



**HealthPartners\***  
**GOVERNANCE PRINCIPLES**  
**(Revised July 2013)**

## **HealthPartners Governance Principles**

### **Introduction – A Message from the Boards of Directors**

HealthPartners (“HealthPartners” or the organization) mission is to improve health and well-being in partnership with our members, patients and the community. To achieve our mission, we are guided by a set of four values; excellence, compassion, partnership and integrity. These values support the trusting relationships we need with our members, patients, employers, employees and the communities we serve that allow us to accomplish our mission.

As member representatives, we know that we set the tone and play a clear role in developing, maintaining and leading the culture of the organization. We believe that {insert new values when approved} apply not only to the care you receive and to how we manage the financial aspects of your health but also to how we govern our organization. To that end, we have developed these Governance Principles so that you can see and understand what our role is and how we work. We have also developed these principles so that we can hold ourselves accountable and worthy of the trust you place in us.

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## **I. The Role and Organization of the Board**

The HealthPartners Board (the “Board”) represents the members’ and patients interest in fulfilling the organization’s mission to improve health and well-being in partnership with our members, patients and the community. The Board is responsible for policy and strategic leadership to ensure that the organization advances its mission. This is an active not a passive responsibility. The Board’s role includes the selection of the Chief Executive Officer who is charged with the conduct of the organization’s business. Having selected the Chief Executive Officer, the Board acts as an advisor and counselor to the Chief Executive Officer and monitors the achievement of the mission. This includes supporting and challenging management to continue to transform the health care system into one that simultaneously improves the health of the population we serve, the experience of the individual patient or member and the affordability of care and coverage and monitoring the effectiveness of management policies and decisions including the execution of strategies.

In addition, the Board supports and guides the organization’s efforts to strengthen relationships with members, patients and the communities we serve. The Board also fosters a climate and culture that is supportive of employees. All of these responsibilities are aimed at the successful continuation of the organization.

The same people who are elected or appointed to the Board of HealthPartners, Inc. also serve as the members of the boards of directors of Park Nicollet Health Care Services, Park Nicollet Methodist Hospital, Park Nicollet Clinic, TRIA Orthopaedic Center LLC, Park Nicollet Institute, Park Nicollet Health Care Products, PNMC Holdings and Park Nicollet Enterprises. The persons elected or appointed to the board of directors of Group Health Plan, Inc. also are member of the HealthPartners Board. Meetings of all these boards occur at the same time. These Governance Principles apply to all of these entities.

## **II. Board Selection and Composition**

### **1. Board Needs Assessment and Membership Criteria**

Each year, the Governance Committee reviews with the Board the skills and characteristics needed for the successful operation of the Board. This review includes an assessment of the make-up of the Board, and the current and future needs of the Board. It also includes an assessment of the Board’s functional competencies, e.g., finance, law, human resources, and a review of the balance of the Board’s diversity, e.g., age, gender and market segment representation. In addition, the Governance Committee also considers criteria for board membership that have been established either by state law or the organization’s Bylaws, including requirements that except for physician directors, board members generally must be individuals that are covered by plans offered by or administered by the organization.

## **2. Selection of New Directors**

Each year, the Governance Committee recommends to the membership candidates for election to the open Board positions. In developing the slate of candidates, the Governance Committee seeks nominations from the membership who are encouraged to nominate themselves in addition to developing possible candidates on its own. The Governance Committee seeks the input of the full Board, the Chair of the Board and the Chief Executive Officer. In developing the slate of candidates, the Governance Committee's role is to ensure that the Board has the best possible skills to effectively carry out its duties and that the Board reflects the broader membership of the organization.

All nominees are interviewed by either the entire Governance Committee or members of the Governance Committee. The Governance Committee exercises its independent judgment in selecting the best candidate or candidates for any open position. The Governance Committee determine whether all or a portion of the seats will be filled through a contested election process (more nominees than open seats) or through a non-contested election process (one candidate for each open seat). The Governance Committee also determines whether the election will be a general election in which the candidates receiving the highest number of votes will be elected or a seat specific election in which case the candidate receiving the most votes for a specific seat is elected or a combination of both. The Board's preference is to hold contested elections, however, the Board's highest priority is to ensure that the Board is well balanced and reflects all of the skill sets needed on the Board.

Members not included on the Group Health ballot may be nominated upon the written petition of two percent of the members entitled to vote for that position. No more than 25 percent of these members may come from a single employer group. This petition must be presented to the Secretary of the corporation at least 30 days before the election.

If there is a vacancy in a Board seat due to death, resignation, removal or expansion of the Board, the Governance Committee nominates a replacement candidate for election by the full Board. The candidate so elected will fill the unexpired term of that seat.

## **3. Extending the Invitation to a Potential Director**

The invitation to be a nominee for election to the Board is extended by the Chair of the Board and/or the Chair of the Governance Committee and the Chief Executive Officer.

## **4. Election Process**

The Governance Committee will ensure that the board election process is conducted consistent with the bylaws of the organization. Members eligible to vote are "contract holders" meaning those individuals who hold a contract for

health maintenance services or self insured services (but not their dependents). Mail and electronic voting or other methods authorized by the Bylaws or the Board are the only methods used for voting. The Chair of the Governance Committee appoints a teller committee to validate the results of the election. The teller committee is provided with such outside and/or staff help as may be required. The teller committee reports election results to the Governance Committee who will report the election results to the Board and membership. Vote tallies are not shared. Ballots are destroyed 60 days after the election.

#### **5. Orientation of New Board Members and Board Education**

The Board has a complete orientation program for new Directors that includes background material, conflicts of interest process, a criminal background check, the HealthPartners Code of Conduct, expectations and duties of a director, meetings with senior management, discussions on the organization's business, goals, strategies and challenges. The orientation may include visits to HealthPartners facilities at various times.

The Governance Committee supports and encourages continuing board education to ensure that board members continue to learn about the organization, governance and the health care industry. As a guide, Board members strive towards fifteen hours of education each year with at least five hours focused on the member or patient experience.

### **III. Board Leadership**

#### **6. Selection of Chair**

The role of the Chair of the Board is separate from the role of the Chief Executive Officer. The Chair of the HealthPartners Board is elected by and from the members of the Board. The Board Chair has a two-year term. The Governance Committee oversees the election of the Board Chair.

#### **7. Other Board Officers**

The other Board officers are the Vice Chair, Secretary and Treasurer. These officers are elected by the members of the Board. The Governance Committee oversees the election of Board officers. These officers also serve two-year terms.

### **IV. Board Size, Composition and Performance**

#### **8. Composition and Size of the Board**

The HealthPartners Board currently consists of twenty-one members. Thirteen members are elected by the HealthPartners membership; three members are

elected by the Group Health membership. There are also five physician directors appointed by the Board. The Group Health Board consists of five members, three elected by the Group Health membership, the Chair of the HealthPartners Board and a physician appointed by the Chief Executive Officer of Group Health. The Chief Executive Officer is an *ex officio* nonvoting member of the Boards as is the Care Group President.

The Board of Directors of HealthPartners will reduce to fifteen members over the next four years. At that time, the Board will consist of fifteen members, three of whom will be Group Health Board members and up to three physician directors.

#### **9. Mix of Management and Member Directors**

HealthPartners, Inc. is member-governed and employee participation on the Board is limited. The Chief Executive Officer is a nonvoting *ex officio* member as is the Care Group President. As a care system, the voice of physicians is very important. In order to have this voice in the organization, the Board appoints from three to five physicians as voting directors.

#### **10. Term Limits**

Generally, member-elected director's terms are three years. Directors may be elected to three successive three-year terms. The Board believes that term limits help ensure that there are fresh ideas and viewpoints available to the Board. They also maximize consumer-involvement. The Governance Committee Chair will review with each Director his or her continuation on the Board at the end of each term. This will give each Director the opportunity to conveniently confirm his/her desire to continue as a member of the Board and provide the Board with the opportunity to give feedback about director performance. Board members terms are staggered to ensure adequate continuity and experience on the Board.

#### **11. Board Compensation**

Board members are paid for their time on the Board. Periodically the Board Compensation Committee will review the compensation of directors for service on the Board and committees in relation to other like organizations nationally and locally. Changes in Board compensation, if any, should come at the suggestion of the Compensation Committee but with full discussion and concurrence by the Board. The Board may elect to have its compensation determined by a completely independent committee.

#### **12. Executive Sessions of Directors**

The Board may choose to meet in Executive Session at any time. At a minimum, the Directors meet in Executive Session at the end of each quarterly board meeting. The Chair promptly discusses any issue raised at the Executive Session with the Chief Executive Officer.

**13. Assessing the Board's Performance**

The Governance Committee regularly conducts an assessment of the Board's performance and reports the results to the full Board. The purpose of the assessment is to increase the effectiveness of the Board.

**14. Board Interaction with Members**

The Board values the views of its members and is committed to effective two-way communication. The Board maintains a variety of means to allow for direct communication with the directors, including HealthPartners' website. Board members and officers attend the HealthPartners annual meeting and are available to answer any questions pertaining to their office or committee. In addition, Board members serve on the Member Appeals Committee.

**15. Board's Interaction with Press and Business Constituencies**

The Board expects management to speak for the organization. In instances where comments from the Board are appropriate, they should, in most circumstances, come from the Chair.

**V. Board Relationship to Senior Management**

**16. Regular Attendance at Board Meetings**

In addition to the Chief Executive Officer and the care Group President, the Board welcomes the regular attendance at each Board meeting of the Chief Administrative Officer, the Chief Marketing Officer, the Plan Medical Director, and the Chief Legal Officer. The Chair or the Chief Executive Officer may add additional people as attendees on a regular or irregular basis, as appropriate.

**17. Board Access to Senior Management**

Board members have direct access to HealthPartners senior management, and senior management attends both Board and Committee meetings. Furthermore, the Board encourages senior management, from time to time, to bring other leaders into Board and committee meetings when appropriate.

**VI. Meeting Procedures**

**18. Selection of Agenda Items for Board Meetings**

The Chair of the Board and Chief Executive Officer will establish the agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on the agenda.

**19. Board Materials Distributed in Advance**

Information and data that is important to the Board's understanding of the organization and its activities is distributed to the Board before the Board meets. Management makes every attempt to see that this material is as concise as possible while still providing the desired information. Board members are expected to review this material prior to the meeting. As a general rule, presentations on specific subjects are sent to Board members in advance of the meeting for review. On those occasions in which the subject matter is highly sensitive, materials may be disseminated and discussed at the meeting.

**20. Participation and Attendance**

Board members are expected to attend and actively participate in board meetings including quarterly board meetings, assigned committee meetings, board update meetings, retreats, special meetings, and the annual meeting and board recognition events. The Governance Committee may establish attendance guidelines or other guidelines relating to board involvement as it deems appropriate and as approved by the Board.

**VII. Committee Matters**

**21. Number and Structure of Committees**

The current committees of the Board are (1) Executive, (2) Finance and Investment, (3) Audit and Compliance, (4) Quality, (5) Park Nicollet Health Services Quality Subcommittee, (6) Innovation in Products and Services, (7) Health Transformation, (8) Governance, (9) Member Appeals and (10) Compensation and Leadership Development. The responsibilities of these committees are determined by the Board. Each committee has a formal charter that describes the purpose and role of the committee. Membership on the committees may include directors, members, employees and members of the community. Committees that deal with quality of care, provider network issues, and health agenda issues have physician representation. The Board may form a new committee or disband a current committee depending upon the circumstances.

**22. Appointment of Committee Members**

Committee members are appointed by the Chair, in consultation with the Chief Executive Officer, subject to the approval of the Board. In making these appointments, the Chair will consider each Board member's expertise, interest, board development and availability.

**23. Frequency and Length of Committee Meetings**

Major committees generally meet at least four times per year. The committee chair, in consultation with committee members, will determine the frequency and length of committee meetings based on the accountabilities of the committee.

**24. Committee Agenda**

The chair of the committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda. This agenda will be provided to committee members in advance of the meeting.

**VIII. Leadership Development**

**25. Evaluation of the Chief Executive Officer**

The full Board evaluates the Chief Executive Officer annually. This evaluation is coordinated and conducted by the Executive Committee and is communicated to the Chief Executive Officer by the Chair. The evaluation is based on both objective and subjective criteria including performance of the organization, accomplishment of short-term objectives, development of long-term strategic objectives, development of management, and other criteria set forth by the Board. The evaluation is used by the Executive Committee in the course of its deliberations when considering the compensation of the Chief Executive Officer. The evaluation is also shared with the full Board.

**26. Succession Planning**

The Chief Executive Officer reports at least biannually to the Board on succession planning for his or her position as well as the other senior management positions. The Chief Executive Officer's recommendation as to a successor should he/she die, unexpectedly become disabled, or resign is available on a continuing basis.

**27. Management Development**

The Chief Executive Officer regularly updates the Compensation and Leadership Development Committee and the full Board on the organization's program for management development.

**IX. Ethics and Corporate Integrity**

**28. Conflicts of Interests**

The Board has adopted a conflicts of interest policy that requires annual and more frequent disclosure of potential conflicts of interest that may exist with Board members, officers and key employees. The Governance Committee is responsible for this policy.

**29. Code of Conduct**

The Board adopted a Code of Conduct that applies to each Board member, every employee and certain other individuals that perform services for, or on behalf of, the organization. This Code of Conduct can be found on the organization's web site. Each Board member reviews this Code and agrees to abide by it. The Code of Conduct is reviewed by the Board at least every five years.

**30. Corporate Integrity Program**

HealthPartners maintains a corporate integrity program that identifies the standards for behavior for employees. In addition, the program assists employees in complying with the legal, professional and ethical standards that apply to the organization. This program provides employees with a mechanism to alert management and/or the Board of allegations of misconduct without retribution. The Audit and Compliance Committee receives a quarterly report of the significant activities under that program from the Chief Compliance Officer.

**31. Internal Audit**

Under the direction of the Chair of the Audit and Compliance Committee, HealthPartners maintains an internal auditing function designed to provide the Board with reasonable assurance as to the reliability of financial reporting, the effectiveness of operation and compliance with applicable laws and regulations. The Audit and Compliance Committee receives a quarterly report from the Internal Auditor of significant activities under that program.

**32. Governance Principles**

These Governance Principles are made available to our members and other constituencies to assure transparency in our governance. The Governance Committee will review these Principles at least every five years.

APPROVED: Governance Committee (July 31, 2013)