethical compliance and decreased costs. It also gives confidence to the owners and shareholders that their assets are safeguarded and that their investments are protected and managed properly.
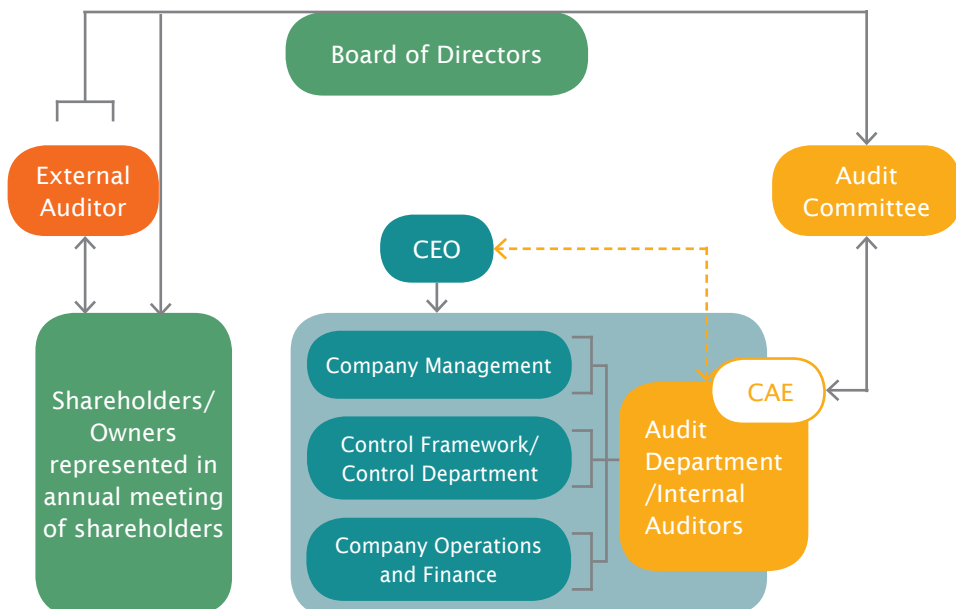
Audit

To ensure the hospital's compliance to the whole governance framework, it has to undertake several strategic developments, specifically for the auditing procedures in the hospital sphere.

- Auditing is a core function of governance. Any auditing process entails a systematic and objective assurance process to obtain evidences. These evidences are used to ascertain information, processes and control systems regarding financial and operational performance of an organization and the results are communicated to interested parties.

- The audit framework of any organization is based on three main components:
  - Audit Committee.
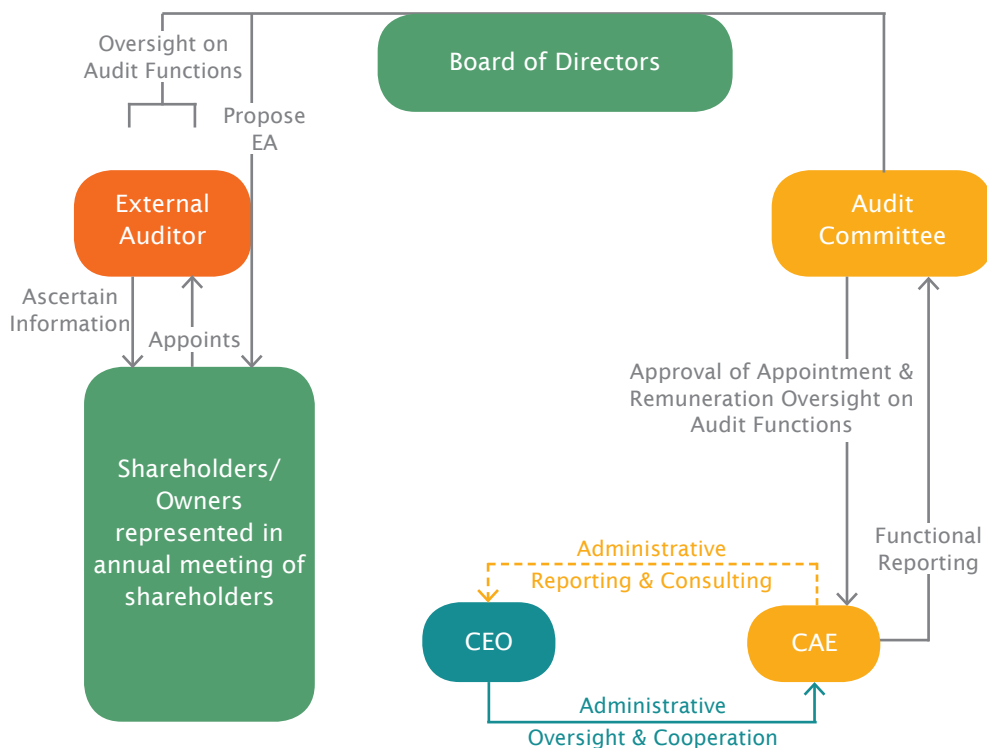 - External Audit.
  - Internal Audit.

Audit Committee

- The audit committee consisting of qualified non-executive members is the Board's agent for assurance. To achieve this, the audit committee has three sources:

  – Management being equipped with full knowledge on the operations and held accountable to its actions.

  – Internal auditors being independent from management operations and having access to identify and examine critical risks of the organization.

  > ▶ FUTHER INFORMATION
  > Principle #2: Audit Committe

  – External auditors examining the financial statements and offering an independent opinion.

- All three are independent from one another. The Audit Committee makes sure that it gathers information from all these three sources of assurance and that they are independent and objective.

- The audit committee oversees, directs, and communicates with the internal audit department, as well as the external auditor. The Annual General Assembly Meeting of shareholders/owner appoints the External Auditor. The audit committee recommends appointment / reappointment of the external auditor to the Board of Directors. The external auditor is then proposed to be appointed/reappointed by the General Assembly Meeting of shareholders. In addition, the audit committee evaluates and where appropriate recommends replacement of the external auditor and approves its remuneration after consultation with the Board of Directors.

- The Chief Audit Executive (CAE) is the head of the Internal Audit Department. The CAE is administratively belonging to the company management under the CEO. However, the CAE is functionally under the audit committee. The audit committee approves the appointment / reappointment and remuneration of the CAE.

- In addition to their assurance activity, internal auditors are in a position to provide consulting activity as an extension of the assurance process. This can help the organization make use of the intellectual knowledge of the internal auditors and their skills in analysis of control systems. The comments of the internal auditors are regarded as recommendations and not as instructions. Internal auditors do not sign-off systems or processes as this makes them

APPOINTING THE INTERNAL AUDITOR

The internal auditor should not be assigned by other departments of the hospital, as this would mean that it had executive role in the hospital and it was involved in developing the processes it will be auditing.

partially responsible for them, which jeopardizes their independence. Under all circumstances, consulting activities are not done as privately paid separate activities, as this would create a repeating loop of conflicts of interests.

### THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS DEFINITION OF EXTERNAL AUDIT

External Auditors inspect clients' accounting records and express an opinion as to whether financial statements are presented fairly in accordance with the applicable accounting standards of the entity, such as Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS). They must assert whether financial statements are free of material misstatement, whether due to error or fraud. The resulting audited financial statements are then examined by a variety of external users, including investors, creditors and government bodies.

- The audit committee must determine the rules under which consulting will be offered and manage the amount of consultation that the internal auditor does. The committee specifies the assurance responsibilities of internal auditors and the consultancy services they are allowed to do and under which conditions. Internal auditors report their activities to the audit committee and define whether they were consultation or assurance, and the committee monitors that.

- The purpose of the internal audit is to provide assurance about the sound functioning of the internal controls (whether financial or non-financial) for internal management purposes. When it comes to external audit, the aim is mainly to express an opinion on the financial statements.

- Most of the risks of the organization are beyond the scope of the external auditor. Risk is the function of the internal auditors and management in cooperation with the audit committee and the Board.

External Audit

- An external auditor is a third-party professional who performs an independent review of an organization's financial records. External auditors are subject to various regulatory and ethical requirements. During an External Financial Audit process the auditor seeks objective evidence to prove the reliability and integrity of financial and, sometimes, operating information.

Internal Audit

THE VALUE PYRAMID OF INTERNAL AUDIT
(ADOPTED FROM: GLEIM CIA REVIEW)
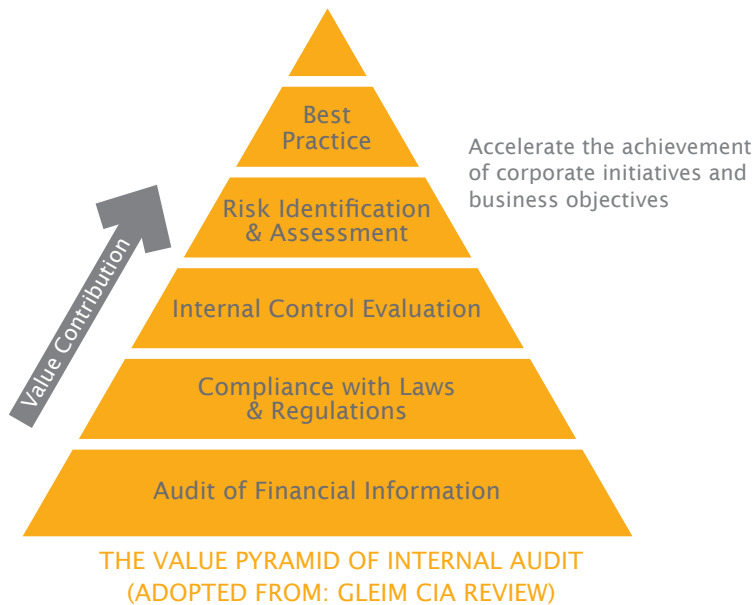
- Internal Audit function adds value to any organization by carrying out several activities. These start with auditing the financial information, known as a financial audit, which provides reasonable assurance to the Board and senior management that the financial information they received is accurate, understandable, relevant, reliable and timely. That is very useful for the decision making process.

- Internal Audit goes beyond merely financial audit to cover other important areas like compliance with laws and regulations, so that the organization avoids any legal liabilities due to violation of the laws and regulations that might happen unconsciously.

- One of the main services internal audits provide is evaluating the internal control and identifying and assessing risks the organization faces. This makes the organization ready to manage different types of risk and mitigate the risk impact.

- The internal audit is not only an assurance activity but also a consulting activity. An example of added value that consulting can provide is benchmarking with the best practice in the industry. This can improve the operational efficiency and effectiveness, which in turn accelerate the achievement of the corporate initiatives and business objectives.

As part of the whole governance framework,

- The hospital has to have an internal audit department designed to add value and improve the operation via the assurance and consulting activities.

- The internal auditor reviews and appraises the effectiveness of the hospital's corporate governance, risk management system, and internal control regarding the following:

  – Impartiality and reliability of operational and financial information.

  – Operation's efficiency and effectiveness.

  – Protection of assets.

  – Compliance with laws, regulations, contracts, policies and procedures.

- The purpose, authority, and responsibility of the internal audit department is officially approved by the Board of Directors, consistent with the internal audit standards, and manifested in a charter.

- The internal audit is an independent department headed by the Chief Audit Executive who reports to a position within the hospital that allows the internal audit department to achieve its responsibilities. The best practice in this regard is that the Chief Audit Executive reports administratively to the Chief Executive Officer and functionally to the Board of Directors and the Audit Committee.

SETTING UP INTERNAL AUDIT DEPARTMENT

If the hospital does not have an audit department, it can start by assigning one person to be the internal auditor and then develop it gradually into a department. The internal auditorin charge can then be assigned as the Chief Audit Executive.

▶ **SAMPLE 3.2:** Internal Audit Charter, Principle #3

THE INSTITUTE OF INTERNAL AUDITORS DEFINITION OF INTERNAL AUDIT

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

- The internal audit department determines the scope, performs audit work, and communicates results freely with no interference by anyone.

- Internal auditors are objective, have an unbiased attitude and avoid conflict of interests.

- In case the independence or objectivity is impaired in fact or appearance, the details of the impairment are communicated with the audit committee. Objectivity is impaired if an internal auditor provides Assurance services for an activity for which he had responsibility within the previous year. While, objectivity is not impaired if the internal auditor provides Consulting services for the same activity. Consulting is in the form of recommendations and not instructions, installation and/or a signing off of a system.

- The internal audit department collectively possesses or obtains the knowledge, skills, and other competencies needed to perform its individual responsibilities. If the department lacks knowledge in certain areas, the CAE can seek assistance from outside party (audit firm, freelance expert).

- Internal Auditors apply the due care and competencies expected of a reasonably prudent and competent person. It does not imply infallibility. The assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.

- The CAE adopts a process to monitor and assess the overall effectiveness of the audit program that includes periodic internal and external assessments and on-going internal monitoring to provide assurance that the department is in conformity with the Standards and the Code of Ethics.

  - Internal Assessments: Ongoing review of the performance, Periodic review through self-assessment or by other person within the organization.

  - External Assessments: are conducted at least once every five years by a qualified and independent reviewer from outside the organization after discussion with the Board. The CAE communicates the results of external assessments to the Board.

> ### 🔍 CODE OF ETHICS
>
> The code of ethics sets out the hospital's general values and principles that affect decision-making. It describes the hospital's obligation to its stakeholders and guides rather than dictate behavior. The code is publicly available and addressed anyone with an interest in the hospital's activities.

- The CAE establishes risk-based plan to determine the priorities of the internal audit department, consistent with the hospital's goals. This plan is undertaken at least annually based on a risk assessment and inputs of the senior management and the Board. The CAE communicates the plan and resource requirements/limitations and its impact to senior management and to the Board for review and approval.

- The CAE establishes policies and procedures to guide the internal audit department.

- The CAE shares information and coordinate activities with other internal and external providers (like external auditors) of relevant assurance and consulting services to ensure proper coverage and minimize duplication of efforts.

> ### 🔍 CODE OF CONDUCT
>
> The code of conduct usually sets out specific behavior and practices that are to be encouraged or prohibited under the ethical code of an organization or an individual. It lays out guidelines and procedure to be used to determine whether violations of the code of ethics have occurred and delineates the consequences for such violations. It is compliance and rules focused and generally addressed to employees.

- The CAE reports periodically to the Board and senior management on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting also includes significant risk exposures and control issues, corporate governance issues, and other matters requested by the Board and senior management.

- Based on the results of the risk assessment, the internal auditor evaluates the sufficiency and effectiveness of the controls and make sure that adequate criteria have been established. Sufficient and effective criteria help to determine whether objectives and goals have been accomplished. If adequate, the criteria are used in the evaluation of the control frameworks. If inadequate, internal auditors work with management to develop appropriate evaluation criteria.

- The internal auditor assesses and makes appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

  - Promoting ethics and values within the hospital.

  - Ensuring effective organizational performance management and accountability.

– Communicating risk and control information among the management, Board, and external auditor.

- CAE communicates the internal audit reports with the audit committee and the Board of Directors. The reports include the engagement objectives, scope of work, conclusions, recommendations, action plans, and limitations on distribution and use of results in case of releasing to outside parties. The communication is objective, clear, constructive, complete, and timely. Prior to releasing results outside the organization, the CAE assesses the risk, consult the senior management and/or legal counsel, and control dissemination by restricting the use of result

- The CAE establishes a follow up process to monitor the effective implementation of management actions.

- When the CAE believes that senior management has accepted a level of residual risk that may be unacceptable to the hospital, the CAE firstly discusses the matter with senior management. If they do not agree, they report the matter to the Board for resolution.

Control

The essence of control is ensuring that plans achieve the desired objectives. An effective internal control system helps the entire hospital in several vital dimensions. Primarily, it helps promote orderly, economical, efficient and effective operations. Moreover, the effectiveness of the internal control system produces a level of quality products and services consistent with the organization's mission. Side to side, it safeguards resources against loss due to mismanagement, waste, errors and fraud. Especially in a hospital, which deals with human lives and well-being at its core, there is no space for low performance and the occurrence of unplanned scenarios. These would have dire ramifications on the community the hospital operates in and would thus compromise the hospital's duty

> **THE COMMITTEE OF SPONSORING ORGANIZATIONS – COSO DEFINITION OF INTERNAL CONTROL**
>
> Internal Control is a process – effected by an entity's board of directors, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives related to:
>
> 1. Reliability of financial reporting.
>
> 2. Effectiveness and efficiency of operations.
>
> 3. Compliance with applicable laws and regulations.

towards society. Because of this, control mechanisms that prevent this scenario from happening are especially important in hospitals.

The hospital management and the Board are held responsible for control in order to enhance risk management and increase the posibility of achieving the established objectives and goals. Therefore, it is the management's responsibility to plan, organize and direct the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved. In order for the hospital to have an effective control framework, it needs to do as follows:

- Management establishes all types of control which is:
  - *Preventive:* to prevent the occurrence of undesirable events.
  - *Detective:* to detect and correct undesirable events.
  - *Directive:* to cause and encourage the occurrence of desirable events.

- Management seeks to design and implement an effective control, so that the control is timely, economical, well placed, flexible, appropriate, consistent with accountability, and able to identify causes.

- When management designs the control, it considers the cost–benefits constraints, so that the cost of control is not exceeding its benefit.

The control frame can be structured around the following:

Organization

- Responsibilities are divided so that no one will control all phases of any transaction. This is called segregation of duties.

- Managers have the authority to take the action necessary to discharge their responsibilities.

- The hospital is flexible enough to permit changes in its structures when operating plans, objectives, laws, and policies change.

- Organization charts and manuals are prepared. They help plan and control changes in, as well as provide better understanding of, the organization, chain of authority, and assignment of responsibilities.

Policies

- Policies are clearly declared in writing systematically in organized manuals, or other publications, and properly approved. But when the proper organizational culture reaches maturity and is strong enough, the need for formal, written policies is reduced. In strong culture, substantial training results in a high degree of acceptance of the hospital's key values. Thus, such values are intensely held and widely shared.

- Policies are communicated to all employees of the hospital.

- Policies must conform to applicable laws and regulations. They are consistent with the general policies and objectives.

- Policies are designed to promote the conduct of authorized activities in an effective, efficient, and economical manner. They provide a satisfactory degree of assurance that resources are suitably safeguarded.

- Policies are periodically reviewed. They are revised when circumstances change.

Procedure

- To reduce the possibility of fraud and error, procedures are coordinated in a way that any work is automatically checked by another independent employee. The extent to which automatic internal checks are

> 🔍 **PROCEDURE**
>
> An established or official way of doing something or a series of actions conducted in a certain order or manner.

built into the system of control depends on many factors. Examples are degree of risk, cost of preventive procedures, availability of personnel, operational impact and feasibility.

- To promote maximum efficiency and economy, procedures should be simple and inexpensive.

- Procedures avoid conflict, overlap, and duplication.

- Procedures are periodically reviewed and improved as necessary.

Personnel

- The honesty and reliability of new employees is investigated.

- Employees are given training that provides the opportunity for improvement and keeps them informed of new policies and procedures.

- Employees are given information on the duties and responsibilities of other segments of the hospital. They will better understand how and where their jobs fit into the hospital as a whole.

- The performance of all employees is periodically reviewed to see whether all essential requirements of their jobs are being met. Superior performance should be given appropriate recognition. Shortcomings should be discussed with employees so that they are given an opportunity to improve their performance or upgrade their skills.

🔍 PERSONNEL

People employed in an organization or engaged in an organized undertaking.

Accounting

- Accounting fits the needs of managers for rational decision-making rather than the dictates of a textbook or checklist.

🔍 ACCOUNTING

The action or process of keeping financial accounts.

- Accounting is mainly based on lines of responsibility.

- Financial reports show operating results.

- Accounting permits controllable costs to be identified.

Budgeting

- Employees participate in the budget preparation, since they are responsible for meeting it.

- There is variance analysis that compares budgets with actual figures and shows reasons for any significant variances.

- All subsidiary budgets tie into the overall budget.

- Budgets state measurable goals and objectives.

- Managers are aware of the reason of having a budget.

- Budgets support the organizational structure. Objective budgets standards are difficult to set in a confused combination of subsystems. Budgeting is therefore a form of discipline and coordination.

Reporting

- In most organizations, the management functions and makes decisions on the basis of reports it receives. Reports are timely, accurate, meaningful, and economical.

- Reports are made in accordance with assigned responsibilities.

- Individuals or units are required to report only on those matters for which they are responsible.

- The cost of accumulating data and preparing reports are weighed against the benefits to be obtained from them.

- Reports are as simple as possible and consistent with the nature of the subject matter. They include only information that serves the needs of the readers. Common classifications and terminology are used as much as possible to avoid confusion.

🔍 **BUDGET**

A statement of expected results expressed in numerical terms. As a control, it sets a standard for input of resources and what should be achieved as outputs and outcomes.

🔍 **REPORT**

An account given of a particular matter.

▶ SAMPLE 3.1: Control Environment Review, Principle #3

- When appropriate, performance reports show comparisons with predetermined standards of cost, quality, and quantity. Controllable costs are segregated.

- When performance cannot be reported in quantitative terms, the reports are designed to emphasize exceptions or other matters requiring management attention.

- For maximum value, reports are created within an agreed time. Timely reports based partly on estimates may be more useful than delayed reports that are more precise.

- Report recipients are polled periodically to see whether they still need the reports they are receiving or whether the reports could be improved.

Risk Management

Some risk-taking is inevitable if a hospital is to achieve its objectives. Those hospitals that are more risk aware appreciate that actively managing not only shows potential problems (threats) but also potential opportunities that provide them with a competitive advantage. Taking and managing risk is the very essence of the hospital's survival and growth. Especially for hospitals as the providers of a service with a social dimension, risk management has to have utmost priority. A hospital closing or low performing because of a lack of proper risk management could lead to substantial consequences for the community it is working in. By nature, this would also have negative consequences for the hospital's owners and shareholders who would lose their investment and related projections.

In this context, effective risk management is likely to improve performance in relation to present objectives by contributing to fewer sudden shocks and unwelcome surprises. It contributes also to more efficient use of resources and reduced waste. In addition, risk management results in better management of contingent and maintenance activities and general reduction of fraud. This enables the

> **THE COMMITTEE OF SPONSORING ORGANIZATIONS – COSO DEFINITION OF RISK MANAGAMENT**
>
> Enterprise Risk Management is a process – effected by an entity's board of directors, management, and other personnel – applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.

management to be more gullible to undertake change initiatives and improved innovation. The incorporation of risk management is likely to reduce the time spent by the hospital management in fire-fighting. The most important contribution of risk management is the management's ability to focus externally to shape effective strategies as well as internally on doing the right things properly; which ultimately results in general better service delivery.

Conceptually, risk is a dimension that hospitals cannot eliminate by an act of will. However, what hospitals can do is mitigate it. In this context, risk management is the maximum effort that can be done by any hospital. Accordingly, the risk identification, assessment, management and control are one of the integral responsibilities of senior management and the Board of directors.

- To be effective, the concern and tone for risk management must start at the top. While the overall responsibility of risk management rests with the Board of Directors, it is the duty of senior management to transform strategic direction set by the Board in the shape of policies and procedures and to institute an effective hierarchy to execute and implement those policies. To ensure that the policies are consistent with the risk tolerances of shareholders, the same is approved from the Board.

- The formulation of policies relating to risk management will not solve the problems unless they are clear and communicated down the line. Senior management has to ensure that these policies are embedded in the culture of organization. Risk tolerances are generally communicated as limits or sub-limits to those who accept risks on behalf of organization.

- To ensure that risk taking remains within limits set by senior management and Board of directors, any material exception to the risk management policies and tolerances is reported to the senior management and Board who in turn must trigger appropriate corrective measures. These exceptions also serve as an input to judge the appropriateness of systems and procedures relating to risk management.

ENTERPRISE RISK MANAGEMENT

Hospital management should adopt the best practice in the framework of risk management that is called Enterprise Risk Management «ERM». It includes the scope of risks to be managed, the systems and procedures to manage risk and the roles and responsibilities of individuals that are involved in risk management. The framework is very comprehensive so that it captures all risks a healthcare organization is exposed to and still has the flexibility to accommodate any change in business activities.

- To keep these policies in line with significant changes in internal and external environment, the Board of directors is expected to review these policies and make appropriate changes as and when deemed necessary. While a major change in internal or external factor may require frequent review, in absence of any uneven circumstances, it is expected that the Board of directors re-evaluate these policies every year.

- A risk committee may be created to identify key risks, connect them to risk management process, and delegate them to risk owners who evaluate the adequacy of the design of the risk management activities, and establish monitoring processes to ensure that the risk management activities are operating as designed.

- Management can assess the risk by determining two main factors: probability of occurrence («likelihood») and significance of effects («Impact»). So that management can distinguish between the high-risk, which needs immediate action, medium risk, which needs action with lesser priority, and low-risk, which needs much less intensive actionss.

> ⚲ **RISK HEAT MAP**
>
> The risk heat map is a dynamic tool that needs to be reviewed and changed frequently.

> ▶ SAMPLE 3.3: Risk Assessment Matrix, Principle #3

RISK HEAT MAP
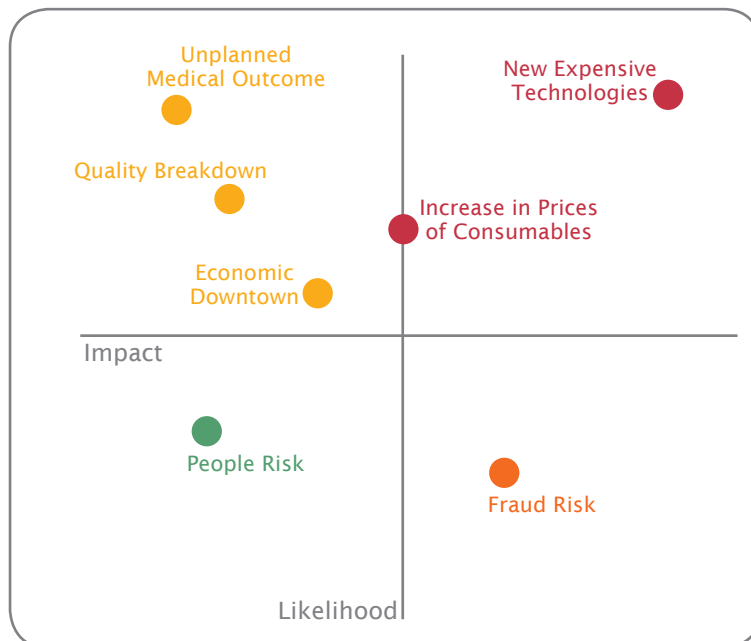
This can be summarized as the following:

Defining & Communicating the Hospital Objectives.

↓

Determining the Risk Appetite.

↓

Establishing a Proper Internal Environment.

↓

Identifying Potential Threats.

↓

Assessing Risk.

↓

Selecting & Implementing Risk Responses.

↓

Undertaking the Appropriate Control.

↓

Assessing the Effectiveness of Risk Management

(Adopted from: Gleim CIA Review)

- Throughout the risk management process, different types of information are important to disclose to different parties in the hospital sphere, such as the Board of Directors, different business entities and individuals.

▶ FURTHER INFORMATION
Principle #5: Disclosure & Transparency

- The Board of Directors:
  - Knows about the most significant risks facing the hospital.
  - Knows how the hospital will manage a crisis.
  - Publishes a clear risk management policy covering risk management philosophy and responsibilities.
  - Knows the possible effects that deviations to expected performance ranges will have on shareholder/owner value.
  - Ensures appropriate levels of awareness throughout the hospital.
  - Knows the importance of stakeholder confidence in the hospital.
  - Knows how to manage communications with the community where applicable.
  - Is assured that the risk management process is working effectively.

- Each department/unit:
  - Is aware of risks which fall into their area of responsibility, the possible impacts these may have on other areas and the consequences other areas may have on them.
  - Has performance indicators which allow them to monitor the key business and financial activities, progress towards objectives and identify developments which require intervention (e.g. forecasts and budgets).
  - Reports systematically and promptly to senior management any perceived new risks or failures of existing control measures.
  - Has systems which communicate variances in budgets and forecasts at appropriate frequency to allow action to be taken.

- All individuals working in the hospital
  - Understand their accountability for individual risks.
  - Understand how they can enable continuous improvement of risk management response.
  - Understand that risk management and risk awareness are a key part of the hospital's culture.
  - Report systematically and promptly to senior management any perceived new risks or failures of existing control measures.

- The major element of the risk treatment is risk control and mitigation.

Hospital Sustainability & Responsibility

PRINCIPLE #4: The hospital applies and cultivates responsibility, ethics and inclusiveness practices and takes its specific, ecological and economic environment into account.

Hospital Sustainability & Responsibility

Sustainability is both an integral part and an end of sound governance practices. By committing itself to sustainability and by translating its practices into the corporate culture and day-to-day activities through defined processes and procedures, the hospital ensures its competitive endurance. Moreover, the hospital can develop strategies and practices to benefit from new opportunities. Thereby, improvements in social and ecological dimensions are not only an objective in themselves but they can also lead to increased efficiency and efficacy at all levels of the hospital, the mitigation of risks associated with the stakeholder community and would enhance the hospital's overall reputation. This will eventually lead to holistic value creation for all stakeholders which would accommodate the fact that hospitals by nature are placed in a complex environment in which value creation must go beyond shareholders as the only group to satisfy.

Achieving hospital sustainability eventually means aligning economic, social and ecological objectives for the collective benefit of all internal and external stakeholders. On top of the implementation of proper governance, control and disclosure frameworks, a sustainable hospital focuses on the integration of responsible, ethical and inclusive business practices on all levels of the organization. Current developments around the globe underline that sustainability practices need to be incorporated in every sector and industry. Corporate sustainability is on the way to becoming a fundamental paradigm also in the healthcare sector. It indeed will be a decisive factor for the survival of any hospital and thus plays a major role for ensuring that hospitals can meet their social obligations towards the communities they are operating in and the individual patients who depend on them.

PWC/SAM DEFINITION: CORPORATE SUSTAINABILITY

Corporate sustainability is a business approach that creates long-term shareholder value by embracing the opportunities and managing the risks associated with economic, environmental and social developments.

SUSTAINABILITY

Within the scope of these principles, "sustainability" encompasses economic, social and environmental dimensions. It is reached when the current implementation of these aligned dimensions produces both increased value for this point in times as well as do not comprise long term goals of the organization.

The hospital must have understood the importance of sustainability and responsibility in order to be able to implement its different aspects. It needs to consider different interlinked dimensions of sustainbility:
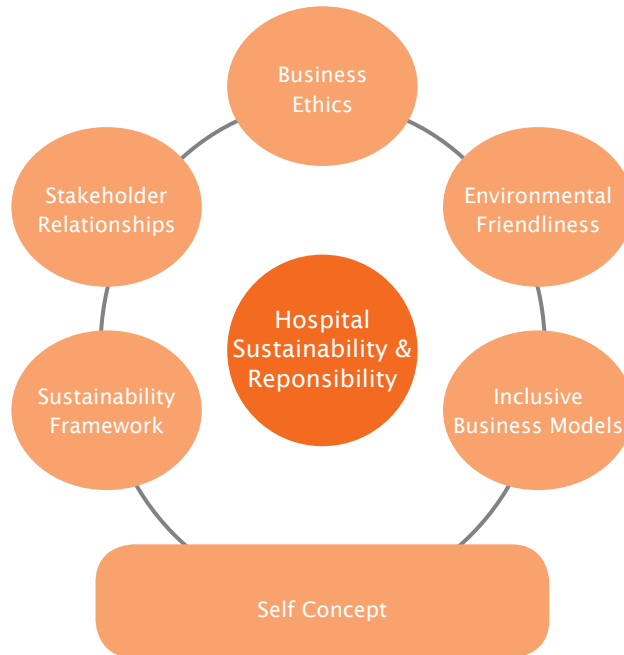
Self-Concept of the Hospital

In order for the hospital to achieve sustainability, it needs to integrate the idea of sustainability into the core of the organization. It also needs to acknowledge its special role defined by offering health services, so services with a major social dimension, which contribute substantially to enabling sustainable social and economic development.

The implementation of all other sustainability requirements depends on the hospital's self-concept. Therefore, the self-concept must be developed and embraced at the very beginning of the transition to becoming a more sustainable organization. Accordingly:

• Sustainability is acknowledged as a leading future paradigm.

• A hospital functions as a part of the community it operates in and as a part of the broader society. It is acknowledged that social and environmental issues

are not in the periphery of an organization but are directly connected to it. This is the case for every organization, but especially important for hospitals which offer a service with a social dimension and are thus even closer linked to various stakeholder communities.

- By providing affordable and accessible high quality services, a hospital contributes greatly to the advancement of the stakeholder environment it is operating in since health is a key factor in terms of enabling sustainable socioeconomic development.

Sustainability Frameworks

To ensure that the self-concept of the hospital will translate into both strategy development and operational dimensions, the hospital has to create the right frameworks, structures and procedures on all levels of the organization. The right sustainability frameworks, interlinked with governance, control and disclosure practices, are the ideal starting point to achieve organizational sustainability. They need to be determined first and foremost on Board level but eventually should be designed in a way that they become part of the "DNA" of the whole hospital.

- The Board fulfils a leadership role in paving the hospital's way towards a sustainable future.

- The Board is aware of the importance of sustainability practices to ensure long-term success, competitive advantage, increased revenues and mitigated risks.

- The hospital publically commits itself to fostering sustainability as a fundamental principle and to implementing its dimensions.

- Achieving sustainability is an important strategic target that is considered in all decision-making processes.

- In order to ensure maximum holistic value creation, sustainability solutions ideally target the core of the value chain.

- It is ensured that current and future sustainability practices are not conflicting with the given law.

- The specific sustainability umbrella, including practices and procedures in the hospital is outlined in a sustainability charter. The charter is considered as a living document.

    The Charter outlines:

    – How the hospital understands sustainability (philosophy and self-concept).

    – The hospital's vision in terms of sustainability for the mid- and long term (5-10 years).

    – What the hospital's challenges and opportunities are in becoming a (more) sustainable organization.

    – The hospital's frameworks for action (e.g. standards and benchmarks).

    – The objectives the hospital sets for itself and a timeline for them,

        • Economically;

        • Socially;

        • Environmentally.

    – The specific plans and measures against which these objectives will be evaluated.

    – How these measures will be evaluated against performance.

    – Who is responsible for implementing the objectives and who is responsible for oversight in which time frames.

- It is important that the hospital collectively has the right mix of expertise in order to effectively design and implement sustainability practices. If the hospital does not uphold this expertise, it is recommended to regularly consider expert advisory services.

- At least one person is assigned for the sustainability management in the hospital in order to ensure that the dimensions given at the strategy level are properly translated into day-to-day activities.

> **SUSTAINABILITY CHARTER**
>
> The sustainability charter should be developed in an interdisciplinary team with board and management representation. It should be reviewed at least annually.

- A board committee is to oversee the hospital's sustainability performance and to report on current issues and opportunities on a regular basis to the whole Board.

- Effective and relevant sustainability indicators are crucial to monitor the hospital's social and ecological performance on a regular basis. They are developed in an interdisciplinary team – optionally with expert advice – and are revised regularly.

- A close cooperation between sustainability and quality management is beneficial for the streamlining of operations and the creation of synergies. This cooperation is promoted at all levels of the organization.

- Effective and relevant sustainability indicators are crucial to monitor the hospital's social and ecological performance on a regular basis. They are developed in an interdisciplinary team – optionally with expert advice – and are revised regularly.

- The sustainability performance of the hospital is audited by an external party on a regular basis, at least annually.

- Sustainability achievements are communicated regularly externally and internally. It is recommended to develop a comprehensive communication plan to ensure that every party gets the information it needs/wishes to receive.

- Awareness and better understanding of the topic and its complexities is crucial. Thus, trainings and awareness sessions are offered based on the specific needs structure of the hospital.

SUSTAINABILITY COMMITTEE

In case the foundation of an independent sustainability committee is not possible, it is recommended to link sustainability to the quality committee.

▶ SAMPLE 4.6: Sustainability Indicators, Principle #4

▶ SAMPLE 4.5: Stakeholder Communication Plan, Principle #4

▶ SAMPLE 4.3: Quiz: Sustainability Expertise, Principle #4

CHIEF FINANCIAL OFFICER

TIP It is important to involve the Chief Financial Officer in all sustainability related processes to evaluate their financial impact.

Business Ethics

Business ethics is an important pillar of sustaining any organization. It is an utmost important pillar for hospitals because of their humanitarian nature. In order to achieve business sustainability, it is crucial for a hospital to develop and state its moral values and the appropriate behaviour associated with them. Otherwise, the hospital will not be able to create holistic value in the long term since the ethical stance of a hospital is crucial for its sustainability. In addition, abiding by ethical standards denies the hospital potential problems due to misconduct or abuse and accordingly enhances its reputation in general. Having an ethical framework helps the hospital in evaluating its (future) activities taking place in the internal or external environment from an ethical perspective. The rules, principles and standards to be developed should be formalized and revisited on a regular basis.

- The hospital commits itself to ethical behaviour on all levels of the organization and fosters the development of respective frameworks and policies.

- The development of ethical frameworks and policies is led by the Board but eventually incorporates a representative range of perspectives that reflect the hospital as a whole.

- The hospital examines in a critical and structured way which internal and external behaviour is accepted (ethical) and should be fostered and which behaviour is unacceptable and should be avoided.

- In order to formally define ethical behaviour for the hospital staff and all parties associated with it, the hospital develops a Code of Ethics which is tailored to the specific values of the organization.

- Based on the Code of Ethics, a Code of Conduct is developed as a guiding framework in order to outline the specific standards in, responsibilities of and proper practices for the hospital at both the organizational and the individual level. Formalizing and regularly revisiting these policies will help in achieving transparent and ethical behaviour which will have major contributions to achieving business sustainability. Additional policies on business ethics are considered if the Code of Conduct appears insufficient at a particular hospital.

- The ethical frameworks and policies are communicated effectively to all important internal and external stakeholders and are publicly available.

Stakeholder Relationships

A hospital is a part of the community in which it is located. The fact that it offers a service with a social dimension sets it apart from other organizations and characterizes it as especially closely connected to its stakeholder environment.

First, this means that the hospital should understand its stakeholders as partners for progress. By including stakeholder perspectives, the hospital can tap new opportunities. The diverse community a hospital operates in upholds knowledge and potentials the hospital can benefit from easily when the right atmosphere is created.

▶ SAMPLE 4.4:
Stakeholder Mapping,
Principle #4

Second, it means to take over responsibility for any desired or undesired impacts the hospital has on its stakeholders. By seeing itself as a part of the community, the hospital strives to not cause any harm and to develop and implement the right mechanisms to prevent future and mitigate existing undesired impacts.

Third, it means to respect stakeholder rights and to commit itself to take all necessary means to fulfil them. This will contribute to a respectful and enriching relationship. On the other hand, the hospital also should insist on its rights to be respected. The hospital should also be able to balance between the conflicting rights and needs of the various stakeholders.

Fourth, it means seeking constant dialogue and engagement. This would mitigate risks since stakeholder opinions will be heard at early stages and thus scrutiny will happen in a proactive, productive environment, which makes bad publicity and scandals unlikely. Addressing stakeholder concerns in a timely manner minimizes the potential of conflicts.

Accordingly, hospitals acknowledge and proactively engage their stakeholders by having diverse interests and concerns in order to be able to become a truly sustainable organization.

Partnership

- The stakeholders of the hospital are considered as partners on the way to optimizing the hospital's performance and creating holistic value for all parties involved.

> **STAKEHOLDER MAP**
>
> The stakeholder map is a dynamic tool that needs to be reviewed and changed frequently

- Dialogue with the various stakeholder communities is crucial for the survival of the hospital. It bases on the principles of respect, equality and transparency.

- Stakeholder inputs are understood as crucial for identifying risks and opportunities and are evaluated profoundly. The hospital establishes mechanisms to facilitate the gathering of stakeholder concerns, complaints and recommendations.

- The hospital monitors its stakeholder environment by the development of a stakeholder map.

Responsibility

- The hospital is responsible for all desired and undesired outcomes directly and indirectly caused by the hospital's activities.

- In case of undesired outcomes, the hospital commits itself to prevent similar incidents in the future and engages in all necessary means to fulfil this commitment. Undesired outcomes are dealt with in a fair way that secure the rights of the parties involved and that damages are properly waived.

- Major cases are discussed at Board level in order to elaborate whether strategic course corrections or other corrective actions are necessary.

- Under the umbrella of risk management, the hospital develops analyses that detail possible undesired future scenarios and takes the steps necessary to avoid the occurrence of those scenarios.

- In order to foster a free flow of information and to facilitate the reporting of mistakes and almost-mistakes, the hospital insists on a no-blame culture.

- Proper accountability schemes are developed in order to help in identifying why and where undesired outcomes occurred.

• The hospital balances the no-blame culture with the necessity to hold its staff accountable for undesired outcomes.

Stakeholder Rights

The hospital acknowledges stakeholder rights and treats all stakeholders in a respectful, fair, transparent and cooperative way. These rights include the following:

Patient Rights

Patients have the right:

• To high quality service with qualified staff and up-to-date equipment.

• To be protected from any harm that can be caused by the hospital, its staff or medications.

• To be informed about any service to be provided, outlining realistic risks, advantages and scenarios of the service provision process and the right to a shared-decision process on the procedures that will be undertaken.

• To receive written notice outlining their rights and responsibilities before deciding on healthcare services.

• To be informed about healthcare costs before any actions are undertaken or at the earliest possible stage in case of the patient not being able to express judgment.

• To receive information about the medical staff (i.e., identity, background and role) who is involved in the service provision processes.

• To receive equal treatment regardless of race, religion, national origin, any disability or handicap, gender, age, socioeconomic status or the source of payment.

• To receive information about the procedures undertaken, the results including any complications and to get a report about that after a service is completed.

• To be informed about complaint mechanisms which anonymously empower patients to express their complaints and recommendations.

> ▶ SAMPLE 4.2: Patient Satisfactory Survey, Principle #4

- To form a patient committee consisting of a number of patients and NGOs advocating patient rights.

- To information technology systems featuring user-friendliness, functionality, convenience and reliability, with reduced risk of error in order to facilitate the disclosure of information and the actual treatment of patients.

Supplier Rights

Suppliers have the right:

- To fair and transparent procurement and tendering procedures, with strict control mechanisms that prevent fraud.

- To receive proper financial documentation on a regular basis.

- To be informed about major changes affecting their business.

- To be informed by the hospital about their equipment and products on a regular basis.

- To proper maintenance of their equipment and products.

Institutional Payer Rights

Payers have the right:

- To receive information about the treatment process of every patient and the cost of every service.

- To ask the hospital to abandon unnecessary treatments and abstain from future payments for these services.

- To strict control mechanisms that prevent fraud.

Shareholder, Owners & Investor Rights

Shareholders and Investors have the right:

- To being treated equally and fairly. The hospital ensures that all necessary facilities and information to enable shareholders to exercise their rights are available.

- To a reasonable return on investment through an agreed dividend or capital gain policy.

- To getting ready access to balanced and understandable information about the hospital and corporate proposals.

- To have the participation in the general assembly meeting of shareholders facilitated by the hospital.

- To be updated on and involved in the hospital's affairs. The hospital designs a communications policy for promoting effective communication with shareholders and encouraging their participation at general assembly meetings and disclose the policy or a summary of that policy.

> **OWNERS CAPITAL GAIN**
>
> In public and not-for-profit hospitals, where capital gain is not the main aim, the owners have the right to non-financial returns, if this is the objective defined by them. In such a case the money should be dealt with as investment with no financial return on investment. The owners still have the right to financial sustainability of the hospital.

- To attend the shareholders meeting to be comprehensively informed about and be encouraged to participate in the hospital's affairs.

- To vote by proxy in case they cannot be present during the shareholders meeting.

- To have their rights and interests protected in case they are minority shareholders and/or owners. For hospitals with one or more controlling shareholder(s), the Board endeavours to have the controlling shareholders make a considered use of their position and respect the rights and interests of minorities.

Employee Rights

Employees have the right:

- To not be discriminated because of race, colour, religion, national origin, gender, physical or mental disability, or age. The hospital positions itself as an equal opportunity employer and fosters diversity. It develops respective policies and monitors their implementation.

- To a workplace in accordance with international standards in terms of safety precautions. The hospital develops respective policies and monitors

their implementation. Safety precautions also include the maintenance of equipment and facilities, infection control mechanisms and protection from hazardous materials.

- To a human resource system that bases on the principle of meritocracy and transparency.

- To have reasonable working hours with fair remuneration.

- To form a worker's council to advocate for their rights.

- To free assembly and protest.

- To working models that allow for the balance of professional and private endeavours.

- To be developed professionally on a regular basis. The hospital monitors its professional development performance on a regular basis, defines annual objectives and monitors their achievement.

- To healthy nutrition and the possibility for regular physical exercise.

- To voluntary and confidential health check-ups.

- To an anonymous easy-to-use system to report any concerns, mistreatment, wishes or recommendations.

Stakeholder Engagement

- Stakeholder engagement happens regularly and in an atmosphere of respect and mutual appreciation.

- In order to efficiently allocate time and effort, a stakeholder mapping based on a power/interest grid is conducted.

- The hospital proactively seeks for opportunities to meet and communicate with its most important stakeholders.

> ▶ SAMPLE 4.4:
> Stakeholder Mapping, Principle #4
>
> ▶ SAMPLE 4.5: Stakeholder Communication Plan, Principle #4

- A detailed communication plan is recommended to ensure that every stakeholder is engaged in a way that satisfies all parties involved.

Environmental Friendliness

Environmental friendliness is to be incorporated into the physical operations of the hospital. In order to contribute to overall sustainability also on the technical level and to benefit from corresponding efficiency gains and financial savings, it is important for the hospital to consider its ecological impacts and foster respective improvements. The hospital must ensure that it does not harm the environment, employees or patients.

Facilities

- Facilities are constructed in a way that they do not pollute or otherwise harm the environment.

- The hospital constantly evaluates the environmental friendliness of its facilities.

- If existing facilities are identified as causing pollution or other undesired impacts, the hospital will engage in renovation measures accordingly.

- When constructing/renovating, the hospital refrains from using any harmful substances.

- Hospital facilities are properly connected to the surrounding infrastructure.

Energy, Water & Waste

- Proper and credible energy and water saving and conservation systems are established. Holistic models can lead to efficiency gains that can quickly amortize costs occurred during development and implementing phases.

- The hospital fosters the reduction of its carbon emissions.

- Proper water and sanitation management is important in order to ensure high levels of hygiene and to use recourses as efficiently as possible.

- Extreme attention is taken for pharmaceuticals and other medical waste so that the hospital does not harm its patients, staff or environment.

- It is very important to establish environmentally friendly cleaning systems ensuring that the hospital's hygiene standards are met without compromising environmental objectives.

Inclusive Business

By offering a service with social dimension, hospitals have a special responsibility to the communities in which they are working. By including low-income patients into the core value chain through innovative business models, the hospital would be able to both fulfil its responsibility and still stay profitable. This would push the hospital further in direction of reaching sustainability. Public and not-for-profit hospitals, as well as private-for-profit hospitals, should strike a balance between financial performance and inclusiveness. To do so in an ethical way, it is necessary that low-income patients get the same treatment outcomes that higher paying patients reach. This would ensure long-term financial and reputational success.

- The hospital commits itself to treating a certain percentage of low-income patients.

- Offering services for free or low price in public or private hospitals should not mean that the quality is lower or the medical outcome is worse. Treatment in terms of the quality of medical services provided is equal for every patient. However, this equality does not need to go beyond the medical service provision.

- In order to ensure that the hospital can offer equal, high quality treatment for low income patients and still can be profitable, innovative and holistic business models need to be developed that does not need to go beyond the medical service provision covering hospitality services.

- The equal medical treatment of all patient segments is evaluated on a regular basis.

EQUAL TREATMENT

The hospital might differentiate between patients in terms of hospitality, however, quality of care and clinical outcome should be equal.

▶ SAMPLE 4.1: Checklist Inclusiveness, Principle #4

Disclosure & Transparency

PRINCIPLE #5: The hospital integrates transparency practices into the core of its organization and commits itself to goof disclosure.

Disclosure & Transparency

Proper disclosure affects all fundamental processes of an organization. Related practices should be ensured on all matters regarding the hospital in order for it to become more transparent.

Becoming more transparent means for the hospital to tap growth potentials and to create competitive advantage. Since hospitals have a special function in society, disclosing crucial information is especially critical. Implementing related disclosure practices into the core of the organization will make the hospital ready for competing in the upcoming "Age of Transparency" and thus will enable it to fulfil its duties also in the future in a way that meets societies demands. By making the right information accessible in a way that fits the requirements of the hospital's stakeholders, the hospital first and foremost creates trust. It shows respect for internal and external parties and shows appreciation for their will to influence decision-making and business outcomes. Proper transparency practices do this without compromising the sustainability of the organization itself.

External transparency is crucial for building strong relationships with external stakeholders and potential partners. Making crucial information accessible will facilitate the understanding of the hospital's core competencies and activities and will help stakeholders to determine whether they want or need to interact/cooperate with the hospital. A superior performance in service provision, high calibre staff and equipment or environmental footprint that is disclosed can work as a marketing tool to promote the hospital as a prime institution with special

DISCLOSURE

Disclosure is the release or transmittal of previously hidden, confidential or unknown information.

TRANSPARENCY INTERNATIONAL (TI) DEFINITION OF TRANSPARENCY

Transparency is a characteristic of governments, companies, organisations and individuals that are open in the clear disclosure of information, rules, plans, processes and actions.

DIFFERENCE "DISCLOSURE" & "TRANSPARENCY"

Disclosure means simply making information available to the public or specific stakeholder groups. Transparency means to do so in a way that the recipient can easily access and understand the information needed and with the expectation that one will be held accountable for them.

features. Disclosing crucial financial information, moreover, will attract and assure investors and thus will facilitate the access to capital.

Internal transparency is important in the overall efficiency and performance of the organization. By disclosing crucial information about the rules, processes and responsibilities that determine the actions within the organization, the hospital lays the foundation for increased productivity and improvements on all organizational levels. It improves decision-making processes and is also a major step to prevent and detect fraud, corruption and/or other unethical behaviour. Disclosing relevant information will have a positive effect on employee motivation and the level of trust they bring to the hospital. Becoming more transparent necessarily also means becoming more patient-focused. This will eventually lead to improvement all along the value chain into the heart of the service provision process.

Umbrella Policy

The hospital has a widely communicated and known disclosure policy which is agreed to by key players within the organization.

Criteria for Good Information

- It is crucial to only disclose information that meets certain criteria. Thus, good information ready to be disclosed upholds the following characteristics:

  – *Material:* information whose omission or misstatement would influence a decision of a stakeholder.

  – *Timely:* in the right time required to take the decision.

  – *Comprehensive:* covers all aspects needed to reach a decision.

  – *Concise:* not overwhelming.

  – *Understandable:* in an easy form to be understood and used by the relevant stakeholder.

EFFECTIVE TRANSPARENCY

Effective transparency discloses what does not conflict with the ethical pursuit of the hospital's business. Strategic plans and other information that are directly connected to ensuring competitive advantage should only be disclosed cautiously to certain stakeholders or withheld altogether. The records of the patients should be handled with secrecy.

– *Accessible:* to the relevant stakeholder in the suitable form and through the convenient channel.

– *Equal treatment:* regarding accessibility and timeliness in a fair way between similar stakeholders.

– *Accuracy:* includes correct information.

– *Regular:* comes in a regular manner that makes stakeholders rely on them.

– *Comparable:* internally within organizations and externally with similar organizations and benchmarks.

- In order to determine which information are disclosed, it is recommended to apply these steps:

  – Develop and implement an information gathering plan.

  – Determine critical information to each stakeholder internally and externally.

  – Avoid irrelevant information in the process.

  – Prioritize this information.

TRANSITION PROCESS TRANSPARENCY

In the transition period towards better disclosure practices, information should only be disclosed gradually and related decisions should only be made by experienced staff in order to avoid that too much information or the wrong messages become public.

– Review confidentiality policies and define information that should not be disclosed.

– Review the stakeholder map and stakeholder communication strategy.

What to Disclose

In relation with the other principles, the following kind of information should be disclosed to ensure superior transparency:

Corporate Governance

- Vision, mission and strategic objectives of the hospital.

- Ownership structure of the hospital;
  - Identifying owners.
  - Percentage of ownership.

- Governing structure;
  - Segregation of roles & responsibilities between key players.
  - Its relation to the organizational chart.

Clinical Governance

- Policy for credentialing, educating, training and professional development of medical team.

- Policy for research & development.

- Mechanisms for clinical audit and clinical effectiveness.

- Mechanisms for clinical risk management.

TIP INFORMATION PRESENTATION FOR STAKEHOLDERS

It is not purposeful to overwhelm certain stakeholders or to make information accessible indiscriminately and without prioritizing them. In the beginning, the hospital should disclose rather cautiously.

▶ SAMPLE 5.1: How to Display Information: Corporate Governance, Principle #5

▶ SAMPLE 5.1: How to Display Information: Clinical Governance, Principle #5

STAKEHOLDER MAP FOR DISCLOSURE

It is recommended to base disclosure practices for certain stakeholders on the stakeholder map in order to not communicate inadequately (e.g. overwhelm with too much or discourage with too little information).

- Policy for incident occurrence screening and reporting.

- Clinical performance indicators:

  - Patient satisfaction.

  - Adverse clinical incident rate.

  - Healthcare associated infections rate.

  - Morbidity rate.

  - Inpatient mortality rate.

  - Unplanned surgery procedures.

  - Unplanned returns to theatre.

> ▶ SAMPLE 5.2: Key Performance Indicators & Ratios, Principle #5
>
> ▶ SAMPLE 5.1: How to Display Information: The Board of Directors, Principle #5

The Board of Directors

- Board composition;

  - Key roles & responsibilities.

  - Number of executive, non-executive & independent directors.

  - Age & gender distribution.

- Key qualifications of every Board member.

- Key positions: Chairman, Vice-Chairman, Board Secretary.

- Board charter.

- Policies for appointment, succession, evaluation and remuneration of Board members.

- Directors attendance of Board meetings.

- Board specialized committee. For each committee the relevant members, chairman and charters should be disclosed (e.g. audit committee charter).

- Policy for related party transactions.

- Conflict of interest policy.

Audit & Control

- Audit & control frameworks of the hospital.

- Audit charter.

- Risk management policy.

Organizational Sustainability

- Sustainability charter.

- Code of conduct.

- Code of ethics.

- Stakeholder engagement policy.

- Audited financial statements.

- Key performance indicators/ratios.

- Pricing policy & costs of services.

- Policy for protection of patient rights.

- Tendering and procurement procedures.

- Equipment maintenance policy.

- Employee recruitment, detainment, remuneration and anti-discrimination policy.

- Occupational health and safety procedures.

- Environmental output (especially waste management policy).

- Inclusive business policy and objectives.

▶ SAMPLE 5.2: Key Performance Indicator & Ratios, Principle #5

▶ SAMPLE 5.1: How to Display Information: Hospital Responsibility & Sustainability, Principle #5

Main Tools for Disclosure

For every stakeholder or recipient, the right tool(s) that fit(s) the requirements of a particular situation need(s) to be identified. Successful methods of disclosure include:

- Annual reports.

- Webpage.

- Internal network.

- Brochures.

- Flyers.

- Presentations.

- Wall posters.

- Hand-outs.

- Mobile applications.

- Direct communication through mail, emails or phone.

Samples

Principle 1 Corporate & Clinical Governance

1.1. CLINICAL AUDIT PROCESSES

Stages of the Clinical Audit Process:

Clinical audit requires specific methods, but also a supportive environment in all stages.

Stage	Step(s)
1. Preparing for the audit	– Selection of the topic due to complaints, volume, risks to consumers, cost, serious quality problem, available evidence, amenability to change, priority, policy directives or guidelines. – Involvement of stakeholders. – Definition of the purpose: enhancement, improvement, ensuring quality, instigating change. – Establishment of necessary structures. – Identification of skills and people needed for the audit. – Providing training to audit team as necessary.

2. Selecting criteria	– Definition of measurable criteria and standards. – Extracting criteria from existing guidelines and systematic reviews. – Prioritizing criteria. – Subjecting criteria to external peer review.
3. Measuring performance levels	– Identifying the data: patient and case types, healthcare professionals and their involvement, time period. – Determining sample size, data sources, data extraction tools and techniques, reviewer training and method of analysis.
4. Making improvement	– Identifying the level and location of change. – Identifying barriers to change. – Establishing the environment for the audit and involving stakeholders.
5. Sustaining improvement	– Monitoring / evaluating change. – Maintaining / reinforcing the change.

Sample Checklist: Effectiveness of Clinical Audit

	Yes	No
Are criteria and standards chosen clear and measurable?	☐	☐
Are consumers involved in the clinical audit?	☐	☐
Are participants well trained?	☐	☐
Is information technology used?	☐	☐
Is feedback provided?	☐	☐
Are the findings well translated into quality improvement strategies?	☐	☐
How well are clinicians engaged?	☐	☐

	Yes	No
Is the data available of high quality?	☐	☐
Is enough time allocated to undertake the audit?	☐	☐
Are improvement strategies evaluated?	☐	☐

Sample Checklist: Evaluation of review criteria

	Yes	No
Are criteria described in clearly defined terms?	☐	☐
Do criteria include unambiguous definitions of the variables that are measured?	☐	☐
Do criteria explicitly state the patient populations to which they apply?	☐	☐
Are criteria capable of distinguishing between appropriate and inappropriate care?	☐	☐
Are criteria linked to the improvement of health outcomes?	☐	☐
Do criteria explicitly state the clinical environment to which they apply?	☐	☐
Are criteria conducted by clear instructions for reviewing care?	☐	☐
Is the systematic review used to guide the selection of criteria up to date?	☐	☐
Are criteria pilot tested for practical feasibility?	☐	☐
Are criteria relevant to patients?	☐	☐
Is the collection of information for criteria-based review acceptable to patients whose care is reviewed?	☐	☐
Are the bibliographic sources that are used to identify research evidence specified?	☐	☐
Are criteria prioritised due to their impact on health outcomes?	☐	☐
Is expert opinion included in the process of developing review criteria?	☐	☐

Sample Clinical Audit Sheet

Audit report: This is designed to be completed for each audit to record compliance, findings and comments

Number of audit:
Date audit completed:
Audit lead/manager:
Summary of previous audit results: (where applicable)

	To be completed by service during audit				
Criterion no.	Criterion	Data source	Compliance	Findings	Comments
1	The percentage of children under the age of 12 years with chronic asthma in whom treatment with an inhaled corticosteroid (ICS) was considered appropriate.				
2	The percentage of children under the age of 12 years with chronic asthma in whom treatment with an inhaled corticosteroid (ICS) and long-acting beta-2 agonist (LABA) was considered appropriate, for whom a combination device within its marketing authorisation was considered as an option for treatment.				
3	The percentage of children under the age of 12 years with chronic asthma in whom treatment with an inhaled corticosteroid (ICS) and long-acting beta-2 agonist (LABA) was considered appropriate.				

Patient data collection form for diabetes in pregnancy

Complete one form for each patient.

Patient identifier:				Age:	
Criterion No.	Data Item No.	Criterion	Yes	No	Comments
Pre-conception care					
2		Was the patient offered pre-conception care and advice before discontinuing contraception? (Data source: patient records)			
3		Was the woman informed that: - risks can be reduced, but not eliminated?			
Antenatal care					
4		Does the woman have insulin-treated diabetes? If yes, go to 4.1 If no, go to 5			
	4.1	Was she advised of the risks during pregnancy, particularly in the first trimester, of: - hypoglycaemia and - hypoglycaemia unawareness? (Data source: patient records)			

5		Was the woman advised to keep: - her fasting blood glucose between 3.5 and 5.9 mmol/litre and	☐	☐	
		- 1-hour postprandial blood glucose below 7.8 mmol/litre during pregnancy? (Data source: patient records)	☐	☐	
6		Was the woman suspected of having diabetic ketoacidosis during pregnancy? If yes, go to 6.1 If no, go to 7	☐	☐	
	6.1	Was she admitted immediately to hospital for level 2 critical care? (Data source: patient records)	☐	☐	
7		Was the woman offered antenatal examination of the four-chamber view of the fetal heart and outflow tracts?	☐	☐	
	7.1	Was this performed between 18 and 20 weeks of pregnancy? (Data source: patient records)	☐	☐	
Neonatal care					
8		Was the woman's baby kept with her after birth? (Data source: patient records)	☐	☐	

Postnatal care					
9		Did the woman have gestational diabetes? If yes, go to 9.1 If no, the data collection is complete	☐	☐	
	9.1	Was the woman offered lifestyle advice?	☐	☐	
	9.2	Was a fasting plasma glucose measurement taken at the 6-week postnatal check?	☐	☐	
	9.3	Was the woman offered an annual fasting glucose plasma measurement?	☐	☐	
	9.4	Was an oral glucose tolerance test done? (Data source: patient records)	☐	☐	
Woman- and baby-centred care					
1		Was the woman offered evidence-based written information about:	☐	☐	
	1.1	- her illness or condition (Data source: patient records)			

Exceptions:

A- Women for whom this would be unsafe or contraindicated.

B- Women who had babies with clinical complications or abnormal clinical signs that warranted admission of the baby for intensive or special care.

Inspired by:

– Clinical audit: a comprehensive review of the literature, The University of New South Wales

Examples extracted from:

– Audit Criteria: Inhaled corticosteroids for the treatment of chronic asthma in children under the age of 12 years", NHS National Institute for Health and Clinical Excellence;

– Audit support for diabetes in pregnancy, NHS National Institute for Health and Clinical Excellence

1.2. PRINCIPLES FOR PEER REVIEW

Definition: Peer review is the review of standard of patient care by an individual or committee from the same professional discipline to control the standard of care and to make recommendations for improving patient care processes. It has an evaluation and oversight function.

Example: Peer Review Audit Sheet

Physician Name: .... ID. No.: ....
Specialty: .... Discharge Date: .... LOS : ....

Medical Record #: .... Admitting Diagnosis: ....

Final /Discharge Diagnosis: ....

The reviewer is asked to address each of the following areas accordingly:

Aspects of care	Acceptable	Acceptable with opportunity for improvement	Not acceptable
– History and Physical:			
• Comprehensive details			
• Completed within 24 hours			
– Progress Notes:			
• Daily entries identified			
• Legible/concise			
– Appropriate indications for admission			
– Appropriate indications for referral (if appl.)			
– Clear Plan of care (documented in the form of measurable goals)			
– Medical judgment/appropriateness of care			
– Documentation supports actions taken			
– Untoward delays in treatment services are explained to patients with information on available alternatives			

– Use of Prohibited/unaccepted abbreviation. Prohibited abbr.: MS, MSO4, MgSO4, U, IU, µg, , Q.D., q.d., Q.O.D., q.o.d., Letter «d», TIW, Zero written after decimal point, Zero missing before decimal points, ">", "<",@,cc , Abbreviations for drug names.			
– Appropriate implementation of pain management plan.			
– Ability to cope with any complications that occurred with this case			
– Appropriate discharge plan and follow-up instructions			

Acceptable with an opportunity for improvement or unacceptable, please comment:

....

....

Acceptable care: if clinical practice is exceptional. i.e. where lessons can be generated from this practice to demonstrate care management of similar situations or in case it was determined by the reviewing physician that the majority of peers may have responded similarly under similar circumstances. i.e. no clear deviation from our standards.

Acceptable with opportunity for improvement: in case the reviewing physician had identified clinical practices which may increase the likelihood of human error, simple errors in diagnosis & treatment or wrong clinical judgment. This needs coaching and/or education for future improvements.

Not acceptable: care which is clearly outside the acceptable practices. i.e. cases which suggest a reckless disregard of the practitioner's duty to the patient through negligence, general incompetence or actual intent to provide substandard care. Such cases are referred immediately to the Chief of Medical Staff.

Is further action required   ☐ Yes   ☐ No

IF yes, What?

☐ Letter to physician for information/ response

☐ Referral to peer review committee

☐ Verbal discussion with department chairperson purposes

☐ Letter to department for educational

....
Reviewing M.D. Name & Signature   Date

Inspired by:

– Riyadh Care Hospital: Medical Staff Peer Review

Principle 2 The Board of Directors

2.1. BOARD CHARTER

The following table shows sample aspects and their corresponding components that should be covered by a Board Charter. Aspects, components and their content can be added, removed or changed due to the individual need of every single Board.

Aspect	Components
Board Structure	Size; selection of directors; director qualifications; director retirement; resignation from the board; term limits
Operation of the Board	Director responsibility; director orientation and education; CEO evaluation and management succession; director access to employees; independent advisors
Meetings	Board meetings; attendance at annual shareholder meetings; agenda items for board and committee meetings; director compensation
Board culture	Agendas; norms, beliefs, values
Committees of the Board	Nature of committees (audit committee, remuneration committee, corporate governance committee…); appointment of committees; board responsibility for committee; committee reporting; committee charters
General Duties and Powers	General responsibilities; responsibilities towards the organization; quality of performance; provision on information; responsibility for securing information; access to records; use of experts
Duties regarding supervision of management	Nature of supervision; supervision of financial reporting; supervision of annual risk review; resolutions subject to approval
Duties regarding the members and performance of the board	Duties regarding the board; board self assessment

Relationship with stakeholders	Information; securing conduction and quality of general shareholder meetings; compliance with law; attendance of meetings other than board meetings
Decision-making within the board	Preference for unanimity; individual vote; majority vote; quorum
Conflicts of interest of board members	Duty to disclose; rules for related party transactions; abstention by conflicted party; requirement to approve conflicts of interest
Compensation of board members	Approval by general assembly meeting; reimbursement of costs; policies for loans and guarantees
Limitation	Serving on other boards; notice of outside positions
Holding and trading securities	Long-term investment; trades in securities related to the hospital; reports on change in ownership
Confidentially	Duty to keep information confidential; notice of disclosure
Miscellaneous	Acceptance of charter by board members. Rules and procedures for occasional non-compliance with; amendment of; interpretation of; partial invalidity of the charter
Attachments to the Charter	Independence standards; desired characteristics of directors

Examples of how components of the Board Charter can look like the following:

Board Structure:

– The Board generally has not less than five and not more than eleven directors. This range permits diversity of experience without hindering effective discussion or diminishing individual accountability.

– Nominees for Directorship are recommended to the Board by the Nominating and Corporate Governance Committees in accordance with the policies set in their charters.

– The Nominating and Corporate Governance Board Committee review with the Board, on an annual basis, the requisite skills and characteristics of new Board members as well as its composition. This includes the evaluation of members' independence, as well as consideration of diversity (age, gender, geographic origin, ethnic background), skills, professional experience and talents.

– The maximum retirement age of non-employee Directors is any term after their 75th birthday. Directors who are employees will retire from the Board coincident with their retirement as employees.

– Resignation from the Board is possible at any time for any Director by giving notice in writing or electronic transmission to the Chairman of the Board, the President or Secretary.

– Term Limits exist. Directors are elected for terms of 3 years and can then be re-elected for further terms of 3 years with a maximum of two consecutive times.

Board Meetings:

– The Board shall meet at least four times a year and any other time as the Chairman requires.

– A notice for every meeting will reach every Board member not fewer than 6 working days prior to the date of the meeting. These notices include the venue, time and date, and an agenda of items that will be discussed.

– If the Chairman is absent, the Vice Chairman can assume the role and responsibilities.

– The secretary keeps records of all meetings and minutes of proceedings and decisions. Copies of the minutes are handed out to every member and to the Chairman at the next meeting.

Inspired by:

– *International Finance Corporation: A Model Board Charter*
– *Monsanto: Board of Directors' Charter and Corporate Governance Guidelines*
– *Conscious Governance: Sample Board Charter*

2.2. BOARD SELF ASSESSMENT TOOL

SECTION I: Board's Operations

For each of the statements in this section, please indicate the degree to which you believe that statement describes your Board. Please circle your response

A: BOARD FUNCTIONS

1.Responsibilities

	Strongly Agree ⟷ Strongly Disagree					Don't Know
The responsibilities of Board members are clearly defined.	1	2	3	4	5	DK
Descriptions of Board member responsibilities exist in writing for this Board	1	2	3	4	5	DK
Board members clearly understand their role on this Board.	1	2	3	4	5	DK
Some Board members assume roles & responsibilities that belong to administrative staff.	1	2	3	4	5	DK
Board members are familiar with the hospital's mission statement	1	2	3	4	5	DK
The Board delegates to the CEO the authority to lead the staff and carry out the organization's mission	1	2	3	4	5	DK
The board refrains from making decisions related to the implementation of policy that should be made by the CEO and management staff.	1	2	3	4	5	DK
The board refrains from making decisions related to the implementation of policy that should be made by the medical staff.	1	2	3	4	5	DK
The board makes informed decisions on medical staff appointments, reappointments and clinical privileges and fulfils its responsibility for a properly functioning medical staff.	1	2	3	4	5	DK

The board receives an accurate record of deliberations made during its meetings through the timely distribution of minutes	1	2	3	4	5	DK
Board members receive meeting notices, written agendas with appropriate materials well in advance of meetings	1	2	3	4	5	DK
Background material is supplied early enough for study before board meetings	1	2	3	4	5	DK
Board members routinely receive relevant hospital/system publications, such as magazines, newsletters, bulletins, press releases, brochures and announcements.	1	2	3	4	5	DK
The board receives sufficient status reports on the implementation of board actions and decisions	1	2	3	4	5	DK
The board has established an effective means to promote open communications between the board, medical staff and hospital staff.	1	2	3	4	5	DK
The board receives feedback from the elected or appointed head of the medical staff on the implementation of board decisions affecting the medical staff, and generally shares information, ideas or concerns with the board.	1	2	3	4	5	DK
To facilitate communication among the board, the administration and the medical staff, various means are used	1	2	3	4	5	DK
The President of the medical staff attends board meetings	1	2	3	4	5	DK
Medical staff membership on board committees.	1	2	3	4	5	DK
Exchange of board minutes and medical staff minutes	1	2	3	4	5	DK

2.Policies & Finance

The Board accepts the responsibility for setting the organization's policies	1	2	3	4	5	DK
The Board reviews policies at least annually, and updates them as needed	1	2	3	4	5	DK
The board has adopted a policy and process to manage and reduce risk	1	2	3	4	5	DK
The Board adopts an annual budget that sets revenue and expense targets	1	2	3	4	5	DK
Financial reports are clearly understood by the Board.	1	2	3	4	5	DK
The Board identifies any early warning signals of poor financial performance	1	2	3	4	5	DK

3. Board and Committee Procedures

The hospital has one or more statements/documents that are periodically reviewed and revised that identify the hospital's direction and role (e.g., mission, vision, values, philosophy statements).	1	2	3	4	5	DK
The roles, responsibilities, functions, relationships and authorities of the board members and officers, the CEO, and the medical staff are in a written statement (e.g., bylaws, policy, job descriptions, and procedures)	1	2	3	4	5	DK
The board conducts business using formal procedures	1	2	3	4	5	DK
Board meetings are scheduled at appropriate intervals	1	2	3	4	5	DK
The length of board meetings is realistic and based on planned agendas	1	2	3	4	5	DK
The board has the necessary information to arrive at responsible decisions	1	2	3	4	5	DK

The board conducts its deliberations in a thoughtful and objective manner	1	2	3	4	5	DK
The bylaws provide for a committee structure with board member participation allowing the board to fulfil its responsibility	1	2	3	4	5	DK
Standing and ad hoc committees report regularly to the full board.	1	2	3	4	5	DK
Committees are reviewed annually with regard to composition, goals, responsibilities and performance.	1	2	3	4	5	DK

4. Strategic plan

The hospital has a strategic plan that is easily understood.	1	2	3	4	5	DK
Board members review follow-up reports on programs they approved,	1	2	3	4	5	DK
The budget accurately reflects the priorities established in the strategic plan	1	2	3	4	5	DK
The strategic plan is used effectively to guide and evaluate efforts during the year	1	2	3	4	5	DK

5. Quality of Care

The Board monitors quality assurance activities & processes regularly.	1	2	3	4	5	DK
Quality of care reports are reviewed and discussed at board meetings	1	2	3	4	5	DK
The Board has a committee responsible for quality of care and/or patient safety	1	2	3	4	5	DK
Quality reports provided to the Board compare to hospital's quality	1	2	3	4	5	DK

6. Community Links

The Board has a strong sense of important community health care needs and issues	1	2	3	4	5	DK
The Board acts at all times in the interest of the community.	1	2	3	4	5	DK
The Board ensures that the hospital meets the community's healthcare needs	1	2	3	4	5	DK

B: BOARD COMPOSITION AND BEHAVIOR

Board members are selected/appointed based on defined criteria.	1	2	3	4	5	DK
Board membership is appropriate in size.	1	2	3	4	5	DK
Board members regularly attend board meetings in order to conduct business and make informed decisions.	1	2	3	4	5	DK
The board includes one or more medical staff members and other skills like finance and legal experts.	1	2	3	4	5	DK
Board members have a clear understanding of Board committees.	1	2	3	4	5	DK
The Board follows an effective process for removing non-performing Board members	1	2	3	4	5	DK
Board meetings are conducted in a manner that ensures timely resolution of issues	1	2	3	4	5	DK
The Board is aware of potential liability or legal responsibility associated with Board members	1	2	3	4	5	DK
Board members are protected against the potential liabilities of governance through indemnity arrangements, insurance and other measures	1	2	3	4	5	DK

Board members are appointed for a specified period of time with provision for reappointment, and with a limit on the number of terms	1	2	3	4	5	DK
Board members are required to disclose possible conflicts of interest before their appointment and periodically throughout their terms as trustees	1	2	3	4	5	DK

C. BOARD COMPETENCIES AND TRAINING

The Board has a well-developed, formal orientation process for new members	1	2	3	4	5	DK
Board members get a basic orientation about risk management, medical liability and medical staff credentialing	1	2	3	4	5	DK
Members are encouraged to identify areas where further board education is needed or in which additional information would be helpful	1	2	3	4	5	DK
Orientation is reinforced by an on-going program of education and development	1	2	3	4	5	DK
The Board is knowledgeable about the bylaws of the Board.	1	2	3	4	5	DK
Board members understand the third-party reimbursement system in healthcare.	1	2	3	4	5	DK
The expertise/skill levels needed to be an effective board for this organization are adequately represented among current board members	1	2	3	4	5	DK
This Board keeps itself well informed about the hospital's performance against predetermined plans and goals	1	2	3	4	5	DK
Board development is based on identified needs.	1	2	3	4	5	DK

All Board members participate in a well-developed continuing education process.	1	2	3	4	5	DK
Board members actively participate in a formal annual self-assessment.	1	2	3	4	5	DK
The Board consistently functions openly in a collegial, team-building manner.	1	2	3	4	5	DK
Consensus is easily reached whenever there is Board member disagreement	1	2	3	4	5	DK
The Board demonstrates good problem solving skills.	1	2	3	4	5	DK
Board members clearly understand their relationship to management, employees and the medical staff.	1	2	3	4	5	DK

SECTION II. Addressing future needs

What areas of governance / Board performance, if any, need improvement?

....

....

The Board would benefit from training in the following areas: (Check all that apply)

☐ Board Governance Responsibilities   ☐ Legislative Concerns

☐ Measurement of Patient Care Outcomes   ☐ Strategic Planning

☐ Medical Staff Relations   ☐ Financial Performance

☐ Staff Development and Training   ☐ Patient Quality/Safety

☐ Leadership and Management   ☐ Third-party Reimbursement Issues

☐ Other

Inspired by:

– Rural Acute Care Hospital Board Of Directors: Education and Development Needed

2.3. Audit COMMITTEE CHARTER

The following table shows sample aspects and their corresponding components that should be covered by an Audit Committee Charter. Aspects, components and their content can be added, removed or changed due to the individual need of every single Audit Committee.

Aspect	Components
Charge or Mission statement	Committee's purpose, primary goals, objectives
Authorities	Authorities and rights of committee members; how members will work together to fulfill goals and objectives
Composition	Chair of the Committee; members of the Committee; guidelines for appointing committee members; committee officers
Committee Culture	Agendas; Norms; Beliefs; Values
Meetings	Frequency of meetings; content of meetings; announcement of meetings; participants of the meetings; responsibility of meetings' reporting and their delivery to committee members
Duties and responsibilities: Review and reporting	Financial statements; internal control; financial reporting process and disclosure matters; reporting; compliance and regulatory oversight responsibilities,
Duties and responsibilities: Internal and External audit	Recommendation; securing independence; review performance; consulting.
Further Duties and responsibilities	Process improvement
Ethical, legal, regulatory compliance, risks management	Code of ethical conduct; monitoring compliance; review of activities; organizational structure and qualifications; review of findings by examinations, risks management

Examples of how components of the Audit Committee Charter can look like the following:

Composition

– The Audit Committee consists of no less than three and no more than six members of the Board of Directors. All members of the committee are non-executive independent directors.

– The nomination of the members and the committee chair is operated by the Board or its nominating committee.

Meetings

– The Committee meets at least four times per year, with authority to extend the number of meetings. Committee members are expected to attend each meeting, either in person or via teleconference. Members of management, auditors or others providing pertinent information as necessary are invited by the committee.

– The agenda of the meetings are prepared and provided in advance to members.

– Minutes are recorded by the secretary.

Inspired by:

– *JPMorgan Chase & Co. : Charter of the Audit Committee*

– *The Institute of Internal Auditors: Model Audit Committee Charter*

2.4. CODE OF CONDUCT

The following table shows sample aspects and their corresponding components that should be covered and regulated by a Code of Conduct. Aspects, components and their content can be added, removed or changed due to the individual need of every single Hospital.

Aspect	Components
Business	Hospital's reputation, Ethical standards, Ethical management
Business and Professional Courtesies	Any payment for the purpose of receiving favourable treatment
Gifts	Gifts from patients or patients' family members, Gifts from health care providers or vendors, gifts to health care providers, vendors or government officials
Interaction with Physicians	Referrals to entities to which physicians have a financial relationship
News Media	Contact to news media
Personal Use of Hospital Resources	Private use of hospital's assets or services
Relationships Among Hospital Colleagues	Regulation of close relationships in the same workplace
Surveys	Conduction of surveys or inspections by government or accreditation agencies
Travel and Workshops	Travel cost for hospital staff, Workshops, Seminars and Training
Compliance	Responsibility to comply with laws, regulations and other applicable standards
Copyright & Intellectual Property	Copies of entire publications, downloading information, using someone else's idea
Environmental Compliance	Unsafe environment: Notification; Reporting; Prevention
Financial Reporting and Records	Presentation of financial reports, accounting records, research records and reports, expense accounts, time sheets and other documents

Fraud and Abuse	Handling of: Intentional misrepresentation or concealment of a material fact, Knowledge that someone has falsified or misrepresented a material fact, Intent to deprive or harm the hospital or its patients financially
Internal Audit	Function, tasks, handling of internal audits
License and Certification Renewals	Requirements for the performance of the profession
Obligation to Report	Duty and obligation to report, laws, regulations, ethical standards of reporting, Recipient of reports
Patient Grievance	Advocacy process to express and pursue their dissatisfaction with a hospital system or service. Responsibility to react
Confidentiality	Responsibility to maintain and protect the confidentiality of information
Accuracy, Retention, and Disposal of Documents and Records	Property, record, use and elimination of information
Electronic Media	Use of communication systems
Information Security	Responsibility to properly maintain and store hospital information; non-disclosure of passwords
Patient and Family Information	Protection of patient health information and patient's family and other personal information
Conflict of Interest	Any conflict of interest: Personal interest sufficient to influence objective exercise. Report of conflict of interest. Bonus payment by sponsors
Human Resources	Conflicts in Human Resource Management
Drug and Alcohol Abuse	Consequences of selling, distributing, possessing, using or being under influence of drugs
Harassment and Workplace Violence	Standards concerning an environment free from any type of harassment, consequences of any harassment case

Examples of how components of the Board Charter can look like the following:

Gifts:

– It is prohibited to accept any tips, gratuities or personal gifts from patients or patient's family members.

– Gifts or any other offer from Health Care Providers or Vendors is only allowed if they have no more than a nominal value.

– Money or services of value by hospital staff to Health Care Providers, Vendors or Government Officials to influence decision-making is prohibited.

Information Security:

– The Hospital has the responsibility to ensure that hospital's information are securely maintained and stored according to the Hospital's policies.

– The Hospital should not share password and allow access to computer systems by non-authorized users.

Every employee signs the Code of Conduct in an acknowledgment like the following.

ACKNOWLEDGMENT
I certify that I have received the Code of Conduct of (name of hospital), read and understand it represents mandatory policies of the hospital and agree to abide by it and the associated policies.
Printed Name:
Department:
Hospital Staff ID Number:
Date:
Signature:

Inspired by:

– *The Children's Mercy Hospital Code of Conduct*

Principle 3 Audit, Control & Risk

3.1. CONTROL ENVIRONEMT REVIEW – COSO

Control Environment

Focusing questions	Yes / No
Is there a formalised and communicated set of ethical values including fraud? Are these clearly communicated and practised at all levels?	
Are people rewarded and recognised for practising the core ethical values?	
Are people penalised for inappropriate behaviour, taking excessive risks or being excessively risk averse?	
Are individual levels of authority, responsibility and accountability clearly established?	
Are critical decisions made by people with the necessary expertise, knowledge and authority?	
Are levels of trust sufficient to support the open flow of information and enable effective performance?	
Are the right people, skills, tools and resources in place to achieve the objectives of the entity/ business unit / process?	
Is there evidence of strong teamwork, strong staff retention and low incidence of sick days?	

Conclusion: For each of the focusing questions with a «no» response, outline the observation made and whether this finding warrants bringing to the attention of the management.

Risk Assessment

Focusing questions	Yes / No
Are the vision, mission and objectives of the entity / business unit / process formally established and communicated to those responsible for acting on these objectives?	
Is there a process in place for management to periodically identify and assess internal and external risks that could impact the achievement of these objectives?	
Are there clearly defined parameters in place to assess the acceptable level of residual risk?	
Is there a measurement framework in place to assess the extent to which these objectives are being achieved?	
Is the internal and external environment regularly monitored to identify areas where objectives, structures or processes need to be modified?	

Conclusion: For each of the focusing questions with a «no» response, outline the observation made and whether this finding warrants bringing to the attention of the management.

Control Activities

Focusing questions	Yes / No
Are there clear policies in place to support the objectives? Are these well understood and practised?	
Are the levels of delegated authority clearly set and understood?	
Is there appropriate communication and coordination between different parts of the entity to achieve the objectives of the entity / process / business unit?	
Are there standardised processes and procedures in place to assist achieve the objectives of the organisation?	

Conclusion: For each of the focusing questions with a «no» response, outline the observation made and whether this finding warrants bringing to the attention of the management.

Information and Communication

Focusing questions	Yes / No
Is there prompt communication of mistakes, bad news and other information to people who need to know without fear of punishment?	
Is communication consistent with the core values of the organisation?	
Is information adequate and timely enough to enable people to perform their assigned responsibilities?	
Are periodic plans put in place to achieve the objectives of the entity / business unit / process?	
Is information received by those responsible for achieving the objectives sufficient, accurate, timely, and useful for decision-making?	
Are systems periodically reviewed and enhanced to address information needs?	
Are the information systems of the entity / business unit / process up to date?	

Conclusion: For each of the focusing questions with a «no» response, outline the observation made and whether this finding warrants bringing to the attention of the management.

Monitoring

Focusing questions	Yes / No
Is performance measured and tracked on a regular basis against the objectives of the entity / business unit / process?	
Are the outcomes of the entity / business unit / process regularly monitored to identify areas where objectives, structures or processes need to be modified?	
Are the assumptions behind the objectives periodically challenged?	
Are processes enhanced in response to inadequate performance?	
Is the effectiveness of control periodically monitored other than by internal and external audit?	
Processes in place to identify and quickly act on control weaknesses and performance improvement opportunities?	

Conclusion: For each of the focusing questions with a «no» response, outline the observation made and whether this finding warrants bringing to the attention of the management.

Inspired by:
– The Committee of Sponsoring Organizations of the Treadway Commission (COSO)

3.2. INTERNAL AUDIT CHARTER

The following table shows sample aspects and their corresponding components that should be covered by an Internal Audit Charter. Aspects, components and their content can be added, removed or changed due to the individual need of every single Hospital.

Aspect	Components
Internal Audit Profile	Vision, Mission
Role / Scope of work	Authorization from the Board, Internal Audit Plan (Departments, areas, process of audit, risk, reviews)
Authority	Access to records/ properties/ personnel; necessary assistance of staff
Responsibility and Accountability	Objectives of Internal Audit: Assist the Audit Committee, Management responsibility: risk management and enhancement of internal control
Objectivity and Independence	Extent of independence and objectivity of internal audit,
Operating Principles	Type of operating principles
Reporting	Content, Frequency, Responsibility of following up the reports

Examples of how components of the Internal Audit Charter can look like the following:

Role / Scope of work

– The general authorization from the Board of Directors to conduct a certain scope of work exists.

– Specifications are made in the Internal Audit Plan that is adopted by the Audit Committee annually.

– The Internal Audit Plan includes departments, areas and processes that are audited on evaluation of inherent risk and risk's significance. The focus is on strategy and significance to the hospital.

– Internal Audit's scope if work is it to review work with management so that threats are identified and appropriate management's response to these risks are assessed.

– Special reviews requested by the Audit Committee might be carried out as well.

Authority

– On behalf of the Audit Committee, full access to all records, properties and personnel of the Hospital exists.

– Staff and management of the Hospital provide necessary assistance to staff of the Internal Audit.

Responsibility and Accountability

– The Internal Audit assists the Audit Committee in the effective discharge of their responsibilities.

– It has independent access to the Audit Committee and the Chairman of the Board.

– It does not have any third party responsibilities in the interest of the Hospital.

– Management has the responsibility for risk management and the operation and enhancement of internal control, including the implementation of action plans as endorsed by the Audit Committee.

3.3. RISK ASSESSMENT MATRIX

The following table shows sample of how a risk assessment matrix to a certain area looks like

Process Objective	Risk	Gross risk Assessment	Control/ Process	Association Strength	Reviewer / Advisor
- All documents are scanned on the archiving system by date and account number. - Number of documents received from Checking Unit equals the number of scanned items in the archiving system at the end of the day.	A document may not be scanned.	Low	Covering letter from checking unit.	Low	Archiving Section Head.
Retrieve documents/files from the archive.	- Files/ documents may be submitted to a department without a retrieval request. - Requested documents/ files may not be retrieved or delayed due to miss filing.	Low	- Written Retrieval request from the requesting departments. - Contents sheet on the archived boxes/ cartoons.	Medium	Archiving Section Head.

- The boxes/files needed to be stored are covered by contents sheet. - The boxes/files are stored by date for easy retrieval.	The received documents may not match with the records in the contents sheet sent by the concerned departments.	Low	Contents sheet on the archived boxes/cartoons.	Medium	Archiving Section Head.
- All stationary items are recorded properly in daily, monthly and yearly reports. - No discrepancy between the reports and the actual stock.	- Discrepancy between the reports and the actual stock. - Daily, monthly and yearly reports may not be updated	Low	Stationary daily entry book. Monthly and yearly reports signed by the Administration division head. Requisition Issue forms	Medium	Stationary Division Head
- All files/boxes kept for more than 15 years have been destructed. - No files have been destructed before completing 15 years. - Destruction is approved by the audit department.	- A file may be destructed before completing 15 years. - No enough space in the store due to non destruction of files that should have been shredded.	Low	Destruction should be approved by audit department.	Medium	Administration Division Head

Principle 4 Hospital Sustainability & Responsibility

4.1. Checklist Inclusiveness

In order to check how a hospital is performing when it comes to inclusiveness, this sheet has to be filled. The questions marked with a star count twice. The more «yes» one can mark, the better the inclusiveness performance.

	Criterion	Yes	No
1	Is there a formalized and clearly communicated pledge from the Hospital that it will include the poor and otherwise excluded patients?		
2*	Did the Hospital commit itself to a certain percentage of low-income patients it targets to treat?		
3	Is the board and senior management convinced of and supports the importance of inclusive business models?		
4	Are there activities conducted that ensure that the actual needs in the communities targeted are identified?		
5*	Have inclusive business models been developed that achieve both social and economic value?		
6*	Do these business models have a strong strategic edge and the potential for competitive advantage?		
7	Is there a working group that focuses on the development of new models and innovative ideas for inclusivenss?		
8*	Is there no difference in the quality of treatment between low income and high income patients?		
9*	Are inclusive business models integrated into the quality management of the hospital?		

* = double value   SUM (max.: 14)

4.2. Patient Satisfaction Survey

	Excellent	Good	Fair	Poor	Very Poor
EASE OF GETTING CARE					
Time waiting for appointment					
Hours hospital is open					
Convenience of hospital›s location					
Safety of the hospital›s location					
Prompt return on calls					
WAITING					
Time in waiting room					
Time in examination room					
Waiting for tests to be performed					
Behaviour of clerks and receptionists					
Waiting for test results					
STAFF - Doctor					
Listens to you					
Shows respect for what you have to say					
Takes enough time with you					
Explains what you want to know					
Gives you easy to understand instructions about taking care of your health problems or concerns					
Gives you good advice and treatment					
Shares decisions with you					

STAFF - Nurses					
Friendly and helpful to you					
Answer your questions					
STAFF - All Others					
Friendly and helpful to you					
Answer your questions					
FINANCIAL					
What you pay is reasonable					
Explanation of charges					
Collection of payment/money					
FACILITY					
Neat and clean building					
Ease of finding where to go					
Comfort and safety while waiting					
Privacy					
CONFIDENTIALITY					
Keeping my personal information private					
REFERAL					
Would you refer family members and relatives to the hospital					

Inspired by:

– *Health Resources and Services Administration, U.S. Department of Health and Human Services;*

– *My Care Compare, Patient Survey Questions and Answer Choices*

4.3. Quiz Sustainability Expertise

In order to find out about one's level of expertise when it comes to business sustainability, this quiz can help. How to calculate a score is indicated below the statements.

Quiz | Sustainability Expertise			
	Statement	Agree	Disagree
1	Sustainability is first and foremost concerned with environmental issues.		
2	A good sustainability performance can be used for marketing purposes.		
3	Today›s patients are likely to choose a responsible hospital over one with unethical business conduct.		
4	A focus on business sustainability is a trend that will soon be over.		
5	Proven business sustainability is very important when a hospital wishes to attract investors or get access to finance.		
6	Sustainability is an overarching business principle that strengthens different aspects of an organizations.		
7	Best practices in sustainability can only be achieved when one focuses on all relevant stakeholders.		
8	A hospital is best understood as a separate organization and not as a part of the community it operates in.		
9	By including different stakeholders, it is easier to spot red flags and opportunities.		
10	Only a sustainable hospital is a healthy organization.		
11	A commitment to sustainability practices will surely lead to increased costs.		

12	Sustainability practices are not to be integrated into the quality management of a hospital.		
13	A focus on sustainability is a great tool for the mitigation of business risks.		
14	Financial performance is all that counts when it comes to business sustainability.		
15	It is important that the board and senior management understand the basics of how the hospital can become more sustainable.		
16	Business sustainability does only focus on the externalities of an organization.		
17	Sustainable business conduct increases costs in the long run.		
18	Sustainability solutions are ideally integrated into the whole value chain.		
19	Hospitals have a special responsibility towards the community to stay functioning.		
20	Sustainability is mainly an abstract concept, which is impossible to break down into performance indicators.		

Correct evaluations are positive, false ones negative. The different amount of points (P) indicates how important it is to understand this specific statement properly. Agree or disagree to the statements and count the amount of points at the end.

	Agree	Disagree		Agree	Disagree
Statement 1	-1P	1P	Statement 11	-1P	1P
Statement 2	1P	-1P	Statement 12	-2P	2P
Statement 3	2P	-2P	Statement 13	2P	-2P
Statement 4	-3P	3P	Statement 14	-3P	3P
Statement 5	3P	-3P	Statement 15	2P	-2P
Statement 6	2P	-2P	Statement 16	-1P	1P
Statement 7	2P	-2P	Statement 17	-2P	2P
Statement 8	3P	-3P	Statement 18	2P	-2P
Statement 9	2P	-2P	Statement 19	1P	-1P
Statement 10	3P	-3P	Statement 20	-2P	2P

Results	
30 - 40 Points	Congratulations! You seem to have superior knowledge in business sustainability. If you want to excel further, look at the statements you evaluated not properly and review the sustainability principle and other resources to learn more.
20 - 30 Points	You seem to have a solid understanding of the basics of sustainability. However, there is still much room for improvement. Please have a closer look at the sustainability principle.
<20 Points	You seem to have rather beginner›s knowledge in business sustainability. Please have a close look at the sustainability principle and explore the options of receiving further training.

4.4. Stakeholder Mapping

For hospitals to diversify their resources and efficiently manage their stakeholders, stakeholder mapping would be a useful tool for hospitals to do so. Given the social dimension around the hospital, it makes it serve and deal with a vast span of stakeholders, making it impossible to serve all stakeholders efficiently given its limited resources. To avoid running in cycles, the Power-Interest Grid is a very useful tool to evaluate its stakeholders based on their level of interest and power. Accordingly, the hospital has to first identify who the stakeholders are, put corresponding weights in terms of power and interest and finally plot the stakeholders on the Power-Interest Grid. The Hospital should decide whether this exercise should be completed annually, bi-annually or quarterly and review this decision over time.

How to develop a list of identified stakeholders

The first step in the process is stakeholder identification, which is mainly about determining who the Hospital's stakeholders are. This could be done through a brainstorming session done by a committee representing some stakeholders and experts. Still at this point of the analysis, it is needless to exclude any of the identified groups. This will take place at a later stage of the analysis.

Below there is a sample of a possible stakeholder list. However, every hospital should develop its own set of potential stakeholders according to its specific context. Certain stakeholder groups, though, might be pre-determined due to the nature of a hospital and regulatory frameworks.

The second step after identifying the stakeholder lists is to verify it. This could be done through circulating the list to a small number of experts in stakeholder management and relevant stakeholders. After soliciting the list, it is important to weight those stakeholders based on power and interest.

The Power/Interest Grid

Hospitals should calculate the average weight of each stakeholder based on interest and power. Interest represents their interest in your organization and power represents their power to influence your organizations positively or negatively. Accordingly, decision makers within the Hospital have a sound basis for their resource allocation to cater for the needs and demands of different stakeholders based on their interest-power dichotomy. Attached is a template for the grid, including its strategic dimensions.

How to create a stakeholder mapping questionnaire

After having a compiled stakeholder list, hospitals can create a questionnaire with identified stakeholders and a scaling diameter to weight the stakeholders according to interest and power and use it to gather the opinions of internal and external experts. For doing this, hospitals should define what power and what interest means in their context.

Attached is a sample of a stakeholder questionnaire to fill the power/interest grid. This questionnaire helps to gather in-house opinion but also is a great tool to enrich the process by including expert opinions from outside the Hospital.

Template Power/Interest Grid

Stakeholder Mapping Survey Sample

Power: Please rate the following stakeholders pertaining their level of POWER.						
	Very low	Low	Neutral	High	Very high	N/A
Physicians						
Nurses						
General Practitioners						
Non-medical staff						
Board of Directors						
Owners						
External Advisory						
Ministry of Health						
Ministry of Finance						
Ministry of Social Solidarity						
Suppliers						
Investors						
Donors						
Chambers						
Competitors						
Patients						
Insurance Agencies						
Media						
Research Institutions						

Interest Groups						
Management						
Neighbourhood						
University						
Specialized Medical Societies						
Service Buyers (insurance companies, syndicates, unions)						

Interest: Please rate the following stakeholders pertaining their level of INTEREST.						
	Very low	Low	Neutral	High	Very high	N/A
Physicians						
Nurses						
General Practitioners						
Non-medical staff						
Board of Directors						
Owners						
External Advisory						
Ministry of Health						
Ministry of Finance						
Ministry of Social Solidarity						
Suppliers						
Investors						

Donors						
Chambers						
Competitors						
Patients						
Insurance Agencies						
Media						
Research Institutions						
Interest Groups						
Management						
Neighbourhood						
University						
Specialized Medical Societies						
Service Buyers (insurance companies, syndicates, unions)						

The list of stakeholders above serves only as an elaborated example. In accordance, every hospital should develop its own list of stakeholders based on its environment and special conditions.

4.5. Stakeholder Communication Plan

Building on a proper stakeholder mapping process, it is important to also develop a communication plan that gives an overview over the what, why, how, who and when of bringing life to the stakeholder map. Filling and implementing it would be a crucial step towards a productive stakeholder environment.

Communications Objectives										
Overriding Key Messages										
	Expectations/ Issues	Priority	Specific Key Messages	Communication Tactics	Methods/Tools	Who is responsible	When	Budget	Impact Measurement	Notes
Stakeholder 1		1						EGP		
Stakeholder 2		1						EGP		
Stakeholder 3		1						EGP		
Stakeholder 4		2						EGP		
Stakeholder 5		2						EGP		
Stakeholder 6		2						EGP		
Stakeholder 7		3						EGP		
Stakeholder 8		3						EGP		
Stakeholder 9		4						EGP		
Stakeholder 10		4						EGP		

Priorities:	Stakeholder Map Classification
1	Manage Closely
2	Keep Satisfied
3	Keep Informed
4	Monitor

Inspired by:

– Sparc, Sport and Recreation New Zealand

4.6. Sustainability Indicators

In order to monitor a hospital's sustainability performance, it is crucial to develop and apply indicators that are directly related to its sustainability goals. Example areas for which indicators should be developed are:

It has been proven to be most purposeful to design sustainability indicators in a way that they monitor performance over time, so compare between the sustainability performances in different time slots. This facilitates improvements and the achievement of set targets in a long-term perspective. The hospital should decide whether the data should be compared annually, bi-annually or quarterly and review this decision over time.

In the following, examples for every area of sustainability are demonstrated to facilitate an overview. However, every hospital should develop its own set of indicators according to its specific context and targets. This document aims at facilitating this process.

How to Develop Effective Indicators?

The first step in developing effective indicators is to define targets in the different sustainability areas. Once these are defined, indicators should uphold the following features in order to be able to help advancing the hospital:

– They are relevant; that means that they help in getting information that one needs to know

– They are easy to understand; non-experts will be able to work with them and will be able to interpret the results

– They are reliable; the information received can be trusted

– They are based on accessible data; even the best indicator will not help in anything if there are no proper resources for it

Patient Satisfaction & Safety

Within the scope of measuring sustainability performance, the following indicators are umbrella measurements from on organizational and not medical perspective. A complementary patient survey is to find under Sample 4.2.

Indicator	2014	2015	2016
Patient Satisfaction			
Percentage of patients who evaluate more than 75% of the survey as "excellent"			
Percentage of patients who would refer friends and relatives to the hospital			
Patient Safety			
Number of incidents reported			
Percentage of patients who evaluate the safety of the hospital's location as "excellent" or "very good"			
Percentage of patients who evaluate the comfort and safety of waiting as "excellent"			

| Number of medical staff who participated in trainings and/or awareness session related to patient safety | | | |
| Number of non-medical staff who participated in training and/or awareness sessions related to patient safety | | | |

Employee Development, Diversity, Satisfaction, Safety & Health

Indicator	2014	2015	2016
Employee Development			
Total expenditure on continuing education			
Expenditure on continuing education per employee			
Employee Satisfaction			
Employee Exits			
Employee Fluctuation Rate			
Total Number of Employee Complaints			
Employee Diversity			
Total number of staff from outside the governorate			
Total number of staff from outside Egypt			
Total number of women employed			
Employee Health & Safety			
Average weekly working hours			
Number of accidents involving employees			
Total numbers of cases of occupational illness			

Environmental Protection

Indicator	2014	2015	2016
Energy Management			
Total energy consumption			
Increase in energy efficiency			
Total green house emissions			
Waste Management			
Total non-hazardous waste			
Total hazardous waste			
Total medical & pharmaceutical waste			
Share of recycling of total waste			
Total waste costs per square meter			
Increase in waste efficiency			
Water Management			
Total water consumption			
Total wastewater			
Increase in water efficiency			

Community Service & Engagement

Indicator	2014	2015	2016
Percentage of low income patients treated in comparison with total number of patients			
Total number of low income patients treated			
Total expenditure donations			
Total number of staff volunteering days			
Total number of relevant awareness events hosted			
Total number of relevant awareness events attended			

Innovation & Competitive Advantage

Indicator	2014	2015	2016
Total expenditure on research & development			
Total earnings gained from inclusive business models			
Total number innovations			

Inspired by:

– *Siemens Sustainability Report 2012*

– *Practice Green Health: 2011 Sustainability Benchmark Report*

– *Sustainable Measures*

Principle 5 Disclosure & Transparency

5.1. How to Display Information: Examples & Inspiration

In the following, suggestions for how to effectively illustrate information related to all Principles are presented. They intend to serve as examples to inspire own approaches that fit the situation of the hospital that wants to focus on good disclosure practices. The illustrations are not comprehensive and aim only at giving ideas for presentation that can be used creatively.

The numbers used are chosen randomly and are not related to any real case. They are intended to only illustrate how information could be properly displayed and should not be interpreted beyond this purpose.

Not all information are meant for disclosure outside the hospital. It is up to the hospital to develop a disclosure policy and link information to the stakeholder communication plan to define which type of information goes to which type of stakeholder in which form.

Corporate Governance

Ownership Structure:

Individuals:
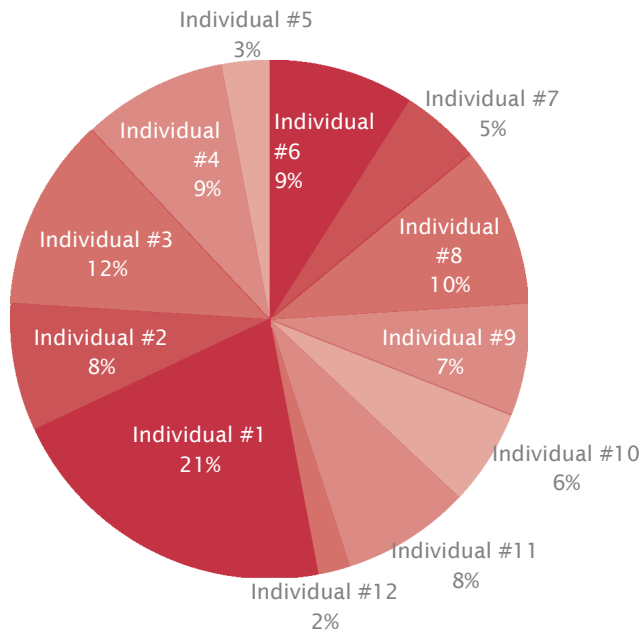
Ownership Structure Hospital X

Institutions:
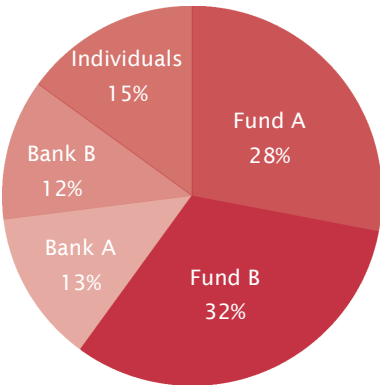
Ownership Structure Hospital Y

Governance Structure
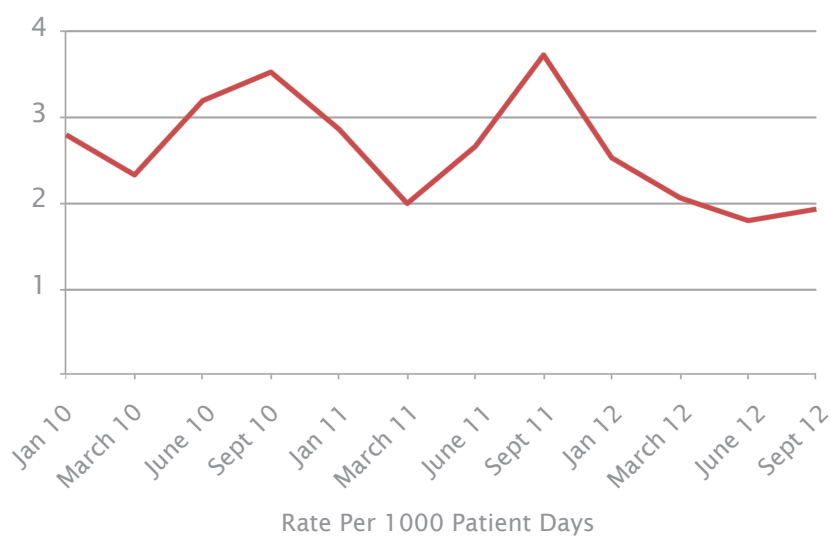

Organizational Chart
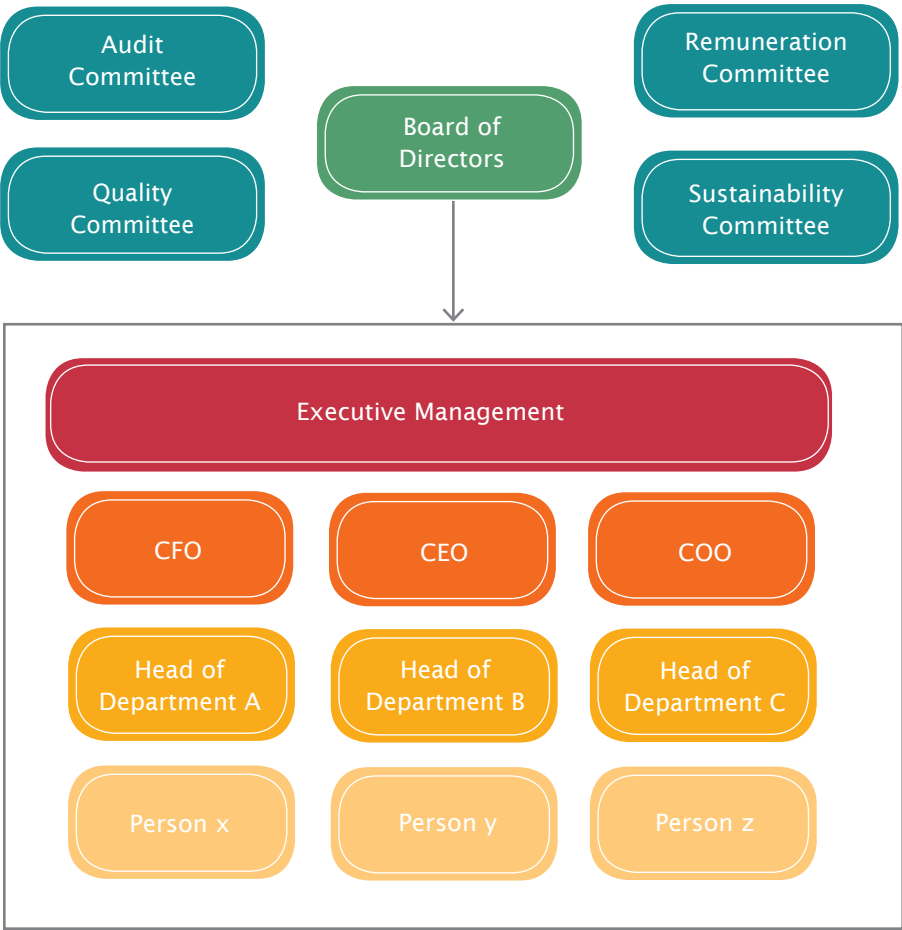
Clinical Governance

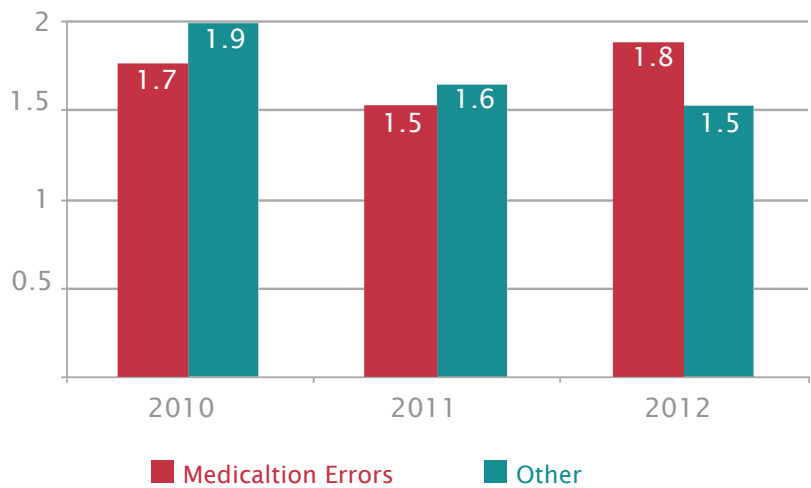### Patient Satisfaction

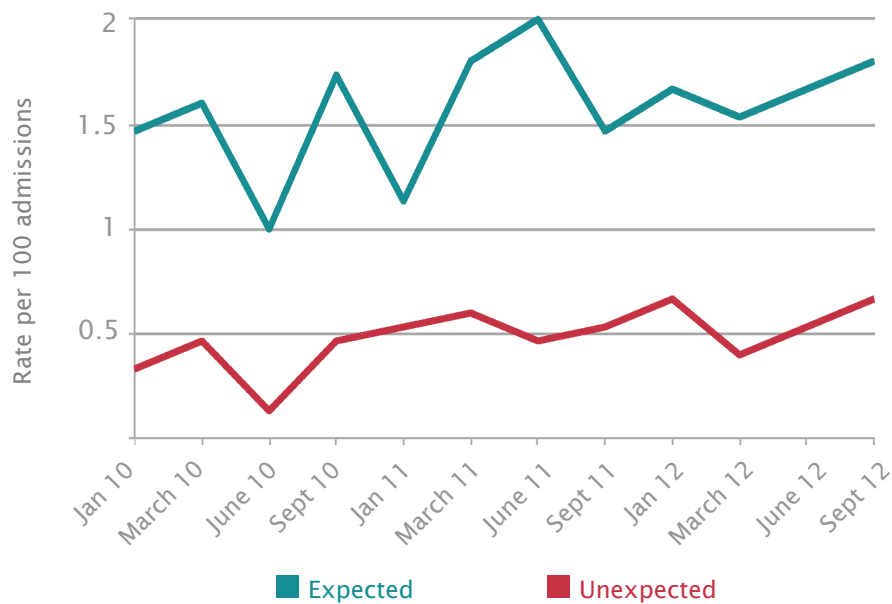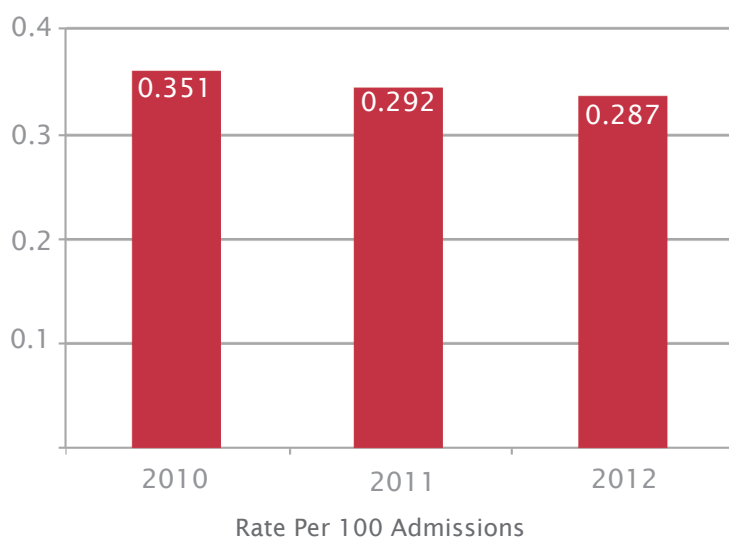| Percentage of Patients Satisfied (high end of specific survey)	2012	2011	2010
Hospital X	89%	85%	78%
Average Competitors (if applicable)	86%	91%	89%
National/International Benchmark (if applicable)	93%	91%	89%

Healthcare Associated Infections

Rate Per 1000 Patient Days

Adverse Clinical Incident Rates

Medicaltion Errors   Other

Inpatient mortality rate
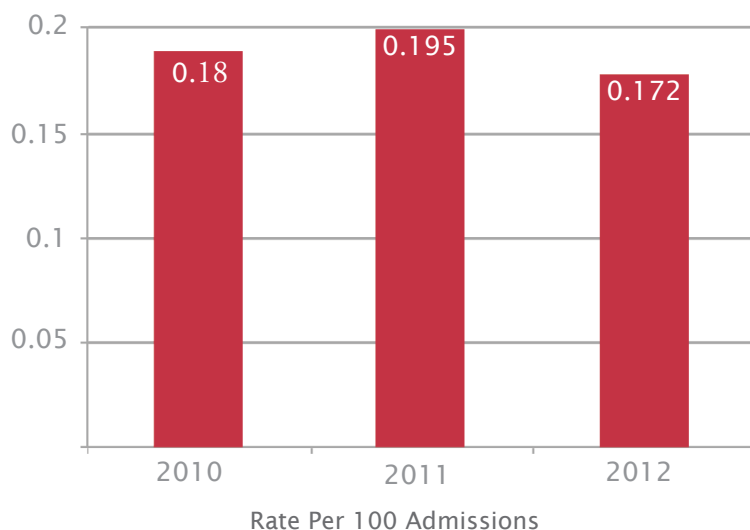

Rate per 100 admissions

Expected   Unexpected

Unexpected Mortality Rate in Comparison with Benchmarks

Unexpected mortality rate	Hospital X	National/International Benchmark
2012	0.15	0.12
2011	0.14	0.08
2010	0.16	0.11

Unplanned readmissions

Rate Per 100 Admissions

2010: 0.351
2011: 0.292
2012: 0.287

Unplanned returns to theatre

Rate Per 100 Admissions

2010: 0.18
2011: 0.195
2012: 0.172

The Board of Directors:

Board composition:

Status Distribution:

Executive 14%

Independent 18%

Non-Executive 68%

Gender Distribution:

Women 24%

Men 76%
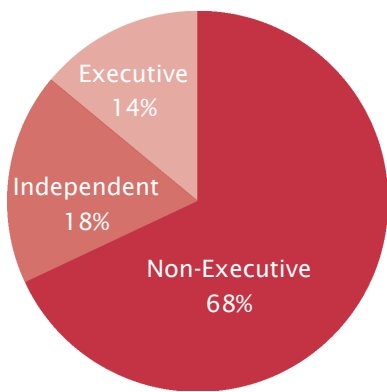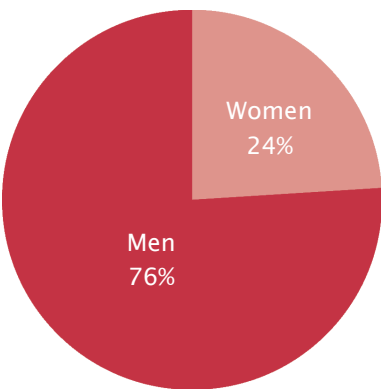
Board members descriptions:

Name & Date of Birth:	Qualifications:
Date Appointed:	Short Biography:
Committee Membership(s):	

Directors' attendance of board meetings:

| Director	Status	Attendance
Individual 1	Independent non-executive	4/4
Individual 2	Independent non-executive	3/4
Individual 3	Independent non-executive	4/4
Individual 4	Independent non-executive	4/4
Individual 5	Independent non-executive	3/4
Individual 6	Executive	4/4
Individual 7	Executive	2/4
Individual 8	Non-executive	4/4

Overview Board committees

Director	Audit	Risk	Quality	Sustainability
Individual 1	x		x	
Individual 2	x	x		
Individual 3				x
Individual 4			x	x
Individual 5		x		
Individual 6	x			
Individual 7			x	
Individual 8		x		x

## Hospital Responsibility & Sustainability

Key Operational Indicators:

Total Number of Interventions:
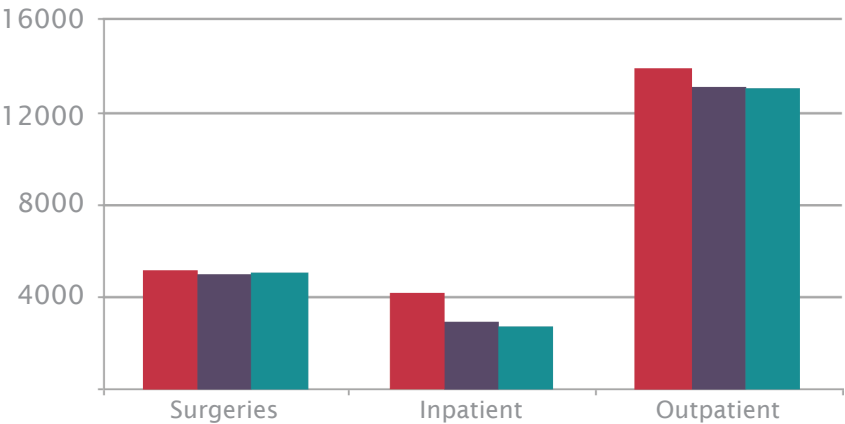
	Surgeries	Inpatient	Outpatient
2012	6452	5241	16372
2011	6237	3672	15352
2010	6321	3415	15281

Total Number of Investigations:

	2012	2011	2010
■ Equipment x	3213	2132	2321
■ Equipment y	2139	1982	2132
■ Equipment z	128	831	281

Distribution by Payment Methods (Outpatients)
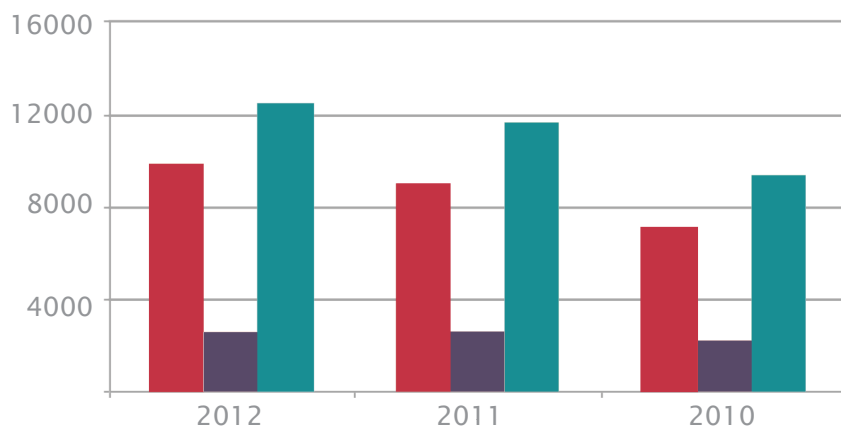
	2012	2011	2010
■ Private	12341	11292	8921
■ Contractual	3281	3291	2813
■ Total	15622	14583	11734

Financial Key Information
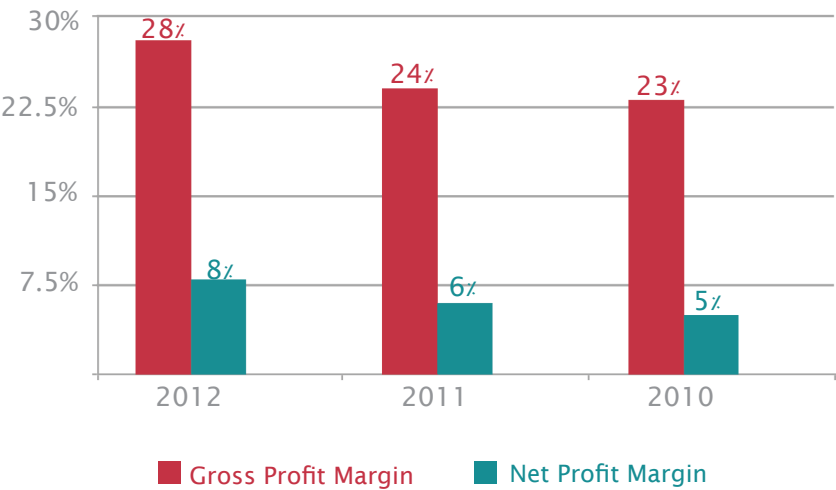

	2012	2011	2010
■ Sales	EGP 29182121	EGP 26352163	EGP 25162632
■ Gross Profit	EGP 12837123	EGP 13821922	EGP 11828382
■ Net Profit	EGP 5243261	EGP 5127372	EGP 4982143

Financial Ratios:

Profit Margins

■ Gross Profit Margin   ■ Net Profit Margin

Return on Investment
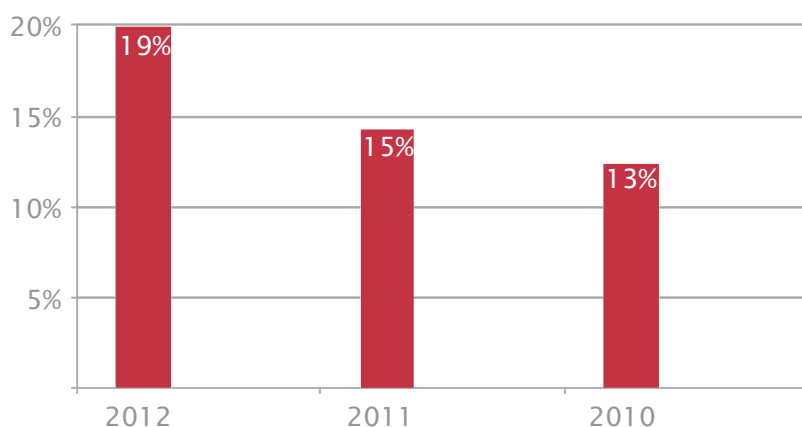
EBIT

	2012	2011	2010
Difference between Income & Costs	EGP 10293123	EGP 9182284	EGP 8273456
General & Administrative Costs	EGP 4839291	EGP 4219293	EGP 3892837
EBITDA	EGP 5453832	EGP 4962991	EGP 4380619
Depreciation	EGP 1692012	EGP 1482321	EGP 1384721
EBIT	EGP 3761820	EGP 3480670	EGP 2995898

Other profitability, liquidity and activity ratios can be presented in a similar way using bar charts and/or tables. Whether to start with the most recent year/ time span or the latest depends on the audience, design and purpose of the illustration.

5.2. Some Key Performance Indicators & Ratios

The most important indicators and ratios relevant for investors and other stakeholders are listed below. They are ideally expressed over a minimum of three years.

Operational Key Information

– Number of inpatients per year

– Number of outpatients per year

– Number of surgeries per year

– Number of floors

– Number of beds

– Number of operating theatres

– Total number of interventions (e.g. split by departments, specialties, etc.)

– Distribution according to payment methods (private, contractual, etc.)

– Total number of investigations (e.g. split by investigation types)

Financial Key Information

– Gross profit

– Net profit

– Revenue

– EBIT

Profitability ratios

• Gross profit margin = $\dfrac{\text{Revenue} - \text{Operating Expenses}}{\text{Revenue}}$

• Net profit margin = $\dfrac{\text{Net Profit}}{\text{Revenue}}$

• Return on Total Assets (in %) = $\dfrac{\text{EBIT} \\ \text{(Net Profit + Interest Expenses + Taxes)}}{\text{Total Net Assets}}$

• Return on Equity (in %) = $\dfrac{\text{Net Profit}}{\text{Shareholder's Equity}}$

• Return on Investment (in %) = $\dfrac{\text{Gain from Investment – Cost of Investment}}{\text{Cost of Investment}}$

• Earnings per Share = $\dfrac{\text{Net Profit}}{\text{Average Shares}}$

• Earnings per Share (in case of preferred stocks) =

$$\dfrac{\text{Net Profit – Dividends of Preferred Stocks}}{\text{Average Outstanding Shares}}$$

Liquidity ratios

• Current ratio = $\dfrac{\text{Current Assets}}{\text{Current Liabilities}}$

• Quick ratio = $\dfrac{\text{Current Assets – Inventories}}{\text{Current Liabilities}}$

Activity ratios

- Average collection period (in days)

- Average payment period (in days)

- Inventory turnover = $\dfrac{\text{Revenue}}{\text{Inventory}}$

- Asset turnover = $\dfrac{\text{Revenue}}{\text{Assets}}$

Annex

Core Team Biographies

Dr. Mostafa Hunter

Mostafa Hunter is the Lead Founder and Chairman of the Healthcare Governance and Transparency Association and the Egyptian Directors and Governance Association. He is Founder and President of the Health Finance and Investment Forum and Visiting Professor of Social, Non-profit and International Healthcare Management at the Management Center Innsbruck, Austria and Former Treasurer of the European Health Management Association, Belgium. He was awarded the "2011 Rising Star of Corporate Governance" from Yale School of Management, Millstein Center for Corporate Governance and Performance.

Hany Abou-El-Fotouh

Hany Abou-El-Fotouh is the Founder and President of Alraya Consulting and Training. He is a highly trained expert with more than 28 years of executive leadership and experience in several areas, like banking, compliance, anti-money laundering and corporate governance with the last 4 of those years spent with CI Capital Holding, the biggest investment bank in Egypt as Chief of Staff, Group Head of Compliance & Governance. In 2011, he was awarded `ACC - Corporate Governance Officer of the Year'.

Abdallah Al Karaimy

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