Bermuda Hospitals Board

Corporate & Clinical Governance Review Roll-Out

Dear Minister,

I am writing on behalf of the Board of Bermuda Hospitals Board ("BHB") with regards to providing additional information that was not covered in the Corporate & Clinical Governance Review by Howard Associates. This was because it was either out of scope, or because there were legal considerations related to confidentiality.

We believe there are six areas that require more detailed explanation, but I would like to start with some background as to why the Board believe this and how they would like to provide you with this information.

Good Governance and the Way Forward

The current Board's first meeting was 26 February 2013. At the time the Board was appointed, the Corporate & Clinical Review ("the Review") was already underway. Howard Associates had been appointed in November 2012 following a full, international and local RFP process. Following a review of responses and interviews with Board members, Senior Managers, Ombudsman and Interim Chiefs, Howard Associates was awarded the contract. Work started in November 2012 and had initially been expected to be completed by the end of January. Following the change of Government and Board, this was extended.

The Ombudsman of Bermuda recommended the Review be extended by a month in order to involve the current Board and yourself as the newly appointed Minister, as well as to include more stakeholder involvement. We believed this was the correct move. Although this increased the cost of the Review to BHB, it allowed for greater consultation. It also allowed BHB to benefit from the advice of one of the reviewers, Mr Philip Hassan, an experienced hospital CEO and regional health administrator from Canada with regards to the Board Committee structure and the Board orientation process.

The Ombudsman of Bermuda had oversight of the process and met Howard Associates every week. The Review process allowed an embedded member of Howard Associates to attend internal BHB meetings and meet with multiple stakeholders from across the community and healthcare spectrum. The

Ombudsman reviewed an early version of the report in March and provided extensive feedback to Howard Associates, including a number of questions to be addressed.

The finalization of the Report took longer than anticipated and the final report was delivered by Howard Associates to BHB on 12 April 2013.

The Report collates many views and we believe the consultation and voicing of these diverse views in the report is one of its strengths. However, we are in agreement with the Ombudsman's comments regarding the Review, including her concerns.

The Board has the benefit, however, of a number of additional reports that provide very clear advice on finance and governance. These include:

- Ombudsman's Review of the Governance Report (release 17 May 2013)
- Two KPMG reports undertaken in 2012 to review due diligence around and impact of Memoranda of Understanding and affordability of new hospital acute care wing
- Towers Watson review of physician compensation (received by BHB in May 2013)
- The upcoming Auditor General's review of BHB's 2011-12 annual financial statements, including HPL).

These reports provide objective information that is helping the Board define an effective and powerful strategic plan going forward. But Board members are concerned that a number of legacy issues should be addressed.

While these reports are providing a sound foundation from which the Board can work, members feel strongly that there are six key community concerns that should be detailed and should form an official part of our report to you.

1. Dr Donald Thomas III

Dr Thomas was employed by the BHB as Chief of Staff from June 2010 to 1 October 2012. Prior to 2010 he was a consultant with the Greeley Company, with whom BHB had contracted to provide consultancy services for the implementation of an Ombudsman's Report, the "Tale of Two Hospitals." (Copies of the Report can be found on the Ombudsman's website –www.ombudsman.bm- under 'System Reports'.) Many of the recommendations from that report were assigned to Dr Thomas after they were adopted by the then Board.

During his tenure, Dr Thomas was responsible for implementing a number of board initiatives which in the eyes of the Bermuda public were controversial, in particular, HPL, the hospitalist scheme, and medical tourism. These initiatives made him unpopular with certain stakeholders who did not endorse the policies that he initiated.

Doctor Thomas's management style was not viewed favourably by some staff and external stakeholders. During the latter part of his tenure, concerns arose as to Dr Thomas's performance; in particular, there were concerns about:

- management of his budget,

- his refusal to follow the express direction of the CEO, in particular on the hiring of doctors

As a result of concerns regarding the fore-mentioned issues, Dr Thomas was placed on administrative leave on 12 July by the CEO, three months after she took on the role, and an investigation was initiated into his conduct. The lines of inquiry concerned failure to follow directions, questions regarding financial stewardship, lack of attention to quality of care, and a pre-employment background check. No formal findings were made, because prior to completion of the investigation, Dr Thomas resigned from employment at the BHB. BHB considered the resignation and was advised by Counsel that acceptance of the resignation was the best solution. BHB entered, therefore, into a commercially viable and legally enforceable confidential Separation and Release Agreement with Dr. Thomas .

Following a detailed review of this matter, the current Board does not believe that sufficient due diligence was brought to bear during the hiring of Dr Thomas, given his pre-employment history, most of which exists in the public domain.

The current Board has reviewed this matter in detail to ensure that BHB strengthens its internal processes, from recruitment to governance of individual activities, to ensure any mistakes in the past are learnt from and not repeated.

Actions include a restructure of the Chief of Staff Office and improved due diligence in the area of recruitment. This was reflected in the appointment of the new Chief of Staff, who started work on 1 May 2013. Stronger governance and oversight is already in place in the organization following the introduction of a Performance Management Framework and revised procurement process. Additionally, a number of improvements, including a review of medical by-laws, improving physician relationships and strengthening the focus of medical leadership on quality of care, are key responsibilities of the new Chief of Staff.

The Board felt that more had to be stated on this matter in the public interest. It recognises there are legal obligations and has balanced this with the need for BHB to improve accountability and trust with the community it serves. It has sought to bring greater clarity to the issue, but given the legal restrictions, to make further public comment would not be in the long-term interests of the community or the hospitals.

2. HPL

The current Board has reviewed the establishment and governance of the wholly owned subsidiary Healthcare Partners Limited (HPL). HPL is currently under review by the Department of Internal Auditor and its findings will be reported later this year. The current Board is committed to cooperating fully with the auditing process and acting on findings that are reported.

The current Board has appointed new Directors to the HPL Board:

- Jonathan Brewin, Chair

- Jeanne Atherden, Deputy Chair
- Thad Hollis
- Venetta Symonds

As is normal practice in these situations, directors had to be appointed in order to carry out any actions on behalf of the full Board. Following a review of the subsidiary and its operations, the Board believes that the subsidiary is not needed. It introduced unnecessary structures and does not conform to good governance. The Board has already taken steps to begin winding HPL down, and commits to ensure the highest and accountable levels of governance of HPL during this time.

There were only three businesses in HPL – Physician Billing, Medical Concierge, and a joint venture, Ultimate Imaging. The Board is reviewing these businesses to formulate next steps. It should be noted that Ultimate Imaging remains in HPL as the shares are held under HPL.

We look forward to the full auditing of HPL by the Department of Internal Audit.

3. Physician Employment & Compensation

The Board is also responding to concerns over BHB employing increasing numbers of specialists and their compensation. Exactly which services and specialties are required by the hospital is being fully reviewed as part of a strategic service review, which is already underway and will take 4 – 6 months.

Specific changes have, however, already taken place as they made sound financial and clinical sense. For example, obstetricians and gynaecologists (Ob/Gyns) have now returned to the private sector. The Ob/Gyns had been employed to enable them to benefit from lower insurance as individual rates were unaffordable. BHB was able to offer a solution that provides the Ob/Gyns access to BHB's affordable medical malpractice insurance through service agreements rather than employment contracts.

A review of physician contracts was undertaken in September 2012, which identified a number of concerns regarding equity, transparency, governance, perverse productivity incentives and poor quality of contracts. This led to BHB commissioning a physician compensation review.

This review was completed in April 2014 by Towers Watson, a leading company in this area. The Towers Watson report confirms the findings of the internal review of physician contracts. Other findings included no governance structure, which resulted in irrational compensation levels that do not align with market rates; productivity thresholds and work expectations that were not defined; performance bonus plan incentives that were unclear; physician compensation that was not based on quality, patient satisfaction or other non-productivity based performance metrics; and physician compensation that was not equitable. Indeed, physician compensation/performance pay was often paid on utilization rather than quality.

This is changing under the current Board. Recommendations in the Towers Watson report will enable BHB to set fair contracts at fair rates for quality, performing physicians.

It should be noted that the majority of the physician contracts terminate during the summer months of this year, and they will be renegotiated according to the new compensation framework. Physicians will be offered new contracts on different terms and conditions, which will reward them fairly and include quality targets to support organizational objectives.

An agreed physician compensation framework will ensure that decisions on physician remuneration are made within the agreed framework. Any exceptions will require the authority of the Board's Human Resources Committee.

4. Executive Compensation

The Board is aware of the public concern over Executive Compensation at BHB. The Board was pleased that the Executive Performance Pay (bonus) was discontinued last fiscal year and that, in recognition of the financial challenges, executive base salaries have also been frozen.

There is a clear demand for more transparency on the part of BHB as it receives substantial monies from the public purse, based on the fees incurred by people who use acute care services and are covered by government subsidies (aged, youth and indigent).

The Minister of Health & Seniors has already announced that salaries will be disclosed in the BHB's annual report. The next annual report will be for the fiscal year 2011-12, which has been delayed due to the review of the Department of Internal Audit; once this process is complete, the report will be compiled and publicly released.

The Board will ensure that the salary bands are included from that year onwards for senior leadership and other employees of the Board.

5. Fiscal Responsibilities

The Hospitals Act clearly identifies the Board's responsibilities for ensuring sound finances for BHB.

The Board has closely reviewed two key reports by KPMG on matters of finance. They indicate that there should have been better due diligence and governance around the implementation of revenue caps, known as Memoranda of Understanding. The reports show that the caps, alongside of the deterioration of the economy, have put BHB finances under great pressure, especially with the financial obligations that start in 2014

The Board has to balance BHB's financial situation with the unsustainable escalation in healthcare costs in Bermuda. It is not just a BHB issue; BHB forms a significant part (43%) – but if only BHB cuts costs, business will just transfer to the private sector with no net benefit to Bermuda. The current situation is already unsustainable and unaffordable. The issue is bigger than BHB and requires an approach that considers the healthcare system in its entirety. BHB will work closely with the Ministry of Health & Seniors, Bermuda Health Council, insurers, as well as private and community partners, to ensure solutions are put in place for the benefit of all.

Additionally, long term care requires a coordinated, collaborative whole-island solution. Bermuda needs effective, adequate services for seniors.

In summing up, however, it is important to note that the new acute care wing is on schedule. The Board is excited that it will be completed in 2014, with an expected service commencement in June of that year.

6. Quality of Care

Commendable improvements can be evidenced in patient satisfaction scores at King Edward VII Memorial Hospital, but there are still concerns raised in the community about quality. This Board is committed to providing consistent information about quality of care at BHB. A new Chief of Staff, Dr Michael Weitekamp, has been appointed and joined BHB on 1 May 2013. A Utilization Review Committee has been established under the Director of Infectious Diseases and Hospital Epidemiology; this looks at appropriate clinical utilization and reporting of clinical data.

This Board is also committed to a review of the Hospitalist Service. It will also oversee a collaborative strategic planning process and ensure that there is a consistent focus on quality service, and that BHB establishes ways to report consistently and regularly to the community on clinical data.

I would like to thank you for your consideration of this additional report, which I submit on behalf of all members of the Board.

Jonathan Brewin
Chairman, BHB