



## Community Health Center Governing Board Succession Planning: A Case Study on Cherry Health (based in Grand Rapids, Michigan)

*This case study describes how one community health center takes a strategic approach to its board composition by implementing a board succession planning process that entails proactive efforts to: assess and identify future board composition needs, build a pipeline of candidates, and utilize board committee membership as a way to vet and prepare candidates for the board.*

Community health centers are required to have a governing board which establishes strategic direction, provides various types of oversight, ensures organizational stability, among other essential responsibilities.<sup>1</sup> The Health Resources and Services Administration (HRSA) establishes requirements for health center board composition, which can be found in Chapter 20 of the HRSA Compliance Manual.<sup>2</sup> The most salient requirements impacting the content addressed in this case study are listed below for ease of reference:

- boards can range in size from 9 to 25 members;
- at least 51% must be patients served by the health center who reflect the demographic factors of the individuals served by the center;
- other members must be representatives of the community selected for their expertise in relevant areas such as finance, legal affairs, health care, among others; and
- if a health center receives an award under one or more of the special populations section 330 subparts, such populations should also have representation on the board.

**Board Succession Planning** – which some boards may refer to as board development or part of the “board building cycle”<sup>3</sup> – entails proactive efforts to: assess and identify future board composition needs; build a pipeline of candidates; vet and prepare candidates for the board; train and engage members once on board; and ensure rotation to provide a mechanism to bring new ideas and perspectives to the board. Ideally, board succession planning is an ongoing focus for every board. However, at times, some nonprofit organizations – including health centers – may experience difficulty, in particular, in identifying and recruiting candidates when vacancies emerge on the board.

This case study features Cherry Health, a health center in Michigan, with a board succession process that was successfully developed and implemented in order to identify, engage, and select the right individuals to serve on its governing board.

### Background on Cherry Health

Cherry Health was founded in 1988 as the single-site Cherry Street Health Services in Grand Rapids Michigan. Since then, according to Cherry Health’s website, it has grown into the largest Federally Qualified Health Center (FQHC) in Michigan providing services at 14 primary care FQHC sites in six counties (Barry, Eaton, Kent, Montcalm, Muskegon, and Wayne), along with school-linked programs in 70 public schools. The health center provides medical, dental, behavioral, and vision care as well as social support services to community members. In 2016, according to its website, Cherry Health served over 71,000 patients in nearly 700,000 visits, and had an annual budget of approximately \$71 million.<sup>4</sup>

1 For additional information on Board Authority, see Chapter 19 of the HRSA Compliance Manual, <https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-19.html#titletop>.

2 Chapter 20 in HRSA’s Health Center Program Compliance Manual discusses all of the requirements related to Board Composition and can be found at <https://bphc.hrsa.gov/programrequirements/compliancemanual/chapter-20.html#titletop>. The entire Health Center Compliance Manual is available at <https://bphc.hrsa.gov/programrequirements/pdf/healthcentercompliancemanual.pdf>

3 For more on the “Board Building Cycle” see, *The Board Building Cycle: Nine Steps to Finding, Recruiting and Engaging Nonprofit Board Members* by Berit Lakey (BoardSource).

4 For more information, visit <https://www.cherryhealth.org/about/>

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## The Evolution of Cherry Health’s Board

In 2011, Cherry Street Health Services merged with two other organizations – Touchstone Innovare and Proaction Behavioral Health Alliance – which provided behavioral health, mental health and correctional health services. Together, they became Cherry Health.<sup>5</sup> The merger was undertaken to increase efficiency and streamline access to services for the three organizations’ clients who, previously, would often have to go to multiple sites to address their needs. After the merger, the new entity had a sizable board to accommodate representatives from the three legacy organizations. As planned, over time the size decreased to 21 members.

As is required among health centers, Cherry Health strives to have a board that reflects the community it serves in terms of demographics. Members hail from various racial, ethnic, and religious backgrounds, as well as different geographic areas served by Cherry Health. Its oldest member is 80-years of age and the youngest is a medical student.

Health centers recruit individuals with a diverse array of skills and professional backgrounds which may include, but is not limited to, accounting, finance, fundraising, government affairs, health care administration or delivery, human resources, information technology, investment and asset management, legal, public relations, policy, and public health. This is especially critical for health centers, which must be mission-driven in providing health care and social services to low-income populations regardless of ability to pay, while also maintaining a financially viable business model. For Cherry Health, its board membership includes individuals who currently or formerly worked in accounting, medicine, nursing, public health, communications, independent consulting, health care administration, non-profit social services, government agencies, and corporate management.<sup>6</sup>

5 Weick, R. “Name change reflects health care organization’s growth.” Grand Rapids Business Journal (November 14, 2014), <http://www.grbj.com/articles/print/81068-name-change-reflects-health-care-organizations-growth>.

6 A full roster can be found on Cherry Health’s website ([www.CherryHealth.org](http://www.CherryHealth.org)).

## Cherry Health’s Board Succession Planning Process

Cherry Health has been successful in consistently identifying and recruiting patients and community members to join its board. This has been achieved through proactive efforts to assess and identify future needs, building a pipeline of candidates, and utilizing committee membership as a way to vet and prepare possible candidates for the board.

The core components of Cherry Health’s board succession process are described below.

### 1. Strategically Assess and Identify the Future Needs of the Board

Many organizations have a Governance Committee (sometimes called a Nominating or Board Development Committee) that is responsible for identifying future board composition needs and building a pipeline of candidates, among other responsibilities. Cherry Health’s Board has a standing committee, called the Community Relations Committee, which fulfills this role.

Among other duties, one of the Community Relations Committee’s major responsibilities is to annually review the composition of the board and anticipated departures from the board in the coming years. Cherry Health’s board members serve two year terms. While the health center does not put a limit on the number of consecutive terms that a member can serve, it has other mechanisms to help anticipate rotation. Prior to the end of a board member’s term, the Community Relations Committee talks with the member about interest, ability, and fit related to continued service. The Committee also tracks meeting attendance and works with members not fulfilling their duties to either ensure the member reengages or rotates off the board.

The Committee also assesses the qualities, backgrounds, and skills that the board may need given the anticipated departure of members and in the context of the evolving needs of the board given changes in the health care landscape and/or community. For example, in recent years, as the health center has expanded, it has increasingly focused on geographic diversity as part of this process. This analysis drives its work to identify potential future members.

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## 2. Create a Pipeline of Candidates

The Community Relations Committee then engages the board and senior management in identifying individuals that could be future board members who meet the needs identified. Cherry Health accomplishes this by emphasizing identifying possible candidates as a priority not just among the board or the C-suite, but among *all* staff. Cherry Health has a robust internal communication/marketing strategy that ensures that staff are routinely informed about future board composition needs. If a clinician, for example, recognizes a patient that could potentially be an ideal candidate for the board, he or she may discuss this possibility of such an opportunity with the patient and convey any interest to senior staff. Similarly, staff involved in external engagement may come across a community member who could add value as a committee member and/or a future board member. For example, recently a long standing philanthropic donor – who is in the medical field – wanted to deepen her engagement with Cherry Health and joined the board’s Quality Committee.

Members of the board and its committees are asked for suggestions related to possible candidates. Additionally, the health center may reach out to organizational partners, such as the state Primary Care Association or other social services organizations, to solicit recommendations for potential candidates who possess desired backgrounds or skill sets that the board is in need of at the time. For example, Cherry Health has strong existing partnerships with organizations in its service area that support agricultural workers; it turns to these partners for recommended candidates to be approached and considered as a representative of this special population on the board. On a related note, the Cherry Health Foundation’s board utilizes the same practices of working with partners to help identify potential members. The Foundation was recently able to leverage its relationship with a large insurance company to identify a member with deep knowledge of Medicaid to serve on its board.

Once identified, candidates submit a resume or background information, and have several conversations about either board service or joining a board committee as part of the recruitment and candidate vetting process. Extensive effort is dedicated to identifying those that are anticipated to meet future needs and discussions with candidates focus on responsibilities and ability to fulfil those responsibilities, as well as

overall fit for the board. The Community Relations Committee then discusses the outcome of the conversations and, from there, develops a slate of candidates to be presented to the board one month before the board is scheduled to vote on the board slate and approve committee rosters.

## 3. Cherry Health’s Board Committees: A Mechanism for Engaging Possible Board Members

Individuals that are vetted and a good fit are approached and sometimes initially invited to join the board, but often are initially invited to serve on a board committee. Cherry Health has five Committees, including an Executive Committee and a Finance Committee, and non-board members can serve on all committees with the exception of the Executive Committee which is composed of the board’s officers.<sup>7</sup> For Cherry Health’s board and senior staff, this is viewed as their opportunity to create a “bench” of potential new board members. Matching an individual to a committee is sometimes driven by professional expertise (e.g., an individual from the medical field who joins the Quality Committee) or personal interest in learning more about a particular area. This approach offers benefits, including:

- allowing the individual to become acquainted with the health center and its governance prior to taking on the full responsibilities of a board member, and
- enabling the board and staff to evaluate the candidate’s capacities and contributions at the committee level first.

The amount of time that a prospective board member might serve on a board committee before possibly being nominated to the board varies. Often, when a non-board member of a committee demonstrates the potential to be nominated and elected to a board position, he or she may be invited to serve as a Committee Vice Chair (the Committee Chair is usually a full member of the board). In that way, the individual can further be prepared for a board leadership role and become familiar with many aspects of the health center and its governance. When a vacancy emerges, this candidate is in an ideal position

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<sup>7</sup> Health center boards can establish several standing or ad hoc committees. Health center board committees can be organized around areas such as finance, governance, and strategic planning, among others. The law in some states prohibits nonprofit boards from including non-board members on board committees.

to be considered as a successor. This can be especially useful in situations where the Chair of a particular committee is the one rotating off the Board. The Committee Vice Chair, who will have had in-depth exposure to the committee, is a natural option to become the new Committee Chair and maintain continuity through the transition.

## Considerations and Lessons Learned from Cherry Health

Cherry Health's work on Board Succession highlights the following considerations:

- **Board Succession Planning Requires Ongoing Focus**

Cherry Health noted the need to be continually active in board succession planning. Due to unforeseen circumstances, multiple vacancies can emerge at once in an unanticipated manner, which can cause challenges even for entities that have developed a sound candidate pipeline and process. For instance, Cherry Health recently had several members leave the board unexpectedly over a short period of time, which essentially, depleted their "bench."

- **Multiple Channels Are Needed to Find Possible Board Members**

While certainly tapping into personal networks is an important tool for cultivating a pipeline of possible committee and board members, it is rarely a sufficient strategy alone. Cherry Health leverages its relationship with community partners and others to find important expertise for the board. It also creates a culture that tasks board and staff with this work as a joint priority.

- **Robust Diversity on the Board is Important**

Health centers such as Cherry Health understand the value in having a board that reflects the community. This may mean seeking diversity in terms of gender, age, race, ethnicity, religion, class, insurance status, nation of origin, immigration status, gender identity, sexual orientation, disability status, and other important characteristics of the population being served. Cherry Health has committed to this in building its board and engages partner organizations that work on issues or with populations that have backgrounds and perspectives that the health center is seeking for its board.

## Additional Governance Practices to Consider

In addition to the practices and lessons identified by Cherry Health, community health center boards may wish to consider:

- **Utilizing a Governance Committee to Lead Board Member Identification, Cultivation, and Retention**

A Governance Committee (sometimes called a Nominating or Board Development Committee) is responsible for identifying future board composition needs and building a pipeline of candidates. This committee also often leads efforts essential for member onboarding and retention, including board member orientation, the board self-assessment process, board member mentoring programs, and planning educational programs aimed at strengthening the work of the board.<sup>8</sup> Cherry Health uses the board's Community Relations Committee to fulfill many of these functions.

- **Ensuring a Board/CEO Partnership in Undertaking Board Succession Planning**

While ensuring effective board composition is a board responsibility, it is an area where partnership with the CEO is invaluable. A CEO's input on board needs, involving the CEO actively in conversations with prospective members as well as throughout the member onboarding process is important.<sup>9</sup> A CEO is also likely to assign other staff leaders to work closely with the Governance Committee and maintain many of the critical tools that guide its work.

8 See GOV Information Bulletin 6: Developing and Maintaining Effective Health Center Boards of Directors and Health Center Program Governing Board Workbook on MyNACHC (<http://mylearning.nachc.com>) for more information on board member cultivation and engagement.

9 BoardSource highlights CEO "Do's" and "Don't" in a publicly available resource at [https://boardsource.org/wp-content/uploads/2017/01/CEO\\_Dos\\_Donts.pdf](https://boardsource.org/wp-content/uploads/2017/01/CEO_Dos_Donts.pdf).

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- **Utilizing a Matrix to Help Identify Recruitment Needs and Updating It Periodically to Reflect the Changing Environment**

Many boards utilize a grid – often called a matrix – that helps them keep track of current members, member terms, member type (e.g., patient or community member), the professional backgrounds of members, demographics, connections members may have, along with leadership skills needed on the board. Looking ahead to future transitions and the “gaps” that upcoming vacancies on the board will create often drives board and committee member recruitment (see Appendix I for a sample). However, it is important that the matrix not become a static document but rather that boards – and/or Governance Committees – periodically update this tool based on the changing healthcare environment and within their community, as well as the health center’s strategic plan.

- **Considering Term Limits**

BoardSource, an organization that focuses on excellence in nonprofit governance, reports that “term limits have become the norm” among U.S.-based nonprofit organizations. Of those boards that have term limits, the most common configuration is two, three-year terms.<sup>10</sup> Term limits provide a mechanism to bring new ideas and new perspectives to the board and its’ decision-making. Term limits also create the opportunity to adjust the board’s membership to align with the organization’s changing needs.

- **Developing Tools to Guide Conversations with Prospective Members and for Comparing Candidates**

Asking candidates a core set of questions can help the Governance Committee (or its equivalent) compare prospective members. Some boards also utilize a ratings form to capture information on conversations with candidates and to use when the Governance Committee formulates a slate of board members to present for the board’s approval.<sup>11</sup>

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10 BoardSource, *Leading with Intent*, 2017. Leading with Intent is a survey of over 1,300 nonprofits in the United States.

11 BoardSource has a “Candidate Rating Form” as publicly available resource on its website at <https://boardsource.org/wp-content/uploads/2016/10/board-candidate-rating-form-new.pdf>.

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## More Information

For more information, contact

**Emily Heard**

Director of Health Center Governance Training

[ehheard@nachc.com](mailto:ehheard@nachc.com)



NATIONAL ASSOCIATION OF  
Community Health Centers

7501 Wisconsin Avenue, Suite 1100W

Bethesda, MD 20814

Telephone: 301-347-0400

Fax: 301/347-0459

[www.nachc.com](http://www.nachc.com)

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## Appendix I – Sample Board Matrix

This is a sample board matrix that a board could use to examine its current composition and identify any possible gaps that would aid in identifying needs for board succession. A health center is legally obligated to follow its bylaws and to adhere to the Board Composition requirements in HRSA’s Health Center Program Compliance Manual. The categories in this sample are illustrative in nature and should be customized by each organization based on its needs.

<b>Board Member</b>									
Patient Member									
Community Member									
Representative of a special population									
<b>Professional Expertise</b>									
Business									
Community Affairs									
Local Government									
Finance/Banking/ Accounting									
Health Care									
Human Resources									
Investment, Asset Management									
Legal									
Nonprofit management									
Real estate									
Social Service									
Trade union									
Other									
<b>Demographics</b>									
<b>Race/ethnicity</b>									
American Indian/Alaska Native									
Asian									
Black/African American									
Hispanic/Latino Ethnicity									
Non-Hispanic White									
Native Hawaiian / Other Pacific Islander									
More than one race									
<b>Gender</b>									
<b>Age Range</b>									
<b>Other forms of demographics important to your board</b>									

<b>Connections in the community</b>									
Foundations									
Health care									
Media									
Other									
<b>Skills</b>									
Commitment to mission									
Strategic thinker									
Ability to tolerate ambiguity									
Prior governance experience									
Language(s)									
<b>Term (1st/2nd), year term is due for renewal</b>									

Adapted from samples from BoardSource and others in the nonprofit sector.