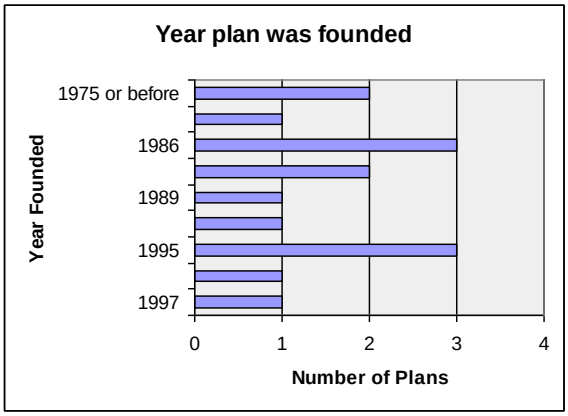
SUMMARY OF RESPONSES TO
GOVERNANCE ISSUES QUESTIONNAIRE
SENT IN PREPARATION FOR ACAP 3/5/07 BOARD DISCUSSION

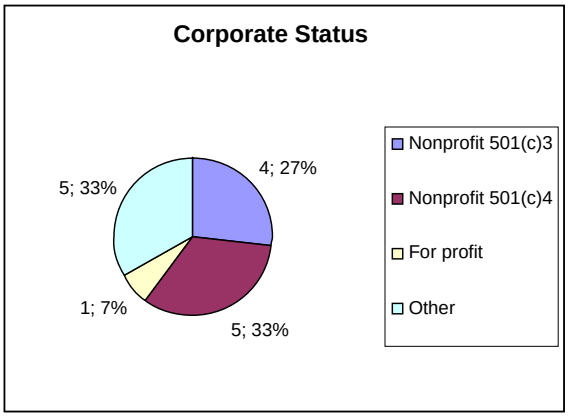
The following summarizes responses to a questionnaire designed to provide background information and a context for a discussion at the 3/5/07 ACAP board meeting. 14 respondents completed the entire questionnaire and one respondent answered only the first four questions. (See Attachment 5 for a list of plans represented). Unless otherwise note the number of responses to each question is 14 (i.e., n=14).

ORGANIZATIONAL PROFILE

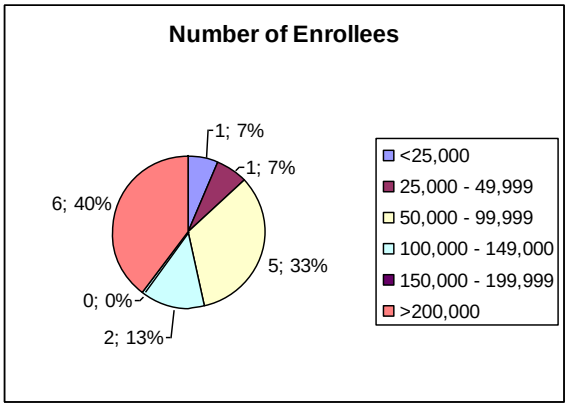
1. **Year plan was founded** *(n=15)*:
   Using 1975 for the two plans that were founded in or before 1975, the average of all responses is **1988** (*the median response is 1987).* Therefore, plans represented by respondents have been in existence an average of 19 years.



2. **Corporate status** *(n=15)*:
   - **4** *(27%)* 501(c)3
   - **5** *(33%)* 501(c)4
   - **1** *(7%)* For profit
   - **5** *(33 %)* *Other:*
     - *County Government*
     - *Public Agency*
     - *Not-for-profit*
     - *Nonprofit 501(c)6*
     - *For profit - partnership*



3. **Number of enrollees** *(n=15)*:
   - **1** *(7%)* < 25,000
   - **1** *(7%)* 25,000 – 49,999
   - **5** *(33%)* 50,000 – 99,999
   - **2** *(13%)* 100,000 – 149,000
   - **0** *(0%)* 150,000 – 199,999
   - **6** *(40%)* > 200,000



4. What is your Plan's mission statement? *(n=14)*

Core purpose

- Six of the 14 mission statements (see Attachment 1 for actual mission statements) provided in response to this question indicated that the plan's primarily purpose is to **improve the health of those served by the plan**. Four of these also included a commitment to ensuring quality healthcare or care giving.

- Six other mission statements focused on **improving access to healthcare services** for members.

- One plan reported its mission as "culture of caring." Another plan's core purpose is to "develop and operate cooperative managed care systems."

Other provisions

- Nine of the submitted mission or vision statements specifically mention the plan's **commitment to uninsured** or publicly insured or underserved or low-income or poor individuals who are otherwise "unable to acquire medical coverage."

- Six mission statements included provisions related to "**operating excellence**," including stipulations that the company will be "a competitive health plan" or "grow and prosper" through "strategic organizational management" and "a focus on quality improvement" to ensure that the organization is "financially viable" and "in the forefront of managed health care systems.**"**

- Five mission statements included mention of working in **partnership with community health centers and other providers**.

- Four mission statements also referenced **values** that guide fulfillment of the mission, including being "member focused, quality driven, community based, culturally responsive"; "respectful of the dignity of those we serve, and responsive to the needs of our members"; and servicing members "with the highest level of respect, dignity and professional integrity" or in ways that are consistent with "Catholic social teaching."

BOARD PROFILE

5. Members are elected:

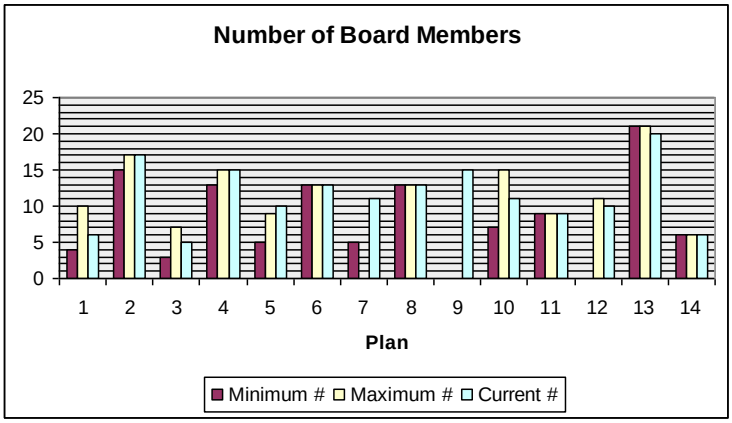
7 *(50%)* By the Board itself **0** *(0%)* By a membership body

7 *(50%)* Other:

- Appointed by Board of Supervisors *(two)*
- Appointed by the university health system
- Elected by Members of the Corporation
- Stakeholder organizations nominate, County Board appoints
- By operating agreement

6. What is the MINIMUM number of board members allowed by the bylaws?
7. What is the MAXIMUM number of board members allowed by the bylaws?
8. What is the CURRENT number of board members?

Number of Board Members	*Minimum (n=12)*	*Maximum (n=12)*	*Current (n=14)*
3	1	0	0
4	1	0	0
5	2	0	1
6	1	1	2
7	1	1	0
9	1	2	1
10	0	1	2
11	0	1	2
13	3	2	2
15	1	2	2
17	0	1	1
20	0	0	1
21	1	1	0
Total	**12**	**12**	**14**
Average	**9.5**	**12**	**11.5**
Median	8	12	11



9. What does the Plan's bylaws mandate in terms of board membership/composition? (I.e., how many of what types of individuals/representatives must be included on the board.) *(n=10)*

- Of the ten plans that responded to this question, five have explicit criteria for board composition that require all slots to be filled either by individuals who hold a specific position or who represent certain groups or organizations. The other five include some number of slots that are filled by at-large or independent directors; one plan requires that a majority be at-large, non-contracting individuals.

- Eight plans require that some number of board members be representatives of sponsoring organizations or members' plans: one plan requires that all members be appointed by sponsoring organizations; four require that a majority of board members be representatives of sponsoring organizations or member plans. One plan prohibits "persons who are involved as contractors" from being board members.

- Five plans require that at least one member be a beneficiary, subscriber, plan member, or consumer of health services provided through the plan. One plan requires that 20% of its members be subscribers; another includes one health plan member from each sponsoring plan.

- Four plans require that one board member be a physician plus other medical providers. One plan requires a physician and a pharmacist; another a physician, a dentist, and two clinicians in addition to representatives of private hospitals and community clinics/health

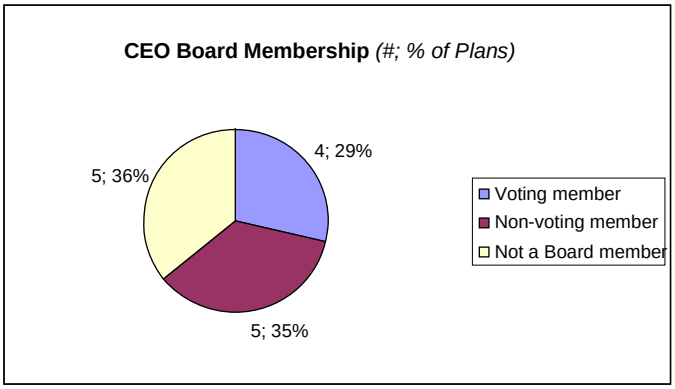
centers; and a third requires a children's health care provider representative as well as a physician.

- Three plans include representatives of state primary care associations as full or ex-officio board members.

- Three plans, two of which are government-run, include members of the board of supervisors as board members.

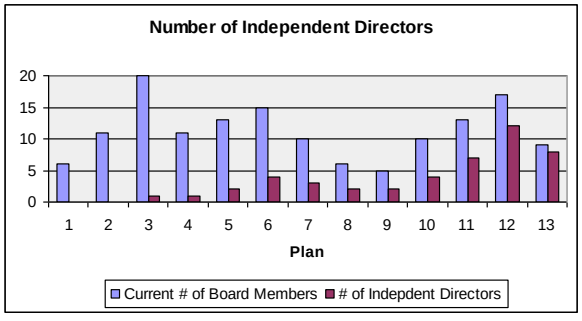
- Two plans include a "health care consumer advocate" or someone "sensitive to medically indigent health care needs."

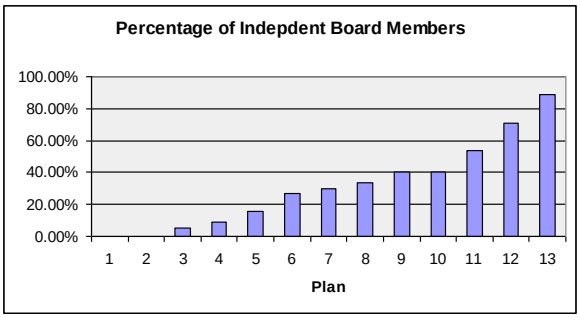
10. The CEO is a voting member of the Board of four plans; a non-voting member of the board of five plans; and not a board member of five plans.



11. Of current board members, how many are truly independent? (I.e., they are not employed by the plan, or they or the organization that employs them does not provide payments to or receive payments from or have a significant financial relationship with the plan.) *(n=13)*

Independent directors constitute a majority of the boards of three plans; the two plans with the highest percentage of independent directors are government-run (non-independent directors on the boards of these two plans are plan subscribers or beneficiaries). Two of the 13 plans that responded to this question have no independent board members. Two plans have only one independent director.

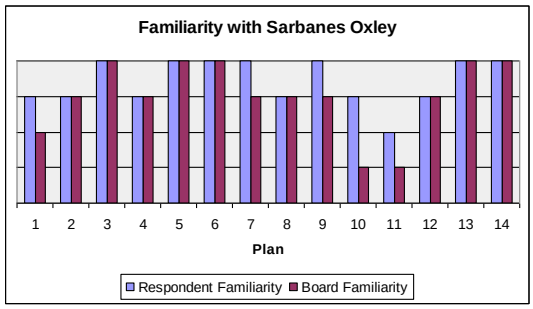




12. How familiar are you with the implications of Sarbanes-Oxley for your organization?

13. How familiar is your Board with the implications of Sarbanes-Oxley for your organization?

In all cases, respondents were as or more familiar than their board with the implications of Sarbanes-Oxley.



14. Has the board made any changes because of Sarbanes Oxley (whether in membership/composition, structure, functioning, or other areas)? *(n=13)*

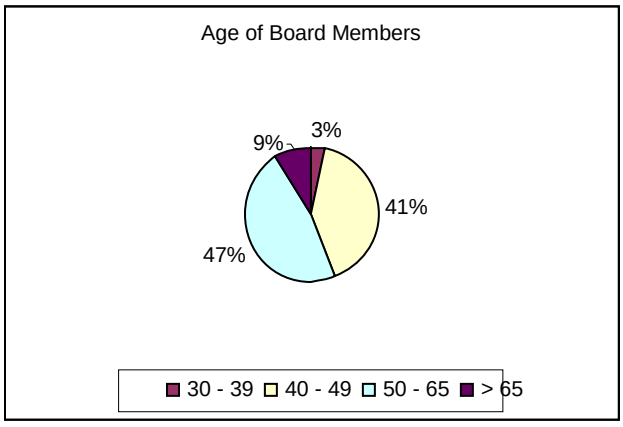
7 (*54%*) Yes **6** (*46%*) No

Six of the seven making changes explained what those changes were. Most dealt with creating an independent audit committee or other structural issues.

1. *Board education, established an audit committee.*
2. *Implementation of an Audit Committee comprised of a majority of independent Board members.*
3. *Changes to by-laws have been implemented because of SOX. Further changes are currently underway in regards to the development of an independent Audit Committee and additional changes to the by-laws.*
4. *The Finance Committee is now the Finance and Audit Committee. We have identified our Finance Leader - he is a member of the Finance and Audit Committee, a former banker and the one member of our Board who has no financial ties to the organization. We need to look at the whistle blower and audit rotation issues.*
5. *Reporting structure to the board.*
6. *Defining a long term plan to restructure board composition and evolve to majority of independent trustees by 2010.*

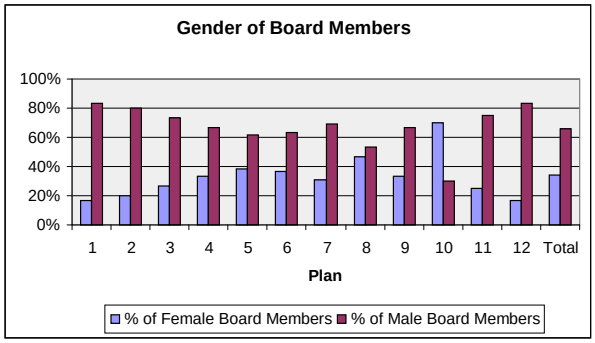
15. Board demographics - Age. *(n=9)*

Of the nine plans providing this information, only two had any members younger than 40 (none had a member younger than 30). The majority of all board members were between 50 and 65 years of age; all board members of one plan were in this age range as were 10 of the 11 members of another. Twelve of the 13 board members of one plan were between 40 and 50 years of age.

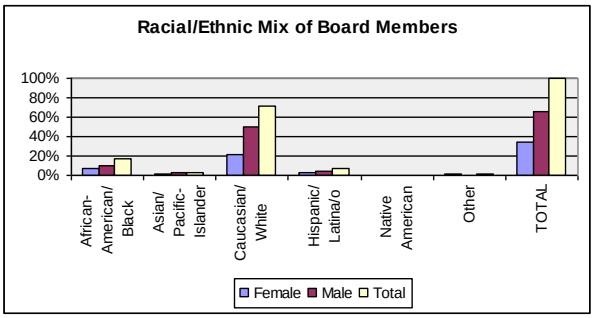


16. Board demographics – Gender and Race/Ethnicity. *(n=12)*

Overall, 34% of all board members of the 12 plans responding to this question were female. One-third or more of the members of six of the 12 plans are female; one plan has a majority (70%) of female board members, and another has almost half (47%). Three of the 12 plans have only one female board member.

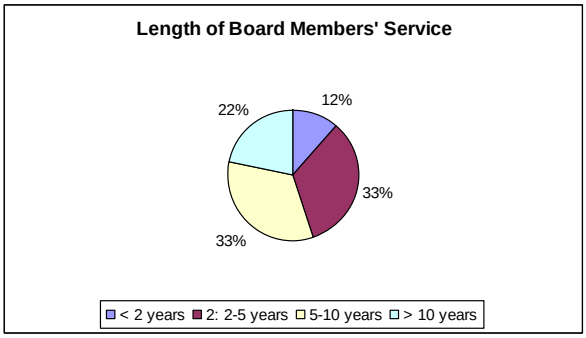


Overall, a majority of all board members are Caucasian/white; all members of one plan's board are white and two other plans have only one non-white member. One-third or more of board members of seven plans are not Caucasian/white; one plan has a majority of members who are people of color.



17. Length of service. *(n=12)*

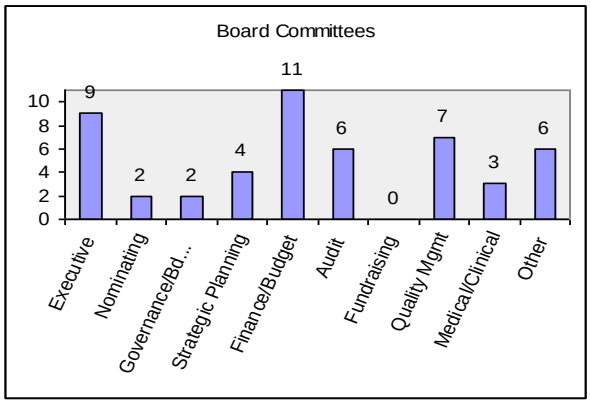
Overall, a majority of board members of the 12 plans reporting have served between two and ten years. Five plans have a majority of board members with service between two and five years; all board members of one plan fall into this category. Two plans have a majority of board members who have served between five and ten years. Two plans have a majority of board members who have served longer than ten years. One plan has a majority of board members who have served less than two years; five plans have no board members who have served less than two years and two others have only one member in this category.



18. Board Committees. *(n=11)*

All 11 of the plans responding have a Finance Committee; nine have an Executive Committee. The average number of board committees is five and the median is six. One plan has a total of nine committees; three plans have only two committees and one has three. Six plans have "other" committees, which they listed as:

1. Patient Care Assessment (Q & Med)
2. Pharmacy & Therapeutics
3. Medi-Cal Direct, Services Agreements
4. Compensation
5. Consumer Advisory; Pharmacy; Hospital; HR
6. Reinvestment Program; Compliance



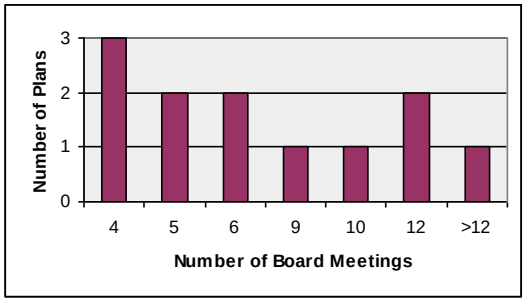
BOARD FUNCTIONING

19. Frequency of board meetings.

6 *(43%)* Monthly **4** *(29%)* Every two months **4** *(29%)* Quarterly

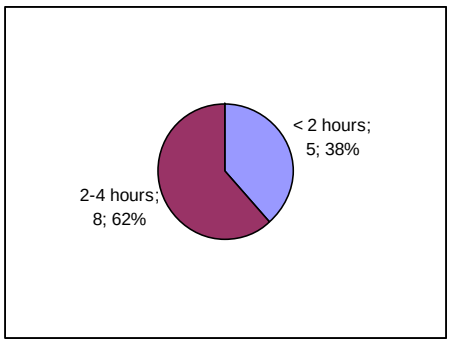
20. Number of board meetings held last year *(n=12)*

- *The average number of board meetings was 7.5; the median was 6.*



21. Average length of board meetings. *(n=13)*

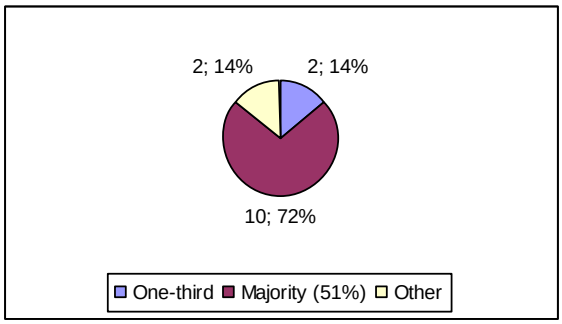
- *No plan reported an average higher than 4 hours.*



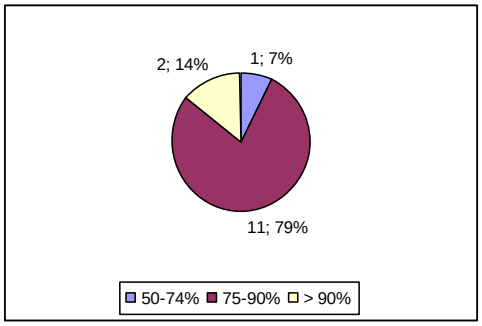
22. Board retreats are held:

5 *(36%)* Annually **0** *(0%)* Biennially **5** *(36%)* Never
4 *(29%)* Other: *Randomly or as needed/requested (3); randomly (1)*

23. Quorum requirement at board meetings:



24. Average attendance at board meetings.



25. Length of a term to which board members are elected.

0 *(0%)* 1-year **2** *(14%)* 2-year **3** *(21%)* 3-year **2** *(14%)* 4-year
4 *(29%)* None **3** *(21%)* Other: *Until replaced; Initial term = 1 year, subsequent terms = 3 years; Varies- determined by Members of Corporation*

26. Limit on number of consecutive terms a board member may serve. *(n =13)*

2 *(14%)* Two **1** *(8%)* Three **9** *(69%)* None
1 *(8%)* Other: *Varies - determined by Members of Corporation*

27. Are board members reimbursed for expenses they incur in attending meetings?

3 *(21%)* Yes **8** *(47%)* No **3** *(21%)* Only if requested

28. Are board members paid a fee or honorarium for their service?

5 *(36%)* Yes **9** *(64%)* No

If yes, how much?
- *Only outside board members at $10,000 annually*
- *$1,000/meeting earned in charitable credits*
- *Clinicians receive $200 per meeting.*
- *$400 per month total, depending on number of meetings attended*
- *$100 per meeting*

29. Is there a written conflict of interest statement for board members?

12 *(86%)* Yes **2** *(14%)* No

See Attachment 2 for summary of conflict of interest policies/statements submitted by six respondents.

30. Is there a written job description and/or guidelines for the Board?

7 *(50%)* Yes **7** *(50%)* No

See Attachment 3 for summary of job descriptions/guidelines submitted by four respondents.

31. An evaluation of board performance is conducted:

1 *(7%)* Annually **0** *(0%)* Biennially **12** *(86%)* Never

1 *(7%)* Other: *Board has discussed but not yet conducted.*

32. Evaluation of performance of individual board members is conducted:

1 *(7%)* Annually **0** *(0%)* Biennially **12** *(86%)* Never

1 *(7%)* Other: *Board has discussed but not yet conducted.*

33. Does a formal orientation program exists for new board members?

9 *(64%)* Yes **5** *(36%)* No

Eight of those responding yes described their orientation programs as including some or all of the following elements (see Attachment 4 for detailed responses):
- *Five mentioned providing an orientation manual or materials that included information on the plan (e.g., history, financials, strategy), the board and board members (e.g., bylaws, bios), conflict of interest statements, etc.*
- *Four mentioned providing in-person training*
- *Three mentioned individual one-on-one sessions with a key board or staff member*
- *One described their orientation program as "multifaceted and comprehensive" and added, "We are moving to make the orientation program and ongoing training web based and interactive."*

34. Do board members receive ongoing education / training about governance, the role of the Board and individual board members?

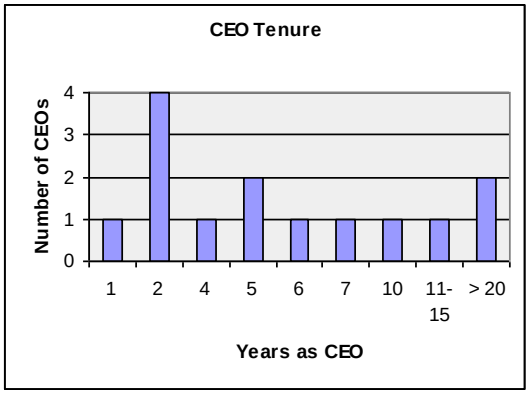
9 *(64%)* Yes **5** *(36%)* No

While the number of yes's and no's is identical to responses to the previous question, two of those who had responded "yes" to Q33 responded "no" to this question, and two who had responded "no" to Q 33 responded "yes" to this question. Most of the seven responding yes described their board/governance education / training programs as focused on issues related to governance and board roles, accountability, compliance, ethics, and legal responsibilities (see Attachment 4 for detailed responses).

BOARD / CEO PARTNERSHIP

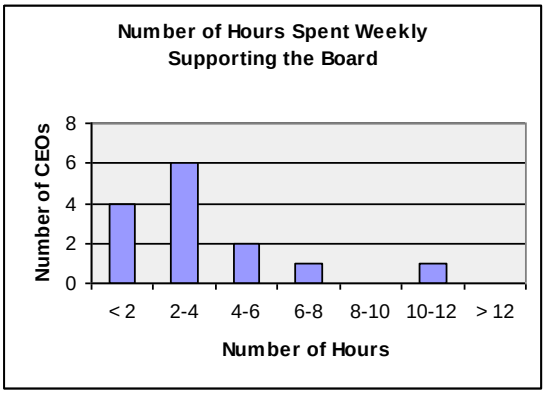
35. Tenure of current CEO *(how many years in this position*):

- *The average CEO tenure is approximately 7 years (using 20 years for those who reported being in this position more than 20 years); the median is 5 years.*



36. Average number of hours CEO spends WEEKLY providing support to the board.

- *No CEO spends more than 12 hours a week supporting the board. The average number of hours is approximately 4; the median is 2-4 hours.*



37. A formal evaluation of CEO performance is conducted:

10 *(71%)* Annually **0** *(0%)* Biennially **3** *(21%)* Never
1 *(7%)* Other: *Financial review annually/overall linked/contract*

38. Is CEO compensation established by disinterested board members (i.e., independent directors without a conflict of interest) through a process that assures a "rebuttable presumption of reasonableness"?

8 *(57%)* Yes **6** *(43%)* No

If no, how does the board assure reasonable compensation and address the potential for conflict of interest that stems from involving board members who are also contractors in the CEO compensation process? *(Responses from four of those who answered "no" follow)*

- *CEO is paid through management contract.*
- *The Vice President of Human Resources provides the Chair of the Board (who performs the evaluation) with market references regarding CEO salaries and other compensation. The HR VP also provides the Chair with benchmark information regarding the company's merit pool. Based on this information, the Chair determines any increases to compensation for the CEO.*
- *CEO compensation is based on industry salary surveys; a base salary is determined at the beginning of a multi-year employment contract period, with formulaic annual increases in each year of the contract period.*
- *They don't – a contract establishes compensation. Present contract runs from 2001-2010. The contract was negotiated by the Executive Committee and approved by the full Board.*

39. Does the Board play a role in the selection, compensation, or evaluation of other executive staff?

5 *(36%)* Yes **9** *(64%)* No

If yes, please describe:

- *Approval of executive staff.*
- *Board has a role in evaluating the CMO.*
- *Reviews Executive Compensation annually for entire Executive team.*
- *For final offer to be made for a senior management person the candidate is run thru Board Chair, Treasurer, and hospital sponsor CEO.*
- *The Audit Committee has input into the evaluation of the Compliance Officer.*

BOARD PERFORMANCE

*Respondents were asked to indicate their level of satisfaction, which is represented by a rating scale where **1 represents "very dissatisfied," 2 "somewhat dissatisfied," 3 "somewhat satisfied," and 4 "very satisfied."** The questions are reordered below in rank order based on the average of respondents answers, with that receiving the highest or most satisfied rating being number 1, and that receiving the lowest or least satisfied rating being number 20. (In the case of ties, all responses were assigned the same number.) To facilitate linking back to the original source of this data, the letters identifying the order of each question are shown. Notable, one respondent assigned "1" (very dissatisfied) to all questions. (n=13 for all questions except j., l., m., and r., where n=12)*

Rank	40. How satisfied are you that:	Average	Median
1	h. The Board spends most of its time addressing substantive, important issues that are appropriate for board consideration?	***3.54***	*4*
2	m. Board members understand the pros, cons, and implications of the board's decisions before they are final?	***3.5***	*4*
3	e. The responsibilities of the Board are clearly distinguished from those of the CEO?	***3.46***	*4*
4	r. The process for evaluation of the CEO appropriately measures CEO performance?	***3.42***	*4*
5	p. There is an effective working relationship between the Board and the CEO?	***3.38***	*4*
6	l. Decision-making is participative and includes a free and open exchange of views at board meetings?	***3.33***	*3.5*
7	i. The Board builds on previous work in an effective and efficient way?	***3.23***	*3*
7	q. The Board has adequate information for effective oversight of the CEO and monitoring of board policies?	***3.23***	*4*
7	t. The Board adds value commensurate with the resources it consumes.	***3.23***	*4*
10	g. Leadership is shared among board members according to abilities and insights?	***3.08***	*3*
10	k. All board members are appropriately engaged and contribute to thinking about and discussion of board issues?	***3.08***	*3*

Rank	40. How satisfied are you that:	Average	Median
10	s. Board members adequately understand and fairly represent the interests of the organization's diverse stakeholders?	***3.08***	*3*
10	a. All board members understand and support the organization's mission and values?	***3.23***	*4*
14	b. The Board governs with a long-term strategic perspective?	***3.00***	*3*
14	j. The atmosphere among board members is one of mutual trust and openness?	***3.00***	*3*
14	o. The Board is accountable for its own performance?	***3.00***	*3*
17	c. Policies defining board role and responsibilities are adequate for the governance of the organization?	***2.92***	*3*
17	d. All board members have a shared understanding of their role and responsibilities as board members?	***2.92***	*3*
17	n. All directors share ownership of board decisions and speak with one voice in explaining and supporting those decisions?	***2.92***	*3*
20	f. The Board is made up of the right people?	***2.77***	*3*

41. What were the three (or fewer) **issues that consumed the most time at board meetings** during the past year? *(n=12 for one issue; 11 for a second issue; and 7 for a third issue)*

- Business and program issues *(12)*
  - New products *(4)*
    - Launching a new Medicaid line of business *(2)*
    - New insurance products for the uninsured
    - Product line growth
  - Medicare programs and implementation *(2)*
  - Reimbursement and financing issues *(3)*
    - Proper reimbursement for general assistance program
    - FQHC reimbursement
    - Reimbursement for Medicaid managed care program
  - Contracting Issues with funders, providers, vendors
- New headquarters project for plan
- Provider Issues *(2)*
  - Bankruptcy of a subcontracted Medicaid plan
- Financial issues *(8)*
  - Financial health of company
  - Financial performance and challenges
  - Plan Budget
  - Sponsors inability to take a distribution
- Strategy, strategic direction, growth and expansion *(4)*
  - Quality *(3)*
  - Quality Programs and initiatives
  - Performance/quality improvement; reinvestment program
- Support of privately funded program for undocumented kids
- Board of Directors knowledge development (Medicare; clinical; etc)

42. What do you see as the one or two major strengths of your Board? (I.e., what do you think your board does well?) *(n=11 for one issue; and n=8 for a second issue)*

- Board Functioning *(6)*
  - Reaching a consensus on issues
  - Problem-solving
  - Consistency
  - Cohesiveness
  - Independence
  - Good understanding of proper roles-don't micromanage
- Diverse perspectives, knowledge and experience *(4)*
  - Diversity of perspectives as providers
  - Industry knowledge
  - Informed
  - Experienced
- Strategic focus *(3)*
  - Focus strategically on the issues at hand
  - Stays focused on the "right" issues/questions
  - Focus discussion on potential risk to company
- Commitment to mission *(3)*
  - Strong commitment to organization and its mission
  - Mission support
  - Uniformly committed to mission
- Connection to and representation of key stakeholders *(3)*
  - They think well about what is best for the members
  - They know and serve our members
  - Provide forum for views of various stakeholder organizations

43. What do you see as the one or two major weaknesses of your Board? *(n=11 for one issue; and n=2 for a second issue)*

- Limitations on skills, perspectives, and expertise *(6)*
  - Skill set deficit-need additional financial expert
  - Diversity of opinions as providers
  - Lack of provider perspective (esp. hospitals)
  - Lack of political astuteness
  - Lack of expertise in some areas (e.g., financing)
  - Limited creativity re: strategic thinking/planning
- Could be more diverse
- Conflict of interest *(3)*
  - Conflict of Interest (Provider Sponsored Health Plan)
  - Conflict of interest as providers
  - Community medical politics crossover issues
- Board functioning *(3)*
  - Participation
  - Corralling discussion with very knowledgeable members
  - Imposing on Plan resources

44. Given the limited time we have on March 5, what are your priorities for discussion in regards to governance, board roles and responsibilities, board development, CEO/Board relationships, etc.? *(n=8)*

- Sarbanes/Oxley and conflict of interest issues *(5)*
  - Conflict of Interest (Provider Sponsored Plans)
  - Impact of SOX on board composition
  - What should we be aware of concerning Sarbanes/Oxley
  - How to deal with conflicts of interests & keep participation
  - Conflict of interest as provider-sponsored BoD member
- CEO evaluation/accountability *(2)*
  - How Board holds CEO accountable
  - Board/CEO evaluation
- Board development

45. What areas of governance and board management would you like ACAP to focus on in the next year? *(n=7 for one issue; and n=3 for a second issue)*

- Board development *(3)*
  - Finding and recruiting new Board members
  - Defining appropriate metrics for Board review
- Conflict of Interest (Provider Sponsored Plans)
- Engagement in strategic planning
- Engagement in risk management
- Financing
- Provider Perspective
- CEO performance management and compensation *(2)*
  - Board/CEO Evaluation
  - CEO compensation

Responses to Question 4: WHAT IS YOUR PLAN'S MISSION STATEMENT?
Culture of Caring
Mission: To continuously improve the health status of persons served by the Health Plan of San Mateo Vision: To be in the forefront of managed health care systems for people who are unable to acquire medical coverage from their own resources.
Colorado Access is dedicated to the operation of a competitive health plan designed to improve access to needed healthcare directly for enrolled members, and indirectly through its partners, to all underserved Coloradans with an emphasis upon primary care and the maintenance of the continuum of care.
Neighborhood Health Plan, a not-for-profit corporation, in partnership with community health centers and other community-responsive providers, develops and operates cooperative managed care systems which are member focused, quality driven, community based, culturally responsive and financially viable in contemporary and future health care environments.
To make a difference in the lives of the underserved by improving their health care
Southwest Catholic Health Network (dba Mercy Care Plan) is a not-for-profit partnership sponsored by Carondelet Health Network and St. Joseph's Hospital & Medical Center, a Catholic Healthcare West facility. SCHN is committed to promoting and facilitating quality health care services with special concern for the values upheld in Catholic social teaching, especially the preferential option for the poor and for persons with special needs.
Total Care is committed to assuring access to high quality, comprehensive, cost-effective health care services to Child Health Plus, Family Health Plus, and Medicaid eligible populations throughout the State Of New York, respectful of the dignity of those we serve, and responsive to the needs of our members.
Community Health Network of Connecticut is committed to ensuring the highest quality of healthcare delivery to our members. We pledge each member will be serviced with the highest level of respect, dignity and professional integrity. In partnership with our providers and community health centers, we will continually seek to improve the health status and well-being of our members and their families who have entrusted us with their care. In our work environment, we consider our employees to be our strongest resource. We promote teamwork and excellence in all areas of our business, with a focus on quality improvement. Through strong leadership and perseverance, our company will continue to grow and prosper.
To provide access to quality health care for Los Angeles County's most vulnerable and low income communities and residents and to support the safety net required to achieve that purpose.
Health Plus is a not-for-profit healthcare plan committed to quality healthcare and dedicated to the health and well-being of our culturally diverse communities through partnerships with members, providers and community-based organizations.
The mission of Affinity Health Plan is to improve the health of underserved populations by providing comprehensive, affordable, high quality health care coverage, and by striving, in collaboration with it primary care providers, to improve care-seeking and care-giving.
The mission of the Monroe Plan for Medical Care, as a health management organization serving low-income individuals and the working poor, is to improve the health status of our enrollees and their families. We dedicate our efforts to: • Facilitating access to high quality health care services; • Educating patients and providers in areas that foster an effective partnership in health care management; • Supporting our network of caregivers in their efforts to deliver high quality services to their patients; • Collaborating with others around issues that affect the health of our enrollees and their families. Vision Statement: The Monroe Plan for Medical Care is recognized nationally as a health care management organization that improves health outcomes and reduces disparities for low income and working poor individuals and their families. It achieves these accomplishments through its effective partnerships with enrollees and health care professionals, its innovative quality management programs, its focused community leadership and its strategic organizational management.
Virginia Premier's core premise for its existence is the responsibility for ensuring that our members receive the highest quality medical services from our physicians, hospitals, and other health care providers through effective business practices and member focused administrative services. Through operating excellence, we will shift more of our financial resources to health care services and to the improvement of the health status of our membership.
Horizon NJ Health is a health care management company committed to expanding access and enhancing the quality of health for the publicly insured.

CONFLICT OF INTEREST POLICIES *(QUESTION 29)*

Following is a distillation of themes that emerged from review of Conflict of Interest policies and disclosure statements provided by six respondents to supplement their answers to question 29.

Purpose

Conflict of Interest policies are designed to eliminate any bias or the appearance of bias in decision-making processes and ensure that personal or professional interests are not at odds with the best interests of the corporation. The Conflict of Interest policies provided by respondents suggest different underlying rationales for creating such policies. These purposes are variously stated or implied as:

- *To ensure that directors "exercise prudent care, best skill, good faith and good judgment" and "act honestly, economically and ethically on behalf of and for the benefit of the plan."*
- *To ensure that board members "represent un-conflicted loyalty to the interest of the plan and its people" and avoid "the appearance of impropriety with respect to their fiduciary responsibility."*
- *To protect the interests of the plan and ensure that board members govern and serve the best interests of the organization, especially when contemplating a transaction or arrangement that might benefit a director.*
- *To comply with the Political Reform Act of 1974.*

Definitions

Conflict of Interest is generally defined as an actual or perceived interest in an action that could result in or have the appearance of resulting in personal, organizational, or professional gain. One plan defines Conflict of Interest as

> a personal or outside interest that conflicts with, or that is likely in the foreseeable future to conflict with or that is likely to be inconsistent with – in fact or appearance – the best interests of the plan.

Another states that:

> Conflict of interest exists when the personal or professional interests of a board member are potentially at odds with the best interests of the organization and he or she is unable to put the welfare of the organization before personal benefit.

Most Conflict of Interest policies submitted by respondents specifically require annual disclosure of financial interests and relationships that board members or their family members have, directly or indirectly, with other organizations that have contracts or transactions with the Plan or are in with competition with the Plan. One plan defines financial interest as follows:

> A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:
>
> - An ownership or investment interest in any entity with which the plan has a transaction or arrangement; or
> - A compensation[1] arrangement with the plan or with any entity or individual with which the plan has a transaction or arrangement; or
> - A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the plan is negotiating a transaction or arrangement.

[1] Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

Another plan has a broader definition that doesn't specifically reference other family members:

> Any arrangement, agreement, investment, employment or other activity which could adversely influence his or her decisions or actions relating to or affecting the Plan, or which could result in a personal benefit to the Director or a competitive advantage to another entity at the expense of the Plan's interests, or which could negatively impact the Plan's reputation in the community.

Enforcement

To enforce Conflict of Interest policies, all plans require Directors to annually sign a statement agreeing to comply with the policy and disclosing any potential conflicts of interest.

Only two plans assign a review body with responsibility for determining whether a conflict exists. One of these assigns this responsibility to the board and another to a Conflict Review Committee composed entirely of independent directors. The other four imply that directors themselves are responsible for identifying and dealing with their own conflicts of interest, with one explicitly stating:

> A Director with a conflict of interest shall take necessary and appropriate remedial actions, which may include, for example: abstention from particular votes; absence from particular discussions; or resignation from a conflicting employment or service commitment.

When a conflict of interest does exist, four of the Conflict of Interest policies specifically prohibit individuals with a conflict of interest from voting on a matter in which they have an interest; one requires the interested person to leave the meeting during discussion; another allows participation in discussion; and another permits the interested person to make a presentation and then leave during discussion and vote.

Exceptions

Because the boards of some plans include members who also work for providers that contract with the plan, some Conflict of Interest policies recognize that it may at times be in the plan's best interest to enter into a contract or transaction with a board member or with an organization in which s/he has an interest. These Plans' Conflict of Interest policies include provisions that dictate how these decisions will be made. One plan has committees composed exclusively of independent directors to review to review contracts with and distributions to related providers. Another gives the board or a committee responsibility for determining, by majority vote of disinterested members, whether such transactions are in the organization's best interest.

BOARD JOB DESCRIPTIONS AND GUIDELINES *(QUESTION 30)*

Following is distilled from documents submitted by three respondents along with their answers to question 30.

One respondent provided a one-page "Board Job Description" that identifies four major board accountabilities under which are listed nine key board responsibilities. The four major accountabilities of the Board are:

1. Provide leadership in envisioning and creating the future.
2. Ensure that the Board provides effective governance for the Plan.
3. Provide effective stewardship in assuring executive performance and appropriate use of organizational resources.
4. Ensure appropriate linkages to the organization's key stakeholders and communities served by the organization.

This job description is part of a larger "governance guidelines" document that also addresses:

- Governance philosophy and approach
- Expectations of individual board members (responsibilities)
- Board functioning (how the board should work together as a group), which includes operating values and groundrules; agenda development; guidelines for executive sessions, board communications and information needs, and communications with stakeholders; general principles and procedures for committees and expectations of committee members.

Another respondent provided a four-page description of "The Role of Governance – Board statement of Powers and Duties," which referenced the powers and duties of the board as stated in the bylaws as:

1. Engaging in ongoing planning activities to determine mission, strategic direction, specific goals and objectives, and to evaluate success toward achieving the mission.
2. Representing the organization's point of view through interpretation and advocacy of its programs, services and products.
3. Selecting and appointing a chief executive officer to whom responsibility for the management of the organization is delegated.
4. Reviewing and evaluating the chief executive officer's performance regularly.
5. Accounting to the public for the programs, services and products of the organization and expenditures of its funds.
6. Assessing and evaluating its own performance annually.

This document also defined powers and duties of board offices, members, and committees and outlined a process for addressing complaints about either the Board itself or the CEO.

A third respondent sent the section of the bylaws that describes the functions of the board, which were listed as:

1. Consider the health care concerns persons served by the plan.
2. Assure input from diverse populations of provider, consumer, and community into deliberations and decision-making.
3. Do long-range planning and policy formulation and make recommendations to appropriate agencies/individuals.
4. Study and make recommendations to the CEO on operational objectives, policies, and procedures and recommend changes as well as revised services, product development, marketing, and data gathering.
5. Assure effectiveness, quality (including good outcomes), efficiency, access, and acceptability of services by ongoing as well as periodic formal reviews of information.
6. Regularly review the plan's operational budget and amendments thereto.
7. Review, analyze, and advise on the overall progress, constraining or threatening needs, and special problems of the plan.
8. Encourage public understanding of the plan and provide support for its development.

Question 33: DESCRIPTIONS OF BOARD ORIENTATION PROGRAM
Training with orientation materials prior to taking office.
All new Board Members receive an orientation manual (Bylaws, Conflict of Interest Policy, Bios of other directors, current audited financial statements).
Provided for at the healthplan
New Board members are provided with a Board of Directors Resource Manual. Since most new Board members have been clinicians, the Chief Medical Officer meets with/ mentors these individuals prior to joining the Board and periodically thereafter. On an annual basis, all Board members receive Ethics and Compliance training. Board members are also educated on new and revised operational policies and procedures. This information is also updated for each Board member in their Resource manuals.
Orientation materials and training are provided for new members
Individual session reviewing history, mission, board responsibility, environment
Usually, Chair of Board Nominating & Development Cmte and/or CEO meets with new Board member to review corporate and Board materials and procedures. We also have an extensive Board Governance Manual containing a wide variety of documents that are reviewed with the new member.
It is multifaceted and comprehensive and includes: ▪ Mission/Vision review ▪ Responsibilities of Board members ▪ Board List ▪ Overview and Organizational Structure ▪ Bylaws ▪ Strategic Plan/Planning/Direction ▪ History of the Plan We are moving to make the orientation program and ongoing training web based and interactive

Question 34: DESCRIPTIONS OF ONGOING EDUCATION AND TRAINING ABOUT GOVERNANCE AND THE ROLE OF THE BOARD AND INDIVIDUAL BOARD MEMBERS
Annual compliance training
Annually - usual focus is on Conflict of Interest.
We have had a seminar for the board explaining Sarbanes/Oakley and board member role.
The role of governance is included in their annual Compliance and Ethics training as described above.
They receive training on new board requirements, e.g., a new state law requiring ethics training for governmental boards
Plan retains a Board development consultant who works with the entire Board, and individually with the Chair and CEO, on Board policies, procedures, work style, teamwork, etc. The consultant conducts the annual retreat and attends most Board meetings.
It is multifaceted and comprehensive and includes: -Mission/Vision review -Responsibilities of Board members -Board List -Overview and Organizational Structure -Bylaws -Strategic Plan/Planning/Direction -History of the Monroe Plan We are moving to make the orientation program and ongoing training web based and interactive

ATTACHMENT 4

SURVEY RESPONDENTS

Following is a list of 14 of the 15 plans responding to the questionnaire that elected to include the name of their plan.

- Affinity Health Plan
- CareSource
- Colorado Access
- Community Health Network of Connecticut
- Contra Costa Health Plan
- Health Plan of San Mateo
- Health Plus
- Horizon NJ Health
- L.A. Care Health Plan
- Mercy Care Plan
- Monroe Plan for Medical Care
- Neighborhood Health Plan
- Total Care
- VA Premier Health Plan