

**Chatham-Kent Health Alliance -
Corporate and Governance Structure Backgrounder –
Building a Strong Health Care System for our Community**

1. Issue:

The Chatham-Kent Health Alliance (“CKHA”) has reached a critical point as it relates to an unsustainable governance model that has been unsuccessful in providing effective governance for the hospital system. Finding sustainable solutions to issues like this were part of the mandate for the Provincial Supervisor as noted in the appointment’s terms of reference:

“The Supervisor will implement strategies to respond to issues identified by the Investigator including a sustainable governance model or models for hospital services in both the City of Chatham and the County of Kent.”

2. Background:

The purpose of the CKHA is and should be to create a system of high quality, appropriate and accountable hospital patient services for the people of Chatham-Kent.

Created 20 years ago, the Alliance has struggled with a number of significant pressures culminating in the appointment of a Provincial Investigator and Provincial Supervisor, steps that are taken in the public interest when hospitals face severe difficulties.

In the Chatham case, a lack of clear vision for a high quality hospital system anchored by its two sites coupled with governance dysfunction led the organization to an impasse at the Board level and placed the organization on the verge of insolvency. Thankfully, front line staff and physicians have maintained their focus on patient care through all of the turmoil ensuring the continuation of service.

2.1 – No vision for a two-site Hospital System

Absent in any of the Alliance Corporate documents has been a clear commitment to the two-site delivery of a system of hospital services for Chatham-Kent. An integrated system of hospital services is a key building block for sustainable high-quality patient care. This two-site focus is not found in any of the letters patent, by-laws or strategic plan of the organization. In the absence of a clear articulation of a two-site approach, it is not surprising that one site may ultimately erode and indeed this has been seen with respect to the state of the physical facilities in Wallaceburg. The ultimate fracture between the Boards emerged when the two Chatham based boards developed a strategy that further reduced the role of the Wallaceburg campus while maintaining the role in Chatham.

This impasse reflected both the flawed governance structure and the lack of a vision for a two-site hospital system. In the year since the hospital was placed under supervision, the clear articulation of a two-site Hospital System anchored by two emergency sites has been made clear as reflected in the important investments made in Wallaceburg including:

- Enhanced Respiratory Services
- The addition of four new medical specialty clinics
- The commencement of a project to replace the boiler plant

These investments highlight the important value for sustainable patient care service delivery of a vision that includes the two sites.

2.2 - A Fundamentally Flawed Governance Model

CKHA has an overly complex governance structure where three hospital corporations, two in Chatham (including a denominationally sponsored organization) and one in Wallaceburg share two sites and govern a three-hospital system pursuant to the terms of an Alliance Agreement entered into on April 30, 1998 (as amended in 2001 and 2002). The flaw with this structure is that each director has a fiduciary duty to act in the best interests of his/her hospital corporation and not to the CKHA or the Chatham-Kent hospital system. This flawed structure has led to fundamental and irreconcilable conflicts among the Boards that has resulted in a suboptimal hospital system for Chatham- Kent.

In the 20 years since its creation, all aspects of the three hospital corporations' operations have been integrated including patient records, staff, management, medical staff and foundations, with only governance remaining separate. This is at the root of the governance issues which have faced CKHA. This fragmented governance structure has been acknowledged as the catalyst of CKHA's problems in interviews, community conversations and a review of historical records.

2.3 – A Governance model that had not evolved with increased Accountability Expectations

As noted, the CKHA Governance model was developed in 1998 through the directions of the then Health Services Restructuring Commission. The model put in place in Chatham-Kent at that time was also implemented in a number of other communities including for example Huron-Perth. However, in the 20 years since, all of the other communities with an Alliance type model have evolved their governance structure to reflect increased public expectations on patient safety, transparency and accountability. The Chatham-Kent model has remained unchanged for almost 20 years and is currently the only model of its kind left in Ontario among peer hospitals.

2.3 – An Alliance Agreement on Paper not in Practice

In addition to the fundamental governance structure flaw, it should also be noted that the Alliance Agreement has a number of significant provisions that are cumbersome and many that have simply not been followed for many years.

2.4– Failed Governance placing Hospital Services at Risk

There are a number of risks to hospital services in Chatham-Kent that reflect the failure of the governance model and ultimately led to the appointment of a Supervisor. While these issues have all been mitigated in the past year, it is imperative that these issues are not repeated in the future. Examples of these risks included:

- A lack of effective oversight of quality and safety, as demonstrated by the failure of the Board Quality Committee to meet for almost a year. The role of the Board in quality oversight is specifically mandated in law and should be a prime focus of governance.
- The non-existence of an enterprise risk management plan, which is a basic element of good governance in today's hospitals.
- A lack of oversight of financial health leading the organization to the edge of bankruptcy.
- A workplace characterized by fear and intimidation.
- No reasonable program and re-development strategy for both sites leading to an misunderstanding of the potential value of the Wallaceburg campus as part of a two-site hospital system.

It is these risks that led to the appointment of both a Provincial Investigator and a Provincial Supervisor in order to restore a patient focused, high quality and accountable system of hospital services in Chatham-Kent.

3. The Solution

3.1 – A two-site vision

The organization's decision-making process will include a two-site vision, as well as a single corporate structure and skills based board. This begins by clearly articulating a two-site vision in the Letters Patent of the Alliance. In this way, the focus of the past year has been on building a flourishing hospital system for Chatham-Kent that is grounded in two sites with active emergency departments. Moreover, the past year has proven that this vision, coupled with effective governance oversight, can and will lead to strengthened services including a vibrant and appropriate role for the Wallaceburg campus.

Senior staff has been directed to develop facility redevelopment plans that reflect a two site models and these plans have now been made public and will now move through the approval

process. Finally, staff has also been directed to develop a new Strategic Plan for the organization that clearly articulates and reflects a two site vision for the Alliance.

3.2 A Best Practice Corporate Governance Model for CKHA

In order to ensure that the right health care decisions can be made to meet the needs of the communities served by CKHA, a new corporate and governance model is also needed. Any model must be based on best practice and grounded in recent relevant research and expert opinion on good corporate governance. [A summary paper](#) reviewing best practices and exploring the governance structure of CKHA's peer comparators was developed and posted on ASKCKHA.com.

Recognized best practices, expert governance reviews conducted in Ontario and the historical evidence of CKHA's dysfunction a single corporate structure grounded on skills-based governance is the optimal solution. This new governance structure is of significant value beyond the stability and system focus it will provide as it will ensure stronger integration of patient services and quality of care. Multiple corporations create a multitude of issues for governance related to program and service coordination for patient care, as well as additional cost for administrative functions diverting resources from patient service. In addition, when there is disagreement between multiple corporations it can paralyse the hospital system and lead the disagreeing parties to spend significantly on lawyers and consultants rather than patients.

Accordingly, the three Corporations previously comprising CKHA will be integrated into a single corporation. In doing so, the Sisters of St. Joseph in the Chatham-Kent region through the St. Joseph's Health Care Society will no longer be a sponsor of a Hospital corporation in Chatham-Kent. The 100+ year history of the Sisters in caring for the sick and providing compassionate care in Chatham-Kent must be acknowledged. The Sisters of St Joseph filled an important gap in service when they arrived in the community and over the years they made significant contributions to the people of Chatham-Kent.

This new structure represents a move to [a skills-based board composition](#), an Ontario health sector standard and accepted best practice. Governing a hospital system is a complex task. The complexity of overseeing a hospital system requires that directors have a mix of skills and experiences and in particular, proven capacity to effectively govern large complex organizations. The need for skilled directors in an ever more complex environment with rising expectations around transparency and accountability was validated by the non-partisan Provincial Auditor in the report on Hospital Governance practices a few years ago. Having gaps in the skills of a Board can jeopardize quality of patient care, workplace safety and wellness and financial viability, issues that plagued CKHA until the appointment of a Supervisor.

4.0 – From Principle to Practice

The solutions described above need to be translated into detailed practice in a renewed Alliance organization. This process starts with the creation of new corporate documents and the recruitment of a new Board:

[Draft Letters Patent](#), detailed new [By-laws](#) and [Board Skills matrix](#)/draft search advertisement.

These reflect the two-site vision, single structure and significantly strengthened approach to governance for the Alliance going forward.

The evidence of the need for these changes is clear. The old structure from the HSRC led to instability, erosion of focus and threatened hospital services across the region. This new approach will lead to an improved system of hospital services for all of Chatham-Kent. The past year demonstrates what can be achieved with a clear vision for the entire community, a focus on patient care and the implementation of governance best practices.

5.0 - Next Steps

Although all aspects of the Alliance are currently integrated with the exception of the three Boards, a formal integration application will be made to the Erie-St. Clair Local Health Integration Network in the next few days. The LHIN will then publically post information related to the change and the community and interested stakeholders have an opportunity to provide feedback to the LHIN.