



HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Touching Lives Every Day"

The House Committee on Health
Representative Ryan Yamane, Chair
Representative Dee Morikawa, Vice Chair

HOUSE COMMITTEE ON HEALTH
9:30 a.m.
Conference Room 329

SB1300, SD2 RELATING TO HEALTH

Amends corporation board composition to add an at-large member appointed by the Governor, give voting rights to the ex-officio Director of Health member, and adding community members from the respective regional system boards. Effective 7/1/2050

**Testimony of Alice M. Hall, Esq.
Interim President and Chief Executive Officer**

Thank you for the opportunity to provide testimony in support of SB 1300 SD2. On behalf of the HHSC Corporate Board of Directors, I want to express support for this bill, which will amend its board composition.

As this committee is aware, HHSC has undergone several major governance changes since its establishment in 1996. Most recently, Act 290 (2007) added the regional boards and Act 182 (2009) required that the Regional Chief Executive Officers (RCEOs) of each region become a voting member of the HHSC corporate board. Putting the RCEOs on the board helped in the transition from a fully centralized system under one board to a partially decentralized model, with custodial control of assets and operations in the regions.

While the HHSC Board appreciates the intent of the amendment proposed by SD 2, it continues to propose for consideration the bill's initial draft which seeks a true separation between governance and management by deleting the prescription that RCEOs sit on the corporate board. This change will significantly reduce potential conflicts of interest that arise when the RCEO is faced with making a decision on behalf of the entire system that may not meet the immediate needs of his/her region. In the spirits of Acts 290 and 182, each corporate board member has a fiduciary duty of loyalty to the system, and not to just to his/her hospital or region. Replacing the RCEOs, as proposed by the initial bill, with community members appointed by the respective regional boards will allow more outside leaders to supplement the benefit HHSC receives from the RCEOs acting in their usual advisory staff capacity, similar to the HHSC President and Chief Executive Officer.

At the same time, this initial bill draft does not prohibit RCEOs from sitting on the corporate board. The regional boards have the authority to develop their own criteria in the selection of health-hospital advocates from their respective communities. A regional board

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could appoint its RCEO if it feels that is the prudent course to take; it simply would not be mandatory.

The HHSC Corporate Board is also concerned about the increased size of membership proposed by SD2. For one thing, meetings will be much more difficult to schedule; more staff time is needed to coordinate board functions, and board expense will significantly increase. The proposed 18-member board may not be able to engage all members, which can lead to apathy and loss of interest. Members may feel less individual responsibility and less ownership of the work. And a large board may hinder effective and efficient communications, as well as interactive discussion.

Equally important, the HHSC Corporate Board also fully supports the additional at-large seat member that gives the Governor the opportunity to appoint one member. (All corporate and regional board members are appointed by the regional boards at this time).

Finally, we support restoring the voting rights of the director of health, an ex-officio member of the corporate board, in order to encourage his/her full participation as a partner in providing health care to our communities.

The proposed governance changes will build on the excellent progress made by the regions and the corporate office to coordinate service delivery and improve the health of our island communities as a result of the vision of the Legislature over the past several years. The restructuring will in effect create a more balanced playing field for all the regions and enable them to strengthen their collective and collaborative focus on quality care improvement for the entire community-hospital system.

Thank you for the opportunity to testify in support of this measure.



LEAHI HOSPITAL

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March 16, 2011

**TO: The House Committee on Health
Representative Ryan Yamane, Chair
Representative Dee Morikawa, Vice Chair
Conference Room 329**

**FROM: Vince H.S. Lee, Regional Chief Executive Officer
HHSC Oahu Region**

**RE: SENATE BILL 1300, SD2 Relating to the Hawaii Health Systems
Corporation, Friday, March 18, 2011, 9:30 a.m.**

Thank you for providing the Hawaii Health Systems Corporation Oahu region with an opportunity to submit testimony in support of SB1300, SD2. As a regional chief executive officer (RCEO) for the HHSC Oahu region, I understand the basis for the various versions of this bill. At the same time, as a RCEO, I have seen the significant impact that governance has had on the system's ability to respond to the health care needs of our communities. A significant component of Act 182, passed in 2009, was the restructuring of the corporate board by adding the regional CEOs (RCEOs) as ex officio voting members. Lawmakers, obviously, viewed this change as a means to give the regional RCEOs more credibility, authority, and accountability, while enhancing the corporate board's relationship with the region systems boards, which were established in 2007 with the passage of Act 290. Ultimately, the intent of this significant governance change was to create an opportunity for better system-wide board decision making.

During the initial establishment of the corporate board, the RCEO members provided much-needed, inside perspectives on all aspects of the health system, which in turn, enabled the board to make more informed decisions. The RCEO members committed their time and expertise in the redevelopment of the board committee functions as well. While this has been proven true and excellent progress has been made by the regions and corporate office to coordinate service delivery and improve the health of our island communities, I believe further improvements should be considered, including the role of the RCEO.

Personally, I strongly believe that a distinction between governance and management is needed. My role as a corporate board member and being responsible for day-to-day operations can get confusing when I'm voting on the board. There are limitations in having RCEOs serve as board members, including potential conflicts of interest, particularly in being unable to distinguish the priorities of the region and those of the system. There is also a potential for the board to rely too heavily on the RCEO's opinion. A community member appointed by his or her respective regional board to replace the RCEO seat, as proposed by the original version of the bill, would serve to remedy these issues. At the same time, my advisory role would continue to support the efforts of both the corporate and regional systems board.

Another concern of SD2 that needs to be considered is the proposed altering of board membership size. Presently our board remains effective, informed, and active. Communication and interaction are easy and flexible, board members have gained more satisfaction from their

meaningful involvement, and fewer staff are required to support the administrative functions of the board. Consequently, why fix something that is already working well?

Of equal importance, I support the additional at-large member appointed by the governor, in addition to restoring the voting rights of the director of health.

Thank you for providing me with this opportunity to present testimony.