



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

"Touching Lives Every Day"

**The Senate Committee on Health
Senator Josh Green, M.D., Chair
Senator Clarence K. Nishihara, Vice Chair**

**Wednesday, February 16, 2011
2:45 p.m.
Conference Room 229**

SB 411, SD1 RELATING TO HEALTH

Amends the corporation board composition to change the membership from twelve to thirteen members; gives voting rights to the ex-officio director of health members; replaces the five regional chief executive officers ex-officio voting members with community members from the respective regional system board region; adds an at-large member appointed by the governor. (SD1)

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

Thank you for the opportunity to provide testimony in support of SB 411, SD 1. 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. Although the RCEOs have always been invited to fully participate in corporate board meetings, over the last 1.5 years, the corporate board relied heavily on the RCEOs' knowledge.

With all of the regional and corporate boards fully established and engaged for nearly 3.5 years, the HHSC Corporate Board seeks a true separation between governance and management by deleting the requirement that RCEOs sit on the corporate board. This change is requested to 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. The corporate board has a fiduciary duty of loyalty to system, not to just one particular hospital or region. Several regional CEOs presently feel that their role is to lead through an advisory capacity to strengthen the decision-making process of the corporate board, but not necessarily be the decision maker, and to confuse the two roles is not the way to strengthen the board's leadership. Replacing the RCEOs with community members will allow us to add more outside leaders to the mix, to supplement the benefit we receive from the RCEOs acting in their usual advisory staff capacity, along with the President and CEO.

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At the same time, this bill 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 could appoint its RCEO if it feels that is the prudent course to take; it simply would not be mandatory.

Additionally, the HHSC Corporate Board also fully supports the additional at-large seat member in order to give 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 focus on quality care improvement.

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



LEAHI HOSPITAL
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February 14, 2011

TO: The Senate Committee on Health
Senator Josh Green, Chair
Senator Clarence Nishihara, Vice Chair
Conference Room {NUMBER}

FROM: Vince H.S. Lee, Regional Chief Executive Officer

RE: SENATE BILL 411, SD1, Relating to the Hawaii Health Systems Corporation
Wednesday, February 16, 2011, 2:45 p.m.

Thank you for providing the Hawaii Health Systems Corporation Oahu region with an opportunity to submit testimony in support of SB411 SD1. The purpose of SB411 SD1 amends the composition of corporation board from twelve to thirteen members; gives voting rights to the ex officio director of health member; replaces the five regional chief executive officer ex officio voting members with community members from the respective regional system board region; and adds an at-large member appointed by the governor.

Having had the opportunity to serve as the HHSC Oahu region chief executive officer since 2002, 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 as ex officio voting members. Lawmakers, obviously, viewed this change as a means to give the regional CEOs 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.

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 CEO as an ex officio corporate board member. During the initial establishment of the corporate board, the CEO members provided much-needed, inside perspectives on all aspects of the health system, which in turn, enabled the board to make more informed decisions. At the same time, the CEO members committed their time and expertise in the redevelopment of the board committee functions.

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. The proposed board member replacement would serve to remedy these issues. At the same time, my advisory role would continue to