

Setting a New Course

Report from the Supervisor, Kingston General Hospital

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Submitted to

The Honourable Deb Matthews

Minister of Health and Long-Term Care

December 15, 2009

Acknowledgements

It is with sincere appreciation that I acknowledge the special efforts of the following individuals who supported me in my work as Supervisor. Each of them have helped to rebuild and re-launch the Kingston General Hospital (KGH) and set it on a new course:

- The Board Chair – Bill Richard
- The Board of Directors
- The Board Chair Selection Committee: Toby Abramsky, Linda Ann Daly, John Hudson and Chris McIlwain
- The Directors Nomination Committee: Toby Abramsky, John Hudson, Chris McIlwain, Bill Richard
- The Department Heads, Program Medical Directors, and Program Operational Directors
- The Medical Staff Association: Dr. Sen Gupta and Dr. Paul Beliveau
- The Interim Working Team: Janet Davidson, John McGarry, Maureen Quigley, Eleanor Rivoire and David Zelt
- The Faculty for the Board of Directors Orientation Program:
 - Mr. David Brown, Vice-Chair University Health Network and Chair, Ontario Hospital Association Governance Leadership Council
 - Mr. John MacNaughton, Chair, Board Quality Committee, University Health Network
 - Dr. Michael Baker, Provincial Lead, Patient Safety, Physician-in- Chief, University Health Network
 - Ms. Ruthe-Anne Conyngham, Trustee, London Health Sciences Centre and Chair, Canadian Health Care Association
 - Mr. Kevin, Empey, President and CEO, Lakeridge Health
 - Mr. David Leslie, Chair, Board of Directors, Sunnybrook Health Sciences Centre
 - Mr. David Jackson, Vice-Chair, Board of Directors and Chair, Business and Human Resources Committee, Sunnybrook Health Sciences Centre
 - Dr. Barry McLellan, President and CEO, Sunnybrook Health Sciences Centre
 - Dr. Keith Rose, Executive Vice-President, Chief Medical Executive,, Sunnybrook Health Sciences Centre
 - Michael Young, Executive Vice-President, Sunnybrook Health Sciences Centre
 - Dr. Tom Williams, Principal Queen’s University
 - Dr. Vivek Goel, Ontario Agency for Health Protection and Promotion, former Vice-President and Provost, University of Toronto
 - Ms. Georgina Thompson, Chair, Southeast LHIN Board of Directors
 - Mr. Paul Huras, CEO, Southeast LHIN
- The Principal of Queen’s University - Tom Williams
- The Dean of the Faculty of Health Sciences – Dr. David Walker
- Kingston Area Advisors: The Honourable John Gerretsen, MPP; Senator Hugh Segal; Dr. John Marshall and Dr. Duncan Sinclair

And finally, all of the staff and employees of KGH who kept focused on delivering quality care throughout the period of uncertainty.

List of Acronyms

Following is a summary of the acronyms used throughout this report:

ALC	Alternate Level of Care
AFP	Alternate Funding Plan
CEO	Chief Executive Officer
COO	Chief Operating Officer
COS	Chief of Staff
HDH	Hotel Dieu Hospital
KGH	Kingston General Hospital
LOS	Length of Stay
PIP	Performance Improvement Plan
SEAMO	Southeastern Ontario Academic Medical Organization
SELHIN	Southeast Local Health Integration Network
SMT	Senior Management Team

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Highlights of the Report

Background & Context

On June 17, 2008, I submitted the *Report of the Investigator* (“Investigators Report”) to the then-Minister of Health and Long-Term Care, The Honourable George Smitherman.¹ The Investigators Report recommended the appointment of a Supervisor for Kingston General Hospital (KGH).² This recommendation was prompted by serious concerns that emerged during my review as Investigator with respect to the failure of the hospital’s Board and Senior Management Team (SMT) to address growing access issues (particularly with respect to the Emergency Department (ED and surgery) while simultaneously attempting to manage large and growing annual operating deficits. These issues were in danger of compromising the care of residents in the region and creating unmanageable debt obligations to both the bank and the Southeast LHIN (SELHIN).

The Minister accepted the recommendations included in the Investigator’s Report and subsequently appointed me as Supervisor by Order-in Council on July 9, 2008. The Terms of Reference³ guiding my work focused on overseeing the implementation of the recommendations related to governance and management of the hospital as set-forth in the Investigator’s Report.

From the outset, it was evident that positioning the hospital to reach its potential and address its growing debt would require significant change at a number of levels: governance, financial, management, operational and cultural. As a result, the major focus of my role as Supervisor was to position KGH with a strong board and management team to build the future vision of KGH and strengthen its contribution to the health of the people of the Southeast Region by enhancing its role as a quality provider of acute care in an academic, tertiary setting. A major challenge impacting on the task was the need to address the issue of low staff morale that was pervasive

¹ *Investigation into the Governance and Management of Kingston General Hospital*, Report Submitted to The Honourable George Smitherman, Minister of Health and Long-Term Care by Graham Scott, Investigator, June 16, 2008

² See Appendix A for the recommendations included in the Investigators Report

³ See Appendix B for the Terms of Reference guiding the review by the Supervisor

throughout the organization. Addressing this issue would require a series of actions focused on rebuilding the entire management structure, encouraging stronger teamwork within the organization, and supporting the need for greater autonomy among mid-level management to allow for enhanced creativity and advancement of leadership opportunities. Without initiating a fundamental change in culture within the organization it would be virtually impossible to address the need for financial recovery and the opening up of new opportunities to permit a proud institution to excel.

With respect to renewal of the governance structure, the key priorities were to:

- Replace the CEO and establish a selection process for recruitment of a new CEO
- Change the status and role of the Board to an Advisory body and utilize this group to oversee and support a major governance renewal process
- Update the By-laws and Affiliation Agreement with Queen's University
- Review the *Governors of the Kingston Hospital Act* in the context of changing expectations of hospital accountability
- Establish a Selection Committee to select a new Board Chair for the Advisory Board (and subsequently the Board of KGH)
- Involve the new Board Chair in the Nominations Committee to fill the vacancies on the Advisory Board
- Involve the new Board members in the process of beginning the governance orientation and renewal process as an essential prerequisite to returning governance authority to the Advisory Board
- Develop a constructive relationship between the hospital and the SELHIN
- Carry-out a search for an Interim COS in response to the retirement of the former Chief

With respect to addressing shortcomings at the management, operational and cultural levels the priorities were to:

- Appoint an interim executive management leadership team
- Immediately commence a process to establish financial stability within the organization
- Seek 'quick solutions' to address urgent access problems arising from ED back-ups, redirection of critical cases, high levels of cancellation of elective surgical cases, greater than

average lengths of stay (LOS) for acute care, and excessively high numbers of alternate level of care (ALC) days.

- Select a search firm for recruitment of a new CEO and a Senior Vice President (People Services and Organizational Effectiveness)
- Establish a team to begin work on the development of the Performance Improvement Plan (PIP) and a management structure to support it
- Develop a PIP to allow KGH to balance its budget
- Begin the process of establishing financial stability within the organization
- Address clinical performance issues impacting the ED, LOS, ALC, and other clinical issues, and
- Develop a constructive relationship between the hospital and the SELHIN

Chronological Overview of Key Developments & Milestones

There are 10 sections in this report. Section 1 provides an overview of the mandate and term of reference guiding the work of the Supervisor. Sections 2 to 10 describe the key tasks addressed by the Supervisor and include a high level overview of the key developments and milestones associated with the tasks as well as some of the challenges and lessons learned.

Report Sections (Key Tasks)	Key Developments & Milestones
2 - Establishment of the Advisory Board & Initiation of a Process of Governance Renewal	<p>ADVISORY BOARD</p> <ul style="list-style-type: none"> ▪ Meeting with KGH Board of Directors to advise that the Supervisor would be assuming the powers of the Board (July 9, 2008). ▪ Confirmation of the commitment of the members of the KGH Board to continue to serve as an Advisory Board to the Supervisor and engage in a process of governance renewal. ▪ Establishment of a Selection Committee in accordance with the formula outlined in the Report of the Investigator to appoint a Chair of the Advisory Board (August 2008). ▪ Selection of a governance facilitator by the Advisory Board to coordinate the Board Orientation and Governance Renewal process (August 2008) <p>GOVERNANCE RENEWAL</p> <ul style="list-style-type: none"> ▪ Interviews with members of the Advisory Board (Aug 2008)

Report Sections (Key Tasks)	Key Developments & Milestones
3 - The Governors of Kingston General Act and Corporate By-Laws	<ul style="list-style-type: none"> ▪ Establishment of Nominations Committee (reconstituted Board Chair Selection Committee) and initiation of a public and widely advertised recruitment process for five (5) new Directors (mid-September 2008) ▪ Governance Renewal (Component 1) - Appointment by the Supervisor of five new Directors (October 9, 2008) ▪ Governance Renewal (Component 2) - Implementation of an Orientation Program for the full Board of Directors ▪ Governance Renewal (Component 3) - Establishment of a Governance Renewal Task Force (October 2008) ▪ Post- Supervision development of Board policies and processes. ▪ Supervisor appoints members of the Advisory Board as the Directors of the hospital with full governance responsibility (February 2009) ▪ Alignment of corporation's legal status with the accountability of the Board (January 2009) ▪ Advisory Board approves the Administrative and Professional Bylaws and clarifies the voting/ non-voting rights respecting a two-tiered corporate membership structure (February 2009)
4 - CEO Search Process	<ul style="list-style-type: none"> ▪ Selection of an Executive Search Firm (September 2008) ▪ Establishment of a Search Committee (October 2008) ▪ Exploration of the possibility of recruiting a joint CEO for the KGH/HDH (November 2008) ▪ Appointment of the new CEO (January 2009)
5 - Establishment of New Management Direction	<ul style="list-style-type: none"> ▪ Appointment of an Interim CEO (July 9, 2008) ▪ SMT invited to remain in place on a performance basis ▪ Interim CEO takes immediate steps to contain costs and initiate the development of a PIP (July 2008) ▪ Actions to address staff morale ▪ Review of clinical services/ clinical efficiencies ▪ Appointment of an Interim Chief Operating Officer

Report Sections (Key Tasks)	Key Developments & Milestones
6 – Appointment of an Interim Chief of Staff (COS)	<ul style="list-style-type: none"> ▪ Engaging medical staff in the process of recruiting an Interim Chief of Staff ▪ Initiation of a search process for recruitment of an Interim Chief of Staff (early October 2008) ▪ Understanding dual roles being performed by the Interim Chief of Staff. ▪ Participation of the Interim COS and medical leadership in the PIP process
7 – Addressing Patient Flow as a Priority Issue	<ul style="list-style-type: none"> ▪ Strengthening utilization management
8 – Development of a Performance Improvement Plan (PIP)	<ul style="list-style-type: none"> ▪ Restrictions on discretionary spending and hiring ▪ Development of a plan for fiscal restraint ▪ Engagement of outside assistance to support the SMT in the development of the PIP ▪ Development and approval of the PIP (November 2008) ▪ SELHIN grants approval in principle for the PIP (Dec 2008) ▪ PIP includes a target for a balanced budget in FY 2012/13
9 – Financial Recovery & Assistance	<ul style="list-style-type: none"> ▪ Achieving savings through operational efficiencies ▪ MOHLTC and the SELHIN provide KGH with additional incremental base funding (in accordance with the <i>Report of the Investigator</i>)
10 – Queen’s University & SEAMO	<ul style="list-style-type: none"> ▪ Board renewal process clarifies the governance relationship expectations of the ex-officio representative of the Principal of the Board. ▪ Affiliation Agreement between Queen’s and KGH amended to strengthen the accountability of the Board of KGH in overseeing the hospital’s operations (Dec 2008) ▪ Recommendation to investigate and pursue alignment with respect to the interest of the hospital and SEAMO at a later date

Concluding Comments

KGH is a hospital that has rallied to address change, embrace opportunities to provide better quality patient care, and make the organization a better place to work. New leadership and an emerging culture of teamwork are beginning to create new opportunities for the organization to excel in the future. While changes are occurring, it is important to recognize that the challenges facing KGH continue to be considerable.

Although it is impossible to address all the issues that have built-up at KGH over several years in a short period of time, there remain some critical issues that must be addressed and monitored closely to ensure that continued progress is achieved in accordance with the PIP. These issues include:

- Addressing the organization's debt which will require thoughtful monitoring by the hospital, the SELHIN and the MOHLTC,
- Rebuilding the management infrastructure,
- Improving overall management practices and management autonomy within the organization,
- Addressing the need for cultural change required by both management and staff in working together to establish modern clinical utilization practices and achieve greater accountability in reporting and accountability structures, and
- The development of mutual respect between the Board and the CEO essential for both to successfully address their accountabilities.

There is great confidence that KGH is well-positioned to succeed in addressing these challenges. The potential of the hospital to succeed, however, will require the continued efforts and commitment of:

- The Board Chair who has worked long and hard to build an effective governance team within the Board and to ensure a strong and mutually supportive relationship between the Board, the new CEO and SMT,
- The members of the Board who – having dedicated long hours on Board orientation and governance renewal throughout the supervisory period – must continue to be diligent in

demonstrating their governance accountability and responsibility for the operation and future sustainability of the hospital,

- The CEO and SMT who must provide strong leadership and direction to address the immediate and long-term challenges facing the hospital while respecting the crucial oversight role of the Board of Directors,
- The COS and physician leadership within the hospital who have worked together to address problems impacting on patient flow,
- Members of the SMT who rallied to meet the new requirements,
- Managers who welcomed change and contributed to the process of change, and
- Front-line staff who, regardless of the uncertainty arising from the supervision and the PIP, continued to focus on providing quality care for their patients.

It is important to acknowledge that while the advice contained in the *Report from the Investigator* with respect to the need for additional financial resources was “in the ball park,” it is difficult to determine whether the recommendations are fully comprehensive. The lack of available and/or reliable metrics to assess issues related to efficiency and effectiveness within the organization required a reliance on “best practice” experiences in other comparable academic facilities. Performance benchmarks within these organizations formed the basis for the development of the PIP. Therefore, it is crucial that the SEHIN work closely with the Board and SMT to monitor progress, to support the hospital in building and maintaining the technology important to KGH as a major teaching hospital, to ensure that key challenges that emerge during the renewal process are addressed and to monitor and (if essential) help redress the serious burden created by the hospital’s substantial debt.

It is hoped that the KGH experience provides a strong signal to all hospital leaders that harbour the belief that “debt relief” can be achieved through appointment of a Supervisor. A Supervisor’s job is to ensure that the hospital can continue to meet its obligations to the community. It is not the Supervisor's duty to resolve and heal all the hospital’s “self-inflicted” wounds.

It is the responsibility of Hospital Boards and Management to do what they were appointed to do: govern and manage. This includes managing issues related to their financial risk by adhering to the principles of strong governance and accountability and using these principles as the vehicle to maintain the financial integrity of the hospital.

While significant financial hurdles remain and ongoing culture change is required to ensure administrative and clinical accountability, there is a growing confidence that KGH and Queen's University will work together to build a strong and unique vision for the future.

Section 1: Mandate of the Supervisor

As Supervisor, my primary task was to address the issues raised in the Report of the Investigator to achieve the goal of positioning KGH with a strong board and management team to build the future vision of KGH, and strengthen its contribution to the health of the people of the Southeast Region by enhancing its role as a quality provider of acute care in an academic, tertiary setting

Achieving this goal required:

- Replacement of the CEO and establishment of a selection process for the new CEO
- Changing the role of the Board to that of an advisory body as the first step in initiating a major governance renewal process
- Reviewing the *Governors of the Kingston Hospital Act* in the context of accountability
- Updating the By-laws and Affiliation Agreement with Queen's University
- Development of a Performance Improvement Plan (PIP) to balance the budget of KGH
- Beginning the process of establishing financial stability within the organization
- Addressing clinical performance issues impacting the ED, surgery, LOS, ALC, and other clinical issues, and
- Developing a constructive relationship between the hospital and the LHIN

Rebuilding the basics of good governance and management was essential to achieving all of these tasks. The process of 'rebuilding' involved two key steps:

1. **Strengthening the essentials of good board governance to lay a foundation for establishment of a new board to effectively govern the hospital.** Key steps included:

- Selecting a new Board Chair
- Recruiting new members on a skills basis to fill vacancies on the Board, and
- Initiating a process at the Board level to develop a shared sense of governance roles and responsibilities

2. Beginning the process of cultural change required to rebuild the leadership culture and cultivate an environment that values teamwork and a shared sense of accountability for the delivery of quality patient care in a fiscally responsible manner. Key steps included:

- Putting in place experienced interim leadership
- Assessing the existing strengths and weaknesses in the management and operation of KGH
- Developing a realistic PIP to help provide greater financial stability for KGH into the future, and
- Building the confidence and morale of the staff and employees of the hospital.

Section 2: Establishment of the Advisory Board & Initiation of a Process of Governance Renewal

Advisory Board

PURPOSE/RATIONALE

The *Report of the Investigator* addressed a number of governance challenges within the KGH Board and made a series of recommendations for a governance renewal process to assist the Board in fulfilling its accountabilities and responsibilities and strengthening its governance structures and processes to ensure improved performance in the future.

Changing the role of the Board to an Advisory Board was an important first step in the governance renewal process. This Advisory Board needed to be positioned to perform as if it was the legal board under the oversight of the Supervisor. Its role was to:

- Consider all major issues as a corporate board, make decisions on these issues and submit recommendations to the Supervisor for action.
- Provide oversight with respect to corporate management and be free to question the actions of the Supervisor.

KEY STEPS IN THE PROCESS

- **Meeting with KGH Board of Directors to advise that the Supervisor would be assuming the powers of the Board (July 9, 2008).**
- **Confirmation of the commitment of the members of the KGH Board to continue to serve as an Advisory Board to the Supervisor and engage in a process of governance renewal.** The remaining Directors at the time of Supervision agreed to serve on the Advisory Board and committed to participate in a governance renewal process and to accept the responsibilities of the new Board at the end of the Supervision.
- **Establishment of a Selection Committee in accordance with the formula outlined in the *Report of the Investigator* to appoint a Chair of the Advisory Board (August 2008).**⁴ The process was chaired by the Supervisor. The committee consisted of five members including: The Supervisor (Chair), one Board member (the outgoing Chair, Linda Ann Daly), the current Chair of the KGH Board of Governors Nominating Committee (John Hudson), and two members from the community at large (Toby Abramsky and Chris McIlwain). The Committee considered a number of potential candidates, and in early August selected Bill Richard, a member of the Advisory Board. Bill Richard was highly qualified with a strong background of leadership.
- **Selection of a governance facilitator by the Advisory Board to coordinate the board orientation and governance renewal process (August 2008):** This process occurred in parallel with the Chair Selection process and was led by the former Board Chair of KGH (Linda Ann Daly) who conducted a due diligence process on behalf of the Advisory Board. The Advisory Board selected Maureen Quigley, Maureen Quigley & Associates Inc. to lead the Board Orientation and Governance Renewal process.

⁴ The term of the previous Board Chair, Linda Ann Daly, had expired.

Governance Renewal

PURPOSE/RATIONALE

To initiate and engage members of the Advisory Board in governance renewal process.

KEY STEPS IN THE PROCESS

The governance renewal process took place between August 2008 and February 2009 and included the following components:

- **Interviews with members of the Advisory Board (August 2008):** The Board Chair and governance facilitator conducted interviews with all elected members of the Advisory Board to confirm their interest in continuing to serve on the Board of Directors, obtain their advice on the priority skill sets for the selection of new Directors to fill vacancies on the Board, and solicit their perspectives on key priorities to be addressed in the governance renewal process.
- **Establishment of Nominations Committee (reconstituted Board Chair Selection Committee) and initiation of a public and widely advertised recruitment process for five (5) new Directors.**
- **Involvement of the new Board members in a governance orientation and renewal process:** This was viewed as an essential prerequisite to returning governance authority to the Advisory Board. Key components of the governance renewal process included the following:

Component 1 - Appointment by the Supervisor of five new Directors (October 9, 2008): Arising from the Board vacancies which were not filled in June 2008, due to the Appointment of a Supervisor, on the recommendation of the Advisory Board the Board Chair Selection Committee was reconstituted as the Nominations Committee to initiate a public and widely advertised recruitment process for five (5) new Directors (mid-September 2008): This process was based on new Guidelines for Selection of Directors that were approved by the Advisory Board. Candidates from across the Southeast LHIN region were encouraged to apply, in light of the role of KGH as the major tertiary referral and Academic Health Sciences Centre for the region. The Nominations

Committee consisted of the same individuals as the Committee that selected the Chair except that in this instance the Advisory Board was represented by the new Chair.

Component 2 - Implementation of an orientation program for the full Board of Directors (October 24-25 and November 21-22, 2008): The orientation program was organized in two modules and was designed to address the priority governance issues arising from the Report of the Investigator and the core roles and responsibilities of the Board of Directors. The program was designed and facilitated by the governance facilitator and addressed each of the Board's responsibilities. The program faculty included peer Board and senior Executive leaders from other academic health science centres in Ontario and a large community hospital, The faculty also included the Board Chair and CEO of the SELHIN and the President of Queen's University and former Vice-Provost of the University of Toronto.

The Boards of Directors of Hotel Dieu Hospital and Providence Care were invited to participate in the second module (November 21-22) in order to share the learning experience and begin a dialogue on opportunities for greater interaction among the three organizations. The feedback provided by all of the participants in the orientation program was very positive.

Component 3 - Establishment of a Governance Renewal Task Force (October 2008): On the recommendation of the Advisory Board, the Supervisor appointed a Governance Renewal Task Force. Membership of the Task Force included the Board Chair and four additional Directors. The mandate of the Task Force was to develop a new Governance Policy Framework and new Administrative By law. The Task Force was supported by the Governance Facilitator and the Board Secretary. From October 2008 - February 2009, the Task Force developed recommendations for approval by the Advisory Board and Supervisor with respect to:

- Principles of Governance and Board Accountability
- Roles and Responsibilities of the Board and of individual Elected and Ex-officio Directors
- Size and composition of the Board of Directors
- Term of office of elected Directors

- Position description of Board Officers and Committee Chairs
- Board Standing and Ad Hoc Committees
- Corporate Membership.

As a result of the recommendations of the Governance Renewal Task Force the KGH By-law was amended significantly including:

- Establishment of Principles of Governance and Board Accountability to align with changing expectations of the accountability of hospital Boards and best practice in hospital and not-for profit governance;
 - Reduction in the size of the Board to 19 including 12 elected and 7 ex-officio Directors; and
 - Restructuring the corporate membership to include the Board of Directors as voting members and the Governors Advisory Council as non-voting advisory members.
- **Post-Supervision development of Board policies and processes:** Following the completion of the Supervision on February 19, 2009, the Governance Renewal Task Force transitioned to the Governance Committee of the Board of Directors. The Governance Committee is currently overseeing the preparation and review of the Board of Directors Policy Manual and the implementation of the new Board agenda structure and reporting processes.
 - **Supervisor appoints members of the Advisory Board as the Directors of the hospital with full governance responsibility (February 2009):** These appointments were made in accordance with the recommendations in the Report of the Investigator following appointment of the new CEO, completion of the Governance Policy Framework, and amendments to the provincial legislation and new by-law governing the hospital.

CHALLENGES & LESSONS LEARNED

- **Appointment of the Advisory Board:** In the seven-month period of supervision, in their new capacity as an Advisory Board, the Board of Directors was challenged to both fulfill its governance and oversight responsibilities of the hospital (acting in an advisory capacity to the Supervisor) while simultaneously immersing itself in a governance renewal process.

- **Commitment of the Advisory Board:** While the KGH Board of Directors was clearly challenged by the governance recommendations in the Report of the Investigator and the governance renewal process introduced by the Supervisor, they responded extremely positively to the governance renewal process and contributed significant personal time and commitment over a six-month period to ensure the success of the governance renewal process and the re-instatement of their full responsibilities as a Board of Directors in February 2009.
- **Recruitment of new Directors:** The recruitment of five new Directors afforded an important opportunity to renew the Board of Directors itself and balance the established skills and expertise with new perspectives, skills and expertise including a greater focus on the broader regional role of KGH within the SELHIN
- **Board of Directors Orientation Program:** A highlight of the governance renewal process was the Board of Directors Orientation Program. The major strength of the program was the opportunity for Board members to learn from and interact with their peers who (in their capacity as Board and senior executive leaders in other Academic Health Science Centres) had faced many of the same challenges that were confronting the KGH Board and its leadership team. There was also significant appreciation for the relationship which was established with the faculty members as a foundation for ongoing dialogue and peer support as required.
- **Introduction of a new corporate membership structure:** The alignment of the corporate membership structure with changing expectations of hospital governance and accountability is a challenge facing many Ontario hospitals. As in the case of other recent Supervisions, the governance renewal process at KGH afforded the opportunity to introduce a new corporate membership structure which ensures appropriate mechanisms for engaging the community in the planning and priority setting process, while ensuring that the Board of Directors has the legal authority and stability to fulfill its increasingly challenging accountabilities and responsibilities.
- **Focus on governance renewal:** Supervision affords the opportunity for focussed resources and attention to governance renewal which is often not a priority for Ontario hospitals given competing demands on Board time and hospital resources. However, there is a significant opportunity for the Ministry of Health and Long-Term Care and the Ontario

Hospital Association to be proactive in sharing the lessons learned and evolving governance structures and processes arising from KGH and other hospital supervisions to advance and support governance excellence in Ontario hospitals.

Section 3: The Governors of Kingston Act and Corporate By-Laws

PURPOSE/RATIONALE

KGH was incorporated through legislation and was operating under the Governors of the Kingston Act which was passed over a century ago and was inconsistent with current expectations of governance and accountability.⁵ The original legislation and the original building dated back to 1837 constituted a matter of both historical significance and pride. However, as it turned out, it was also a source of confusion particularly with regard to governance and accountability. KGH was governed by Governors who constituted the membership of the hospital, elected the Directors and possessed authority that impacted on the governance authority of the Board. The roles of the Governors and the members of the KGH Board were more intertwined than hospitals governed by the *Corporations Act* and the *Public Hospitals Act*.

Experience across Ontario in recent years has shown that Board-initiated changes to hospital corporate membership structures to limit the authority of the members to better align with current expectations of Board accountability, have often been extremely controversial and difficult to achieve. As previously noted, it is important to note that in absence of enabling provincial legislation or policy direction, this change to a two-tiered corporate membership structure of voting and advisory (non-voting), which is similar to that which was implemented at Stevenson Memorial Hospital and the Scarborough General Hospital, was only possible to achieve as a result of authority of Supervision.

KEY STEPS IN THE PROCESS

- **Alignment of corporation's legal status with the accountability of the Board (January 2009):** In January 2009, the Supervisor applied for Letters Patent for Continuation for KGH

⁵ KGH had been operating under the Governors of the Kingston Act which was both old and inconsistent with current expectations of accountability.

to address the need to have the corporation's legal status properly aligned with the accountability of the Board. The Letters Patent for Continuation were subsequently issued in February continuing KGH under the Corporations Act, adjusting the Objects and changing the name from The Governors of the Kingston Hospital to Kingston General Hospital.

- **Advisory Board approves the Administrative and Professional Bylaws and clarifies the voting/non-voting rights respecting a two tiered corporate membership structure (February 2009):** As a result of the governance renewal process the Administrative by-laws were updated to contemporary standards based on the Governance Policy Framework approved by the Advisory Board. In parallel the Professional by-laws were updated to take into account recent changes recommended by the College of Physicians & Surgeons of Ontario and the Ontario Medical Association as well as to reflect the accountability requirements of the Board. In addition, arising from the recommendations of the Governance Renewal Task Force respecting a new two-tiered corporate membership structure with the Board of Directors as the only voting members of the Corporation, the Governors were continued as the Governors Advisory Council which now are non-voting membership of KGH. While they are not entitled to vote for the Board of Directors or amendments to the By-law or letters patent, they are entitled to the other rights of members under the Corporations Act. In addition, as Advisory members, they are entitled to more extensive reporting from the Board of KGH and to apply for positions on the Nominations Sub-Committee and several other Board Standing Committees.

Section 4: CEO Search Process

PURPOSE/RATIONALE

The appointment of a suitably qualified and credible Interim CEO was an essential step in regaining the confidence of the hospital community. The Report of the Investigator had been critical of the performance of senior leadership. It was important that staff and physicians understood that there would be no hiatus in providing strong leadership to begin the process of setting a new course to address shortcomings and improve the internal operations of the hospital.

KEY STEPS IN THE PROCESS

- **Selection of an Executive Search Firm:** Prior to the selection of the Advisory Board Chair, a Request for Proposal was issued in late July for an executive search firm to assist in recruitment of a new CEO. Promeus was selected and work commenced immediately on the draft position profile.
- **Establishment of a Search Committee:** Once the Advisory Board Chair was in place, the Supervisor established a search committee (August 2008). Shortly after the work of the committee began, the Supervisor asked the Advisory Board Chair to replace him as chair of the Search Committee. The Supervisor continued to participate as a member of the committee. The Committee, working with the search consultants and with regular updates to the Advisory Board, completed the position profile and commenced the consideration of the long list and worked on the development of a short list of candidates. In parallel with the basic search work a sub-committee was established to investigate the marketplace experience in establishing salary and remuneration packages for CEOs of hospitals comparable to in size and complexity to KGH.
- **Exploration of the possibility to recruit a joint CEO for the KGH/HDH:** As the Committee neared the development of the short list of candidates, the Hotel Dieu Hospital (HDH) announced the retirement of its long serving CEO. Given the degree of integration between the hospitals, the desire to minimize some of the operational issues between the two hospitals and the potential to strengthen service to the region, the Committee viewed this as an opportunity to open the door to the joint exploration of a shared CEO. While a decision to engage HDH as a partner would delay the process given that the Committee membership and the CEO job description would have to be altered (as a minimum) – the delay was deemed to be warranted given the possibility that the outcome would result in greater coordination and cooperation between the two organizations in pursuit of better service to patients. While considerable medical integration already existed as well as some limited shared administrative activities between the two organizations, there remained many operational issues that the Committee thought could be better addressed through recruitment of a shared CEO between the two independently governed hospitals. This perspective was shared by the joint medical staff as was evidenced by a Medical Advisory

Committee resolution urging the two hospitals to select a single CEO. The Chair of the Advisory Board wrote to the Chair of the HDH inviting their Board to discuss with KGH the possibility of a joint CEO. The Board Chair of the Hotel Dieu immediately responded confirming that the hospital was not prepared to pursue any discussions on this matter. Consequently any joint CEO initiative between the two hospitals was unable to be pursued and the Committee returned to the work of finding a KGH CEO.

- **Appointment of the new CEO:** The Committee interviewed a number of candidates (December 2008) and submitted a recommendation to the Advisory Board in early January 2009. The recommendation of the Committee was subsequently approved. Leslee Thompson was appointed as the new President & CEO effective February 16, 2009.

CHALLENGES & LESSONS LEARNED

- **Resignation of the CEO of HDH:** The decision to invite the HDH to participate in a joint process to recruit a common CEO for the two hospitals was a key challenge that emerged. It delayed the process, consumed a tremendous amount of time and generated energy and emotion among members of the Advisory Board, management and employees participating in the renewal process. Given the historical position of HDH, it could be argued that the offer had little chance of success. Nonetheless, the idea was pursued as it was seen by KGH as providing an opportunity to enhance patient care and service.
- **Establishment of a subcommittee to conduct a market survey of salaries and benefits:** The salary and benefit package for hospital CEOs are often a matter of local controversy that can prove damaging to a new Board. Consequently, it was essential for the Board to undertake a comprehensive market survey of salaries and benefits in comparable hospitals to substantiate the compensation established for the recruitment of the new President and CEO.

Section 5: Establishment of New Management Direction

PURPOSE/RATIONALE

The management challenges were of prime importance. The need to more fully assess the issues facing the hospital and to develop a Performance Improvement Plan (PIP) to guide future change spoke to the desirability of having an effective senior management structure in place. The willingness of the existing management team to actively and enthusiastically cooperate was critical. Appointment of a strong Interim CEO was critical to being able to assess and develop/support the senior team to begin the changes necessary to address these pressing issues while building quickly on the desire for change.

KEY STEPS IN THE PROCESS

- **Appointment of an Interim CEO:** On July 9, 2008, the Supervisor advised the Board of the appointment of Janet Davidson, CEO of Trillium Health Centre (Mississauga) as the Interim CEO of KGH effective July 23, 2008. The appointment of an experienced leader as an Interim CEO for KGH was an important signal of change. The hospital had to see the Interim CEO as a leader who not only represented change, but radiated confidence that she could and would set a strong, clear and engaging new course for the hospital. Ms. Davidson brought a record of solid achievement in hospital leadership, including significant experience in academic medical centres. She knew the hospital from her advisory work to the Investigator, understood the essentials of an academic health science centre, and thanks to the generosity of the Board at Trillium Health Centre (Mississauga), was available on a part-time basis to establish the new management direction.
- **SMT invited to remain in place on a performance basis:** Ms Davidson's open and inclusive management style coupled with her decision to place all current management on a performance basis had an instant and positive impact in stabilizing and reenergising the management environment.
- **Interim CEO takes immediate steps to contain costs and initiate development of a PIP (July 2008):** Together, the Interim CEO and the Supervisor immediately commenced the process of meeting with those most responsible for the effective operation of the hospital – Department Heads, Program Medical Directors, and Program Operational Directors – and

in parallel, began holding town hall meetings for all staff to ensure that there was widespread understanding of the goals and expected outcomes related to the Supervisor's work, as well as providing an opportunity for people to ask questions. This process confirmed the desire and enthusiasm across the organization to embrace change provided that change opened the door to greater employee and staff involvement and impacted positively on the work of the hospital. Early engagement of staff did much to dispel any doubt that the Supervisor, the Advisory Board and the SMT were committed to undertaking real and meaningful change.

- **Actions to address staff morale:** People are central to a hospital's ability to deliver on its mission and the evidence is clear that people, who feel valued, provide better quality service. The most challenging issue was the low level of employee and staff morale and how to go about improving it. As a first step, the creation of a new Senior Vice President -- People Services and Organizational Effectiveness was announced. At the same time, an Advisory Group was established, involving staff from across the organization to advise on immediate steps that could be implemented to improve job satisfaction and employee morale. This Committee made four recommendations, all of which were implemented. In addition, the Interim CEO held numerous meetings with groups of staff as well as individual staff members in an effort to listen to their concerns and reinforce the understanding that management cared about them and valued their contributions.
- **Review of clinical services/ clinical efficiencies:** The Senior Vice President, Patient Care and Chief Nurse Executive (Eleanor Rivoire) was asked to begin a review of the organization of clinical services guided by testing and examining concepts successfully employed at other comparable hospitals. She later teamed with David Zelt the Interim Chief of Staff in pursuing clinical organization improvement opportunities. Consulting support from Corpus Sanchez International (CSI) was provided to assist with these activities.
- **Appointment of an Interim Chief Operating Officer (COO):** Following the successful completion of the PIP and its submission to the SELHIN the Senior Vice President Corporate Services indicated his intention to resign. After careful consideration, the Interim CEO recommended the appointment of an Interim COO with substantial experience in hospital and financial management to provide general oversight to corporate and financial services

and to specifically ensure that the PIP implementation moved ahead as planned. The appointment of someone to this position on an interim basis would also afford the new CEO, after her arrival, time to build her own team for the future. The decision to appoint an interim COO was quickly advanced and John McGarry, a chartered accountant and a former CEO of the River Valley Health Authority in New Brunswick, was appointed. Mr. McGarry commenced his duties on January 5, 2009. He subsequently assumed the position of Interim CEO until the arrival of the new CEO in February. Throughout the term of the Interim CEO and until the appointment of the Interim COO, Eleanor Rivoire ably served as Acting CEO in the absence of the Interim CEO.

CHALLENGES & LESSONS LEARNED

- **Expediting change at the SMT:** While the Interim CEO could set the tone and provide leadership and direction, the importance of engaging the SMT was critical in establishing stability and beginning the process of transformation.
- **Lack of an integrated and effective accountability framework:** The lack of an accountability framework for management that clearly identified the expectation for ongoing performance monitoring and improvement with respect to both quality and cost efficiency was a major challenge to be addressed. The failure to make effective use of the existing information management system combined with the lack of a meaningful accountability chain throughout the hospital management structure were key weaknesses in addressing reform of the system. This gap necessitated a reliance on broad performance indicators from comparable hospitals to assess the untapped potential in KGH management. Strengthening the management chain within the hospital was critical to support decision-making, provide feedback and guidance on financial challenges and opportunities, and develop benchmarks to encourage and incent management to implement changes to enhance efficiency and performance.

Section 6: Appointment of an Interim Chief of Staff

PURPOSE/RATIONALE

In September 2008, after many years of dedicated service, the Chief of Staff (COS), Dr. Munt advised of his intention to retire from management and return to clinical practice. Dr. Munt had served as Chief of Staff for seven years and was highly respected for his dedication to the hospital. As the Chief of Staff position was crucial to addressing many of the issues confronting KGH his immediate replacement was a priority. However, the appointment of an Interim Chief was necessary as the appointment of a permanent chief should await the appointment of the permanent CEO.

KEY STEPS IN THE PROCESS

- **Engaging medical staff in the process to recruit an Interim Chief of Staff:** The Supervisor met with the Department Heads and Program Medical Directors to discuss the situation and to outline his principal expectations. They were extremely helpful in their advice and expressed determination to support the choice of the Interim COS Selection Committee in carrying out the task particularly given the interim nature of the position and the pressure that would put on the appointee to address the issues of utilization and clinical management while maintaining his practice.
- **Initiating a search process to recruit an Interim Chief of Staff (early October 2008):** A search process was immediately established and from some highly qualified candidates Dr. David Zelt, a vascular surgeon, was selected. One of the immediate priorities was to re-establish the utilization committee and take action to improve patient flow. The hospital had been plagued with huge backups in the Emergency Department, unacceptable levels of cancelled elective surgery and high occupancy of ALC patients. This situation was putting unreasonable pressure on the Emergency staff, surgeons and other operating room staff and obviously impacted the quality and flow of patient care. While these problems, particularly with regard to the impact of too many ALC patients, are not unique in the system there was confidence that improved processes could considerably ease these problems at KGH. Dr. Zelt with the cooperation of his colleagues made considerable progress that not only began to ease major issues of access to care but demonstrated that with focused leadership and

teamwork effective change could take place to improve quality of life for clinicians as well as patients.

- **Understanding the dual roles being performed by the COS:** It was important to establish the fact that the Interim COS had a dual role. He was responsible for reporting to the Board as per the traditional duties outlined in the *Public Hospitals Act* and also had a formal reporting relationship to the CEO on matters related to physician performance. This ‘dual’ role established clear accountability for the COS for overall management of patient care beyond physician credentialing and quality of care.
- **Participation of the Interim COS and medical leadership in the PIP process:** Dr. Zelt quickly became engaged in the PIP process and provided leadership in the development of the plan to ensure that there would be no reductions in patient services. He worked in tandem with Eleanor Rivoire to advance opportunities to better manage patient flow within the hospital and helped to foster improvements in team building within the SMT.

CHALLENGES & LESSONS LEARNED

- **Engagement of medical leadership:** The effective engagement of the Departmental Heads, Clinical Directors and Program Managers expedited the renewal necessary to address clinical challenges facing the hospital on a timely basis.
- **Recruiting a strong Interim Chief of Staff:** Recruiting an individual capable of commanding the respect and support of physician leadership within the hospital was fundamental to addressing issues related to patient flow.
- **Recognition of the dual roles performed by the single Chief of Staff** (as outlined above).

Section 7: Addressing Patient Flow as a Priority Issue

PURPOSE/RATIONALE

The Report of the Investigator included an in depth analysis of KGH's performance including a thorough examination of clinical performance indicators. The findings arising from this review suggested that the problems confronting the hospital were more related to ineffective utilization management practices (including issues related to bed management and patient flow) as opposed to an absolute shortage of acute care beds. ⁶ In particular, the report identified a high number of conservable days with regard to both acute care and ALC beds.

KEY STEPS IN THE PROCESS

- **Strengthening utilization management:** The Interim COS, the Department Heads, Clinical leaders and the Senior Vice President Clinical Services undertook the responsibility of addressing utilization issues and bed management as a priority. The result of this initiative had a powerful impact on patient flow and substantially relieved the problems that led to serious back-up in the ED, cancellation of scheduled surgeries and redirection of ambulances. This focus on "performance" was an extremely important aspect in the turn-around of the hospital. By working as a team and addressing comparative performance, the issue of access that had been front and centre at the hospital was largely eased without any significant cost implications (see Section 7 for more discussion of this issue). As KGH began the process of strengthening utilization management and more effectively using performance measures to manage operations, it was able to reduce inpatient days without impacting access or quality of patient care.

⁶ A major rationale used by the previous management to justify the operating deficit position of the hospital was the conviction that the hospital had a significant shortage of acute care beds that contributed to major ED delays as well as high rates of cancellation of scheduled surgeries. ED delays often resulted in the redirection of seriously ill patients to other hospitals; patients that should have been admitted to KGH not just because the hospital was best suited to care for these patients but also, because they were critical to advancing the hospital's teaching and research mandate. The view that there was insufficient funding was supported by the use of limited performance statistics which appeared to support the KGH view that they were efficient.

CHALLENGES & LESSONS LEARNED

- **Initiating quick change:** The need to implement rapid cycle improvement processes and adopt a 'can do' attitude to deal with immediate and pressing issues. Rebuilding the opportunity for Department heads and physician leaders to address back-ups in the ED, cancellation of surgeries, etc. Full involvement of the physician leadership and members of the SMT in addressing clinical utilization issues (i.e., patient flow, bed utilization/management, etc.) was essential to initiating quick change.

Section 8: Development of a Performance Improvement Plan

PURPOSE/RATIONALE

The development and implementation of a comprehensive PIP was not something that could be achieved quickly. However, it was clear that some level of immediate action was required to address issues related to the steadily accumulating operating deficit, growing long term debt and the deteriorating confidence and morale among staff.

KEY STEPS IN THE PROCESS

- **Restrictions on discretionary spending and hiring:** Budget restrictions on all discretionary spending and strict requirements around hiring were immediately implemented.
- **Development of a plan for fiscal restraint:** KGH ended FY 2007/08 with an operating deficit of \$10.8 million and a capital deficit of \$5.2 million, which included one-time funding of \$10.1 million not carried forward to fiscal 2008/09. At the beginning of FY 2008/09, the hospital had an overall deficit of \$31.5 million and a projected working capital deficit of approximately \$60 million. At the end of September 2008 the hospital had an operating deficit of \$10.1 million and a capital deficit of \$1.6 million with a projected FY 2008/09 deficit of \$22.3 million a \$4.8 million reduction attributable to cost savings and increases in efficiency achieved as a result of actions taken in year. The objective of developing a plan of fiscal restraint while building staff morale and confidence in the future is not a simple task. Fiscal responsibility was essential but to see it as the only goal would not have been of long-term value as it would not have created any enthusiasm for the change essential to building a new and exciting future for the hospital. Based on the investigation we believed that we

could meet the requirements of a balanced budget within a reasonable time period while avoiding cuts in patient care. As a consequence Janet Davidson set the goal of the PIP team to bring the hospital into balance without reductions in clinical service.

- **Engagement of outside assistance to support the SMT in the development of the PIP:** The SMT was encouraged to take advantage of the experience of leaders in other hospitals. The full engagement of KGH's previously underutilized information management and analysis capability played an important part in the development of the PIP. KGH did not, however, have the financial management structure essential to build a detailed PIP. Consequently, it became necessary to recruit outside assistance to build an experienced team to support staff with program and budgetary reviews and assessments and deliver a credible plan. In addition to the Senior Vice President Corporate Services (Bill Hart), two key outsiders were added with excellent knowledge in budgetary management and also in academic health science centres. Narendra Shah from the Mississauga Halton LHIN and Ralph Fernando from the Toronto East General Hospital provided considerable insight and assistance in development of the PIP. The plan involved comprehensive reviews of past consultants' reports, current and past operations, and analyses of clinical and financial performance and benchmarking.
- **Development and approval of the PIP (November 2008):** Under the direction of the Interim CEO, the Senior Vice President, Corporate Services and Chief Financial Officer (Bill Hart) with the assistance of the two external advisors, a small team was established to work on the development of the PIP. The team was supplemented by the addition of the Interim Chief of Staff (David Zelt) following his appointment. The Interim CEO provided the leadership and oversight in the development of the PIP and established some key parameters to guide its development, the most critical being that the PIP was to be developed in the basis that no reductions in clinical service to the public would be required. This principle was deemed to be critical in gaining support of staff, physicians and the public for the PIP. The Plan was presented to the Resources Committee of the Advisory Board and subsequently to the Advisory Board for approval. The PIP was approved and subsequently submitted to the LHIN on schedule at the end of November.

- **SELHIN grants approval in principle for the PIP (December 2008):** The PIP set a new direction for the hospital with a three-year time frame to bring the hospital to balance its budget for the end of FY 2012/13 while ensuring that there would be no clinical service reduction to the public. The PIP called for a \$27.3 million reduction from the previous operating plan and a \$2.6 million reduction from the previous capital deficit through a number of measures including new revenues, reductions in sick time and overtime, improving utilization (including LOS, closure of beds, and benchmarking of administrative and support departments). The PIP was successful in its objective of planning for a balanced budget without impacting on the quality of and access to patient care.⁷
- **PIP includes a target for a balanced budget in FY 2012/13:** Combined with the interim relief provided by the MOHLTC the PIP is expected to provide the hospital with the fundamentals to build a strong hospital going forward. The timeline to put the KGH in a “balanced budget: position in FY 2012/13 is reasonable but the detail on how it will be achieved will depend on the speed with which the changes in operational structure and clinical utilization can be effected. In addition, it is important to note that the hospital also has a number of remaining financial pressure points that need to be carefully managed. In particular:

 - Decreasing the bank line of credit to \$20m
 - Addressing issues related to the poor and deteriorating shape of the infrastructure which is currently demanding too high a proportion of the operating funds (with no opportunity to depreciate investments in this area)
 - Responding to equipment demands (a situation that is further complicated by the limited access to Foundation funding)
 - Limited financial flexibility to address the upfront costs for many of the improvements needed to advance hospital performance

While these pressures have been eased by the additional financial support provided by the LHIN and the Ministry there will be an ongoing need for the SELHIN to work with KGH as they bring the hospital into balance.

⁷ The PIP was submitted to the SELHIN.

CHALLENGES & LESSONS LEARNED

- **Lack of internal expertise in financial and operational management:** The lack of critical, in-depth and impartial internal expertise in financial and operational management requiring the need to solicit external expertise to support development of the PIP.
- **The lack of a robust accountability framework** that clearly identified performance expectations and associated timeframes.
- **Extensive reliance on broad performance indicators and performance of peer hospitals to identify opportunities to achieve greater efficiencies**
- **Rebuilding of the corporate management structure to effectively support implementation of the PIP.**

Section 9: Financial Recovery & Assistance

PURPOSE/RATIONALE

There is a prevailing view among many in Ontario's health care (hospital) system that the appointment of an Investigator, Supervisor or initiation of an Operational Review will inevitably result in an injection of "new cash." While there is some past evidence to support this view, it is unlikely that this will be contemplated as the 'solution' in the future. Simply put: there is little money (nor appetite) in the current economic climate to bail-out hospitals that 'under perform'.

KEY STEPS IN THE PROCESS

- **Achieving savings through operational efficiencies:** The immediate patient access problems at KGH were addressed without additional cost. The reality that it has been possible to realize some of the goals outlined in the PIP underlines the fact that the hospital had considerable potential to find savings through operational efficiencies that could have been used more creatively to strengthen the hospital and its service to the public without running up substantial debt. Thus, in retrospect it is clear that the hospital could have done more to address its access issues and, in doing so, been able to avoid some of the cost

drivers that have contributed to its large debt – a burden that will be a challenge for KGH to manage for a considerable period of time.

- **MOHLTC and the SELHIN provide KGH with additional incremental base funding (in accordance with the *Report of the Investigator*):** The recommendation by the Investigator to the MOHLTC and SE LHIN to provide KGH with an additional \$5M for its base budget and a \$15M one time payment was a necessary step to ensure financial and operational stability for KGH as it moved to fulfill its PIP and restructure its management and clinical practices for the future against a background of considerable debt. KGH's capital infrastructure had been neglected. This neglect was attributable, in part, to past delays in determining the future of KGH. Given the existing financial state of KGH...the catch up required simply was not realistic without interim support. For a teaching hospital it was also crucial that necessary equipment and technology be replaced and updated to allow the hospital to meet its basic service and academic commitments and provide it with some flexibility to meet its basic responsibilities. The hospital's financial health made it impossible for it to meet these obligations without the injection additional revenue from the Ministry and LHIN. The infusion of some new dollars gave the hospital room to progress but in no way relieved it of its burden of debt that – for the most part – may have been avoided.

CHALLENGES & LESSIONS LEARNED

- **Additional funding support from the Ministry:** There is a longstanding view among some in the hospital sector that appointment of a Supervisor is a small price to pay for securing additional hospital funding. While the recommendations of the Investigator resulted in the injection of new funding that was crucial to the ability of the hospital to sustain recovery, beyond that no additional financial support was provided leaving the hospital with the task of managing its considerable (self-imposed) debt. The appointment of a Supervisor may have provided the opportunity for some level of rejuvenation at KGH; however, through the process the hospital has suffered considerable upheaval in governance and management and remains with the legacy of a substantial debt.

- **The Burden of Debt:** The accumulated debt is the largest threat to the long-term stability of KGH. The debt is substantial and while possibly manageable while interest rates remain extremely low (and assuming the lender is prepared to carry it) it cannot be assumed that the hospital will be able to easily manage the debt from efficiencies derived from the PIP alone.

Section 10: Queen's University & SEAMO

PURPOSE/RATIONALE

To address the issues identified in the Report of the Investigator with respect to the relationship between KGH and Queen's University and SEAMO. The relationship between a teaching hospital and its affiliated university are almost always challenging. Their roles are necessarily intertwined, and while they rely on each other for their mutual benefit they operate with separate budgets but impact strongly on each others costs. This is particularly true in the case of KGH and Queen's University.

KEY STEPS IN THE PROCESS

- **Board renewal process clarifies the governance relationship expectations of the ex-officio representative of the Principal on the Board.**
- **Affiliation Agreement between Queen's and KGH amended to recognize the accountability of the Board of KGH in overseeing the hospital's operations (December 2008):** Basic agreement in principle reached on the nature of changes required for the Affiliation Agreement with Queen's University. These changes also impacted KGH's partners - the Hotel Dieu and Providence Continuing Care. The decision of Principal Williams to give a priority to completing this process was particularly appreciated given the many challenges faced by the University.
- **Recommendation to investigate and pursue alignment with respect to the interest of the hospital and SEAMO at a later date:** SEAMO was referenced in the Report of the Investigator because of its importance to the success and stability of the medical leadership in providing service to both the teaching hospitals and the Faculty of Health Science at Queen's. While it is no less important that the policies of SEAMO be largely aligned with

KGH this was not a major priority during the Supervision. The Department Heads and the Clinical Heads worked effectively together in addressing the immediate problems facing the hospital. Given the importance of alignment of the interests of the hospital and SEAMO this matter should be pursued between KGH and SEAMO to advance their ongoing relationship

Concluding Comments

KGH is a hospital that has rallied to address change, embrace opportunities to provide better quality patient care, and make the organization a better place to work. New leadership and an emerging culture of teamwork are beginning to create new opportunities for the organization to excel in the future. While changes are occurring, it is important to recognize that the challenges facing KGH continue to be considerable and will take time.

Although it is impossible to address all the issues that have built-up at KGH over several years in a short period of time there remain some critical issues that must be addressed and monitored closely to ensure that continued progress is achieved in accordance with the PIP.

These issues include:

- Addressing the organization's debt which will require thoughtful monitoring by the hospital, the SELHIN and the MOHLTC,
- Rebuilding the management infrastructure,
- Improving overall management practices and management autonomy within the organization,
- Addressing the need for cultural change required by both management and staff in working together to establish modern clinical utilization practices and achieve greater accountability in reporting and accountability structures, and
- The development of mutual respect between the Board and the CEO essential for both to successfully address their accountabilities.

There is great confidence that KGH is well-positioned to succeed in addressing these challenges. The potential of the hospital to succeed, however, will require the continued efforts and commitment of:

- The Board Chair who has worked long and hard to build an effective governance team within the Board and to ensure a strong and mutually supportive relationship between the Board, the new CEO and SMT,
- The members of the Board who, having dedicated long hours on Board orientation and governance renewal throughout the supervisory period, must continue to be diligent in demonstrating their governance accountability and responsibility for the operation and future sustainability of the hospital,
- The CEO and SMT who must provide strong leadership and direction to address the immediate and long term challenges facing the hospital while respecting the crucial oversight role of the Board of Directors,
- The Chief of Staff and physician leadership within the hospital who have worked together to address problems impacting on patient flow,
- Members of the SMT who rallied to meet the new requirements,
- Managers who welcomed change and contributed to the process of change, and
- Front line staff who, regardless of the uncertainty arising from the supervision and the PIP, continued to focus on providing quality care for their patients.

It is important to acknowledge that while the advice contained in the Report from the Investigator with respect to the need for additional financial resources was “in the ball park,” it is difficult to determine whether the recommendations are fully comprehensive. The lack of available and/or reliable metrics to assess issues related to efficiency and effectiveness within the organization required a reliance on “best practice” experiences in other comparable academic facilities. Performance benchmarks within these organizations formed the basis for the development of the PIP. Therefore, it is crucial that the SEHIN work closely with the Board and SMT to monitor progress, to support the hospital in building and maintaining the technology important to KGH as a major teaching hospital, to ensure that key challenges that emerge during the renewal process are addressed and to monitor and if essential help redress

It is hoped that the KGH experience provides a strong signal to all hospital leaders that harbour the belief that “debt relief” can be achieved through appointment of a Supervisor. A Supervisor’s job is to ensure that the hospital can continue to meet its obligations to the

community. It is not the Supervisor's duty to resolve and heal all the hospital's "self-inflicted" wounds.

It is the responsibility of Hospital Boards and Management to do what they were appointed to do: govern and manage. This includes managing issues related to their financial risk by adhering to the principles of strong governance and accountability and using these principles as the vehicle to maintain the financial integrity of the hospital.

Simply put: hospitals need to adhere to a model of governance that are consistent with the principles of governance and board accountability outlined in their by-laws. These principles require that Boards provide strategic leadership and direction to their Corporation by establishing policies, making governance decisions and providing oversight of performance related to the Corporation's mission and mandate in patient care, education, research and Board effectiveness.⁸

While significant financial hurdles remain and ongoing culture change is required to ensure administrative and clinical accountability, there is a growing confidence that KGH and Queen's University will work together to build a strong and unique vision for the future.

⁸ KGH By-Laws, February 2008, Section 5.08 (Principles of governance and board accountability).

Appendix A: Summary of Recommendations Included in the Report of the Investigator (June 16, 2008)

Governance

Recommendation 1: The Lieutenant-Governor-in-Council should immediately appoint a Supervisor for KGH under the *Public Hospitals Act*. The Supervisor would:

- Temporarily assume the responsibilities of the KGH Board of Directors. During this period, the current Board of Directors will remain in place and serve in an advisory capacity to the Supervisor. Upon completion of the Supervisor's mandate, the Board of Directors will reassume their full governance authority.
- Lead the process for the selection of a new Chair of the KGH Board of Directors.
- Appoint a temporary CEO for KGH (pending selection of a permanent CEO) to begin the implementation of the changes which are necessary to support more effective and efficient operations.
- Appoint, in consultation with new Board Chair and the Board of Directors, a permanent CEO who brings previous experience as a CEO of an academic health science centre with a track record of strong leadership, team building and system orientation.
- Oversee the governance renewal process of the KGH Board of Directors.

The Supervisor would step down on the completion of the governance renewal process and the appointment of the permanent CEO.

Recommendation 2: As an immediate priority in governance renewal, the Supervisor should establish a Nominations Committee to assist the Supervisor in selecting a new Board Chair. The Nominations Committee should be comprised of:

- the Supervisor (as Chair);
- at least two community leaders (appointed by the Supervisor);
- one member appointed by the KGH Board of Directors;
- the current Chair of the KGH Board of Governors Nominating Committee.

Recommendation 3: Following the appointment of the new Board Chair by the Supervisor, a governance renewal program should be implemented to assist the Board in fulfilling its accountabilities and strengthening its governance structures and processes to ensure improved performance in the future. Priorities for governance renewal are to:

- Revise the title and responsibilities of the Board of Governors (the members of the Corporation) to clearly differentiate its roles and responsibilities from those of the Board of Directors of the hospital;
- Redefine the scope of the Board Chair's position and distribute some of the Chair's current responsibilities among the Board of Directors;
- Revise the Principles of Governance to include a clear statement of Board Accountabilities;
- Align the statement of responsibilities of the Board of Directors with the new expectations under the *Local Health System Integration Act* and define the relationship between the Board of Directors and the Board of Directors of the SE LHIN;
- Establish Board policies that are aligned with the responsibilities of the Board of Directors;

- Support the Board of Directors on appropriate levels of engagement to strengthen their oversight of hospital performance;
- Complete the process initiated by the Board in 2008 to ensure that the size and composition of the Board is aligned with best practice, minimizes the potential for conflict of interest and reflects the regional role of KGH;
- Clarify the governance relationship between the KGH Board of Directors, Queen’s University and the medical school;
- Renew the process for nomination of Directors to achieve greater transparency;
- Review the current membership of the Board of Directors and appoint Directors as required to fill vacancies, ensuring that the Board reflects a diversity of regional perspectives and appropriate skills and expertise;
- Review the scope of responsibilities and size of the Board Standing Committees and the processes related to in-camera matters.
- Significantly reduce and focus the documentation provided to the Board of Directors and Board Standing Committees; and
- Reduce the demand on Directors’ time commitment to the hospital.

Recommendation 4: Following the completion of the governance renewal process and recruitment of a permanent CEO, the new Board Chair and CEO should lead the Board of Directors in developing a new vision for KGH that provides focus and opportunity for the future.

Management

Analysis & Reporting

Recommendation 5: The CEO initiate a review of all performance indicators and make greater use of internal performance analysis to ensure that the hospital can maintain the highest performance standards in serving the public. This work should include:

- An immediate external review of length of stay with particular attention to the large number of outliers.
- An external review of ALC patients in cooperation with Providence Care and the CCAC to assess admission and discharge practices and the large number of outliers. This review should involve the LHIN and be coordinated with the provincial initiative on ALC management.
- An external review of the bed and operating room management systems and implement adjustments based on best practice experience at other peer hospitals.
- Involvement of program leadership in a comprehensive review of hospital policies to ensure greater clarity and their effective engagement in the functioning of the hospital.

Recommendation 6: The CEO initiate a review of all reporting practices to ensure that an accurate portrayal of KGH performance is provided to provincial and federal agencies charged with performance reporting. This work should include implementation of a full case costing system.

Leadership & Human Resources

Recommendation 7: The CEO build an effective, accountable leadership team that:

- demonstrates fiscal accountability in serving the community,
- establishes targets and monitors hospital productivity and performance, and
- effectively engages program leaders in the functioning of the hospital and encourages teamwork and creativity at the program management level.

Recommendation 8: The CEO engage in a comprehensive review of the staff morale problem particularly with regard to the retention of nurses and develop an immediate action plan for responding to these issues.

Funding

Recommendation 9: The CEO develops a recovery plan to achieve a balanced budget for approval by the Board as the basis for the development of the Performance Improvement Plan for submission to the SE LHIN.

Recommendation 10: Pending the submission of the Performance Improvement Plan including the hospital's need for additional resources, the SE LHIN (supported by the MOHLTC) should continue to provide bridge funding to KGH to allow it to meet its obligations to suppliers and staff.

Recommendation 11: On the completion of the Performance Improvement Plan, and its approval by the SE LHIN, the MOHLTC should flow additional funds to the LHIN to address any shortfall in KGH base funding.

Recommendation 12: The MOHLTC should provide the SE LHIN with an additional \$5M to add to KGH's base funding immediately to address the impact on the operating budget related to ongoing maintenance costs and to cover the costs associated with carrying out the reviews and their implementation.

Recommendation 13: The MOHLTC should provide KGH with \$15M in one-time funding to assist the hospital in addressing own funds urgent facilities repairs.

Recommendation 14: The MOHLTC should place high priority on the KGH capital renewal project to minimize the amount of future stop-gap expenditures required to maintain aging and deteriorating buildings.

External Relationships

Recommendation 15: KGH and HDH should continue to work to integrate their management and operations to provide a progressive model of integration that seamlessly serves patients in Southeastern Ontario.

Recommendation 16: The MOHLTC provide resources to support an independent study of SEAMO to determine the most effective performance accountability structure.

Recommendation 17: SEAMO should adopt the same signatories' process in place in the other AHSC AFPs.

Appendix B: Terms of Reference for Supervisor for the Board of Governors of the Kingston General Hospital

1. The Supervisor will fulfill all the responsibilities of the board, the corporation, its officers and members in governing the hospital in accordance with the Public Hospitals Act, its regulations and all other applicable legislation.
2. The Supervisor will oversee the implementation of the recommendations relating to the governance and management of the hospital contained in the Investigator's Report of June 17, 2008, entitled "Investigation into the Governance and Management of Kingston General Hospital", as appropriate.
3. The Supervisor will address governance issues, including the functioning, composition and membership of the board and the corporation, and take actions that are appropriate and necessary for the proper functioning of the hospital, including consideration of the implications of the possible repeal of the hospital's special Act, An Act to amend and consolidate the Acts relating to the Kingston Hospital, 1897.
4. The Supervisor will provide direction to the senior management team, as appropriate during the term of the involvement of the Supervisor.
5. The Supervisor will create an appropriate advisory body and seek external resources, as appropriate.
6. The Supervisor will provide regular updates to the Deputy Minister of Health and Long-Term Care or his delegate and the Chief Executive Officer of the South East Local Health Integration Network.
7. The Supervisor will report to the Minister of Health and Long-Term Care as required by the Minister. The Supervisor will provide a written report to the Minister of Health and Long-Term Care upon completion of duties.