
Health Governance Advisory Council

Final Report

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Executive Summary

The Health Governance Advisory Council was asked to make recommendations regarding the governance of the health care system to support the Province's vision of One Island Community, One Island Health Care System. The recommendations made in this report were not made lightly. The Council was mindful of the many reorganizations of the health care system over the last twenty years, and the need for a *sustainable and stable* governance model that will enable the Island health care system to focus on the need to care for Islanders. Furthermore, the Council was alert to implications of risk management and the need for a governance model that promoted a safety culture.

The Council's report sets out the background and context for the Council's work, and a concise overview of governance theory and the key concepts for the governance model recommended. The detailed recommendations of the Council are set out at the end of this report at pages 38-48. However, in summary, the Council's recommendations take the direction that:

Model

- The Minister adopt the values of good governance as described by the Council: values, ownership, setting direction, risk management, delegation, accountability, and governance processes.
- The health system on Prince Edward Island be operated by a corporate entity called the *PEI Health Services Corporation (the "Corporation")* which is external to Government;
- The new model continues in operation for a period of at least five to ten years to allow it to grow and fully function. In Council's consultations, there was a very strong message from stakeholders that the health care system needs a period of sustainability and stability.

Structure

The Minister's Role

- The Minister is ultimately responsible to the Government and the people of Prince Edward Island for provincial health programs and for overseeing the provincial health system. The Minister gives direction to the Board and the Corporation, and is responsible to allocate sufficient funding to the Corporation to carry out its work.
- The Minister will work with the Corporation to create a mandate and roles document to ensure the clarity of roles and responsibilities between the Board, the CEO, the Minister and the Deputy Minister and departmental staff.

The Deputy Minister's Role

- The Deputy Minister is the executive chief of the Ministry acting under the direction of the Minister; and, works in collaboration with the Board Chair and CEO, providing feedback to the Corporation regarding its responsibilities and performance, and, providing input to the Chair on CEO evaluation.

The Corporation

- The Corporation is a delegated operational organization serving as the Province's health service delivery arm. Its primary accountability and reporting obligation is to the Minister.
- The Corporation's authority to act has parameters beyond which the approval of the Minister is required. For example, Ministerial approval is needed if the Corporation wanted to create new programs that cannot be managed within the current budget; make capital expenditures over a pre-approved amount; make changes to existing programs and services in a way that resulted in a significant reduction of geographic access by Islanders; or involved spending outside the approved health system budget.

The Board's Role

- The Board governs the operations of the Corporation and reports to the Minister through the Board Chair.
- The Board is responsible for ensuring the operation of one Island health system and the delivery of an approved set of programs in accordance with the Minister's strategic direction for the provincial health system.
- The Board is responsible for the oversight of the health system, and the management of risk associated with operating the health system, including the quality and safety of programs and services.
- The Board is responsible for the recruitment, selection and appointment of a Chief Executive Officer ("CEO"). The CEO is accountable to the Board and is responsible for providing leadership and management of the Corporation under the direction of the Board.
- The Board is responsible for the creation and implementation of a multi-faceted annual plan for community engagement to elicit input from and to be accountable to the Island community.
- The board's plan for community engagement should include a method to determine the values of Islanders and Government and these values be used to guide the future direction of the health system and other board policy direction to the CEO.
- The Board will adhere to a robust reporting structure that includes: meeting twice annually with the Executive Council; submitting a strategic plan and an annual business report to the Minister; and reporting annually to the Island community.

- The Board is responsible for the development of policies to guide the Corporation and policies to guide its own functioning including: orientation, education, planning, policy making and self assessment and evaluation.
- The Minister is responsible for identifying the governance expectations for the Board, and is responsible for evaluating the Board and its governance practices against pre-stated assessment criteria.

Board Appointments

- The Minister is responsible for the appointment of Board members. After the first Board is constituted, subsequent appointments will be based on recommendations by the Board. All appointments will use a third party process to recruit, screen and interview candidates according to a set of pre-identified competencies and requirements.
- The Minister is responsible for appointing the Board Chair from among the sitting board members, according to pre-established competencies and criteria, and upon recommendation by the Board.
- The Board Members will be selected such that each member demonstrates a strong personal commitment to the health of Islanders; community involvement and credibility; strategic thinking; analytical capabilities; group decision making skills; and, personal integrity.
- The Board's membership should be comprised of a mix of specific skills, knowledge, experience (people with subject-matter knowledge such as business, quality and safety, finance, law, communications, community development, and comprehensive knowledge of health and/or health systems; and, strategic qualities such as demonstrated leadership, forward thinking) and perspectives such that the Board includes a mix of men and women from various regions of the province with a rural and urban mix and different ethnic and cultural backgrounds (At least two board members will come from each of rural Prince, Queens and Kings counties and two from each of the greater Charlottetown and Summerside areas).
- Although board members shall be appointed from a variety of communities and backgrounds from across Prince Edward Island, the board members are appointed to represent *one* Island community, and not be identified with sub-group interests at the expense of the Island perspective.

Keeping in mind the need to protect the stability of the health care system while these recommendations are being implemented, the Council also made recommendations regarding the need for a change management plan and a strong communication plan that supports two-way communication and supports the public and staff in their need for information during the transition process.

Vision for Governance

The Government of Prince Edward Island is intent on building One Island Health Care System: a sustainable, integrated health care system; one that shifts emphasis and culture toward wellness and primary health care; placing patients, clients, the community, and sustainability of the health care system above all other considerations.

Purpose

This report describes the reasoning for the Health Governance Advisory Council's (the "Council") recommendations for a governance structure for the Prince Edward Island health system that will support the Government's vision, including:

- Outlining the current thinking and practice on governance and accountability;
- Describing the expectations regarding the roles, responsibilities, duties, policy direction, reporting relationships and performance expectations for the governing entity, its leader and its executive officer; and,
- Clarifying the accountability relationship between the governing entity, its members, leadership and executive staff and the Government, the Minister and Deputy Minister.

Care will be delivered through a single, integrated system of care, one grounded in evidence-based decision making and focused on improving health, enhancing access and refocusing the emphasis of the care delivery system on primary health care and services that can appropriately and safely be provided locally. The system is more focused on meeting needs in the most appropriate setting, by the most appropriate provider and in the most cost effective manner.

One Island Health System Vision

Background: How the Council Came To Be

In its April 4th, 2008 Speech from the Throne, the Provincial Government declared the health care system a strategic priority:

Together with Islanders, we will build a sustainable, integrated health care system, one that shifts emphasis and culture toward wellness and primary [health] care, placing patients, the community as a whole and sustainability above all considerations.¹

The Department of Health engaged Corpus Sanchez International (CSI) to undertake a province-wide review of the health system to make observations on the system. In its final report, CSI identified a variety of opportunities for improvement. CSI noted that the basic goals for health care system improvement must be quality, equity, optimal efficiency and sustainability. While the CSI report made recommendations on front line operations, it also noted challenges to leadership and governance, and made strong recommendations in this area, noting that governance infrastructure was a key factor in leading the changes needed in the operational model:

The current governance model is unique in Canada in that there is no overall governance entity that provides direction to the system, while still providing the typically required arms-length framework between the government (including the Department of Health), and those who provide health care.

In the absence of a robust governance model, traditional decision making roles and responsibilities for resource deployment have been transferred to Treasury Board, and in some cases, directly to the Cabinet table. This leads to a degree of bureaucracy that impedes the system, resulting in a lack of clear lines of authority and accountability. This in turn leads to an inability within the Department of Health for system leaders to assume appropriate ownership of issues and challenges.²

... the Canadian health system will be more effective and accountable if its major stakeholders – governments, governing bodies, managers, providers, and others – understand, share and use a common set of overarching principles to guide their actions and interactions.

*Canadian Healthcare Association
and Canadian Comprehensive
Auditing Foundation*

¹ Prince Edward Island, *Speech from the Throne*, 2008

² Corpus Sanchez International, *An Integrated Health System Review in PEI: A Call To Action: A Plan For Change*, October 2008, p. 5

The *Corpus Sanchez International Report* recommended that the Island's health care be delivered as a single, integrated system.³ It also recommended that the Province re-establish a health authority (or its equivalent) with a global budget and the authority to deliver services in accordance with Department of Health plans and overall directions: in short, to have a board-run entity responsible for the operation of the Province's health care system.

In determining whether to implement this recommendation, and if so, how to implement this recommendation, the Minister of Health appointed the Council to recommend an appropriate governance structure that would maintain a high level of accountability for the health care system while addressing the observations made in the CSI report. The Council was asked to determine:

- Who makes what decisions;
- How do responsibilities get monitored, and how are people held accountable; and,
- Risk ownership based on responsibilities.

The Minister identified the desired outcomes for a new governance model:

- More timely decisions achieved through more simplified decision-making processes wherein managers and staff are empowered to manage within a scope consistent with their assigned responsibilities;
- Improved mechanisms for citizen/ stakeholder engagement where issues can be addressed as close to the front line as possible, and service planning is evidence- and health-needs-based; and,
- An operating environment where clinical risks are minimized and quality outcomes are optimized.⁴

Good governance is therefore essential for ensuring that government is allocating provincial resources wisely and fairly, and that it is serving the public interest in an open and transparent manner.

Auditor General of British Columbia, Good Practice Guidelines for Governance, 2008

³ Corpus Sanchez International, *op cit*, p. 4

⁴ Minister's presentation to Health Governance Advisory Council, February 11, 2009

Dimensions of the Island Health Care System

Prince Edward Island's health care system serves over 139 000 Islanders by providing:

Islanders need one Island health care system

- Leadership in delivering secondary acute and specialized provincial services;
- Short-term acute care, outpatient, emergency/urgent, convalescent/rehabilitative, palliative, respite, long-term care, diagnostic, therapeutic, and primary health care services through community hospitals and continuing care services to rural communities and supportive services to adults and seniors in need of continuing care on PEI;
- Provincial leadership, management and policy/program development of primary health services for Islanders through public health programs, community mental health and addictions, chronic disease prevention and management, health living strategies, diabetes education program and family health centers;
- Health protection and regulatory services such as the Provincial Pandemic Influenza Plan, non-communicable diseases, prenatal and reproductive care, and environmental health;
- Support programs and services for in- and out-of-province hospital services, medical technology, ambulance and emergency air evacuation, physician services, recruitment and retention; and,
- The financial and corporate services necessary to support operational services through human resources, results measurement, quality and risk management, freedom of information and protection of privacy compliance, records information management, legislative drafting, policy advice, program development, federal-provincial relations, communications and French Language Services, and informatics.

The Island health system is currently governed within the Department of Health:

The Minister has ultimate authority for the Department, setting mandate and reporting on performance;

The Deputy Minister provides advice and support to the Minister and acts as the interface between the political and administrative functions of the Department; and,

The Associate Deputy Minister is responsible for the operational management of the health system in alignment with Deputy Minister's direction.



With a budget of over \$444 million, and employing over 3000 full time equivalents, the Island's health care system is a major employer. In 2007 it represented almost 30% of the provincial budget, and is projected to be 40% of the budget by 2011. Like other Canadian jurisdictions, Prince Edward Island has experienced a rise in health care costs per capita; furthermore, because health care touches each and every Islander, health care is considered by Islanders (and Canadians) as one of the most important issues for governments to address. Therefore, it is not surprising that in an effort to manage public expenditures and increase the government's ability to respond to Islander concerns, the Province has endeavoured to better-position the health care system through various reorganizations during the last two decades. In its last reorganization in 2005, Government moved to manage the operational side of the Island's health care system by bringing it within the Department of Health.

Currently, the decision-making authority for all operational decisions is vested with spending; it needs to be more in tune with patient safety, access to health services and health outcomes. One of the byproducts of the current approach has been to task Treasury Board and Cabinet with managerial, rather than strategic, functions. As a result, health care managers are unable to respond swiftly to issues because decisions must work their way up not only through the operational structure of the system, but also through the departmental structure as well. Furthermore, without the authority to make decisions, managers in the system are *less* accountable because decisions are not in their hands.

In the absence of a robust governance model, traditional decision making roles and responsibilities for resource deployment have been transferred to Treasury Board, and in some cases, directly to the Cabinet table...

Corpus Sanchez International Report, p. 5

The impact of weak governance and accountability processes can be seen in the concerns regarding risk management issues. In the 2004 *Accreditation Survey Report* for the Provincial Health Services Authority, there was a specific recommendation on this point:

There is the increased potential for errors as health care becomes more complex.

Canadian Council on Health Services Accreditation

It is recommended that the team address the recommendations contained in the Auditor General's report on governance and accountability as they relate to the scope of authority, roles, and responsibilities.⁵

Accompanying the recommendation were comments relating to *potential adverse event* and *reason for urgency*:

Potential Adverse Event:

There is the increased potential for errors as health care becomes more complex.

Reason for Urgency:

There is a need for a formal process to involve the community and ensure accountability when making decisions.⁶

Under the current structure, the Department of Health is largely focused on health care operations, leaving few resources to fulfill the Department's role in policy-making, planning and oversight. In setting the direction for the Council work, the Minister of Health noted that

Evidence suggests that our system is very inefficient and the lowest funded (per capita) in Canada....We have reached a critical point, we are close to a disastrous tipping point. Islanders need... *One Island Health System*.⁷

The Island's health care system does not operate in isolation from the social and economic environment. Everywhere, health care systems are struggling with increasing demand for services, global health human resources shortages, and costs of the health care system growing faster than the rate of growth of the provincial treasuries.⁸

⁵ Canadian Council on Health Services Accreditation, *Accreditation Survey Report, Provincial Health Services Authority*, 2004, p. 48

⁶ *Ibid.*

⁷ Minister of Health's slide presentation to the Health Governance Advisory Council, February 11, 2008

⁸ Corpus Sanchez International, *op cit*, p. 2

The Health Governance Advisory Council

The Council, appointed by the Minister of Health, is comprised of individuals from across the Island, representing various stakeholder perspectives on the Island health system including the aboriginal community, health administrators, academic, professional and front-line operational insights. (Appendix A)

The Council used a multi-layered consultation process to answer questions regarding who should be in the best position to be responsible for the oversight of the health system; what input Islanders should have into the direction of the health system on a continuing basis; how to get that input; indicators of an effective and efficient health system; and, the values or principles that should guide decision-making in the health system. The process included direct e-mail invitations to approximately 40 community organizations, open invitations to the public which were advertised in provincial newspapers (Appendix B), and written submissions were solicited. As a result, the Council held nine focus groups involving over 60 people from across the Island.

Council followed a work plan that included an orientation to the existing structure, vision and mandate of the PEI health system. On behalf of the Council, extensive research was conducted to gather information on leading commentary on governance, as well as a review of relevant legislation and bylaws. The Council reviewed other models in use in Prince Edward Island, examined the legal duties of boards and reviewed lessons learned from developments in governance studies. In addition to gaining an understanding of the governance context of the issue, the Council also reviewed the internal structures and workings of the PEI health system as well as governance reports and studies, including the CSI report and the Accreditation Standards requirements. Furthermore, the Council also took into consideration the populations served by the PEI health system, demographics and current health indicators and health issues.

The Council met approximately 12 times for day-long meetings. Initial sessions were investments in educating Council members with respect to governance concepts and principles. Through facilitated consensus building, Council then considered the studies, reports and papers on governance to identify the critical elements of a governance system and developed recommendations supporting those elements.

Who makes what decisions;

How do responsibilities get monitored, and how are people held accountable; and,

Who owns the risk.

Governance Theory

What is Governance?

The literature offers many definitions of governance. Appendix C sets out several versions that were reviewed by Council. For example, one organization defined governance as

... the combination of policies, systems, structures and a strategic/operational framework, which the governing body puts in place to ensure the leadership of the organization makes appropriate decisions, and takes appropriate actions to deliver services in an effective and accountable manner.

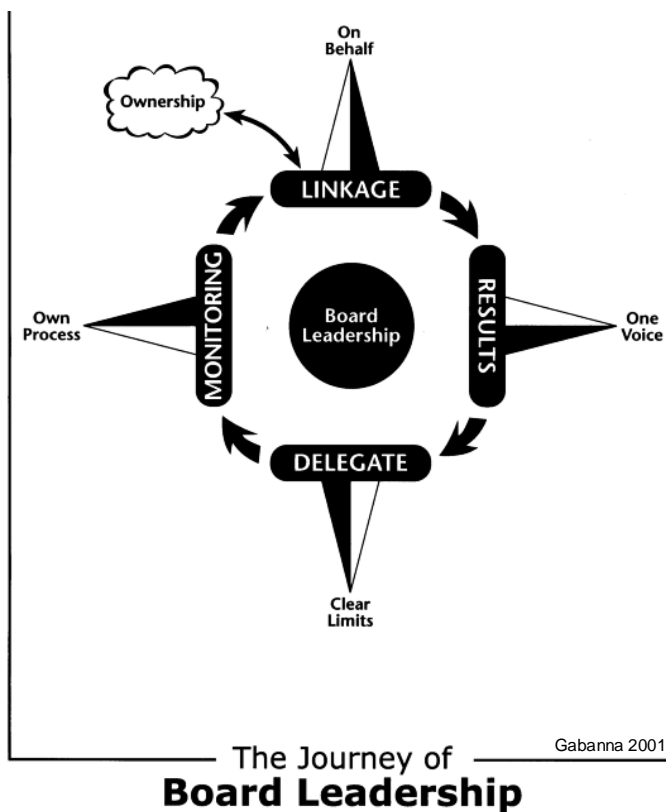
Leadership Acumen, Banff Executive Leadership Inc.

After considering a variety of examples, Council used John Carver’s simple and succinct governance definition in the context of its work:

Governance: acting on behalf of Islanders to see to it that the health system achieves what it should and avoids what is unacceptable.

“Escalating interest in corporate governance of Canada’s public companies is one of the most pronounced business trends of the past five years.”

Toronto Stock Exchange



Internal or External Entity?

Taking into consideration the results of its consultations and governance research, one of the first considerations for the Council was with respect to whether the governance model for the Island's health care system would be enhanced through the introduction of an entity at arm's length from Government.

During its consultations, Council heard that operating at arms' length from government and appropriate autonomy were important to the effective functioning of the health care system. Given the necessity of role clarity and the need for the Department of Health to maintain its focus on aligning strategic health policy with provincial direction setting, the Council recommends that the operational entity for the Island's health care system be external to the Department, although with robust accountability mechanisms to ensure that the management of the health care system supports the values and outcomes expressed by the Department.

The remainder of this report discusses governance considerations using a board model that is external to, or at arms' length from the Department of Health.

Re-establish a health authority (or equivalent). This entity should have a global budget and the authority to deliver services in accordance with Department of Health plans and overall directions.

Corpus Sanchez International, p. 88

Principles of Good Governance

During consultations, Council heard that “if you really want an effective board, you need clear delineation of mandate and level of authority, community input, informed groups, and oversight.”⁹ The common law requires boards to exhibit diligence, prudence, reasonableness, loyalty, and, obedience. While these remain solid touchstones for guiding governance structure and behaviours, the evolution of governance principles provide more detailed and stronger standards. According to Accreditation Canada good governance requires:

- Developing a clear direction;
- Building knowledge through information;
- Functioning as an effective governing body;
- Supporting the organization to achieve its mandate;
- Maintaining positive relationships with stakeholders; and,
- Being accountable and achieving sustainable results.¹⁰

There are principles of good governance that apply to all organizations, including: setting direction, overseeing results, and accountability. Given the responsibilities of public entities, the principles of transparency, probity and equity receive additional emphasis.¹¹ The Institute on Governance describes these principles as: legitimacy and voice, performance, accountability, and direction. Regardless of how these principles of governance are expressed, “the principles are often in conflict, the art of governing lies in getting the right balance”.¹²

Council has worked diligently to identify a governance model that allows the Province to find the correct balance and enable the health care system to achieve the Minister’s desired outcomes.

The principles are often in conflict, the art of governing lies in getting the right balance.

Gail Motsi and Tim Plumptre

⁹ Consultation participant, PEI Health Governance Advisory Committee, 2009

¹⁰ Accreditation Canada, *Qmentum Program 2010*, ver.3, p. 1

¹¹ Jacques Lapointe, *How Audit Can Contribute to Better Governance*, *CCAF-FCVI Inc. Update*, February 1, 2008

¹² Gail Motsi and Tim Plumptre, *Shared Governance: Innovation in the Health Sector*, *Policy Brief No. 30*, Institute on Governance, May 2008, p. 1

Why does governance matter?

The purpose of organizational governance is to ensure that the organization itself is effective and accountable to its owners. The importance of sound governance is most often appreciated when organizations fail in their responsibilities through failures in governance processes. Corporate governance failures where large amounts of investor money have been misallocated are probably the most familiar examples. The American experience with the Enron and Worldcom failures have given rise to the 2002 *Sarbanes Oxley Act* which sets out 11 mandates and requirements for reporting. Therefore, it is not surprising to learn that regulatory bodies that set security regulations are among the leaders in raising the standards for governance. In 1994, the Toronto Stock Exchange issued its report *Where Were The Directors?*, which triggered the development of corporate governance guidelines by regulatory bodies across Canada. In turn, these developments in corporate governance renewed the focus on governance in the not-for-profit sector, generating reports such as *Building on Strength: Improving Governance and Accountability in Canada's Voluntary Sector* (Broadbent Panel, 1999) and *Reaching for Excellence: Governance and Performance Reporting at The Princess Margaret Hospital Foundation* (PMHF & CCAF-FCVI Inc., 2001).¹³

During this same period, the public sector was also reviewing its governance standards. In 1993, the Federal Department of Finance and the Treasury Board Secretariat worked with the Conference Board of Canada and the Canadian Centre for Management Development to issue *Directors of Crown Corporations: An Introductory Guide to Their Roles and Responsibilities*. Subsequently, the Department of Finance and the Treasury Board issued guidelines for boards: *Corporate Governance in Crown Corporations and Other Public Enterprises*.¹⁴ The heightened standards of governance extend to public or quasi-public agencies to balance the organization's need for arms length autonomy with government's need to provide strategic direction, and hold the agencies accountable.

The health sector has not been immune to scrutiny of governance, and the recognition of its role in accountability for quality and safety in health care delivery. In 2004, the Ontario Hospital Association (OHA) identified governance renewal as a

... the board of directors of every corporation should "explicitly assume responsibility for the stewardship of the corporation and, as part of the overall stewardship responsibility, should assume responsibility for the adoption of a strategic planning process. However, process implementation is expected to come from management".

Toronto Stock Exchange, Report on Corporate Governance, 1999: Five Years to the Day, p. 7

¹³ Maureen A. Quigley and Graham W.S. Scott, *Hospital Governance in Ontario: The Challenge of Change, Momentum Quarterly*, December 2008, p. 31.

¹⁴ Privy Council Office, *Building A Crown Corporation Director Profile*

strategic priority. Together with the Ministry of Health and Long Term Care, the OHA commissioned a report on hospital governance and accountability. That same year, the OHA established the Governance Leadership Council to advise on the application of governance practices in hospitals. A year later, the Governance Leadership Council released a *Guide to Good Governance* which provides tools and templates to hospital boards.¹⁵

Good governance in the health sector has gone beyond the status of a “best practice” option to the status of an “essential practice”. Accreditation Canada (formerly known as the Canadian Council on Health Services Accreditation) has introduced a new accreditation program that includes new standards for governance and a governance functioning tool.¹⁶

The Council reviewed the governance requirements set by provincial securities regulatory authorities across Canada, observing that the understanding of corporate governance is evolving, and these developments are having a global impact on how organizations are structured, and that the understanding of what is corporate governance is evolving. A 2006 study identified eight governance trends:

- Increased focus on governance;
- Increased demand for and reduced supply of qualified directors;
- Rising expectations and requirements for directors;
- Increased demand for efficiency and effectiveness;
- More emphasis on both process and culture and balancing the two;
- Increased demand for transparency and accountability;
- Increased emphasis on performance measurement; and,
- Increase attention being paid to risk management.¹⁷

Good governance has certain principles that are common across the public, private, and non-profit sectors. These are transparency, clear allocation of roles and responsibilities, financial probity, accountability, and looking at outcomes. Recognize that the principles of good governance apply to all organizations regardless of their size. The structure will have to be tailored to the institution depending on its size, but the principles remain the same.

The Honourable Bob Rae

¹⁵ Quigley and Scott, *op cit*, p. 31

¹⁶ *Ibid*

¹⁷ Grace Bugg and Sue Dallhoff, *National Study of Board Governance Practices in the Non-Profit and Voluntary Sector in Canada*, Strategic Leverage Partners Inc.

The governance literature repeatedly and consistently identifies clear roles and clear responsibilities as a key response to these trends.¹⁸ During consultations, Council also heard that such clarity must withstand turbulent times: “One can’t have a clear mandate only in good times. There has to be a mechanism in place to ensure appropriate responsibility is taken and given in all situations, regardless of how things are going. The board can’t lose autonomy when times are bad.”¹⁹ This means that the Council’s work must extend beyond recommending an organization chart. A sound governance structure also addresses the board’s composition, independence, mandate, orientation, code of conduct and ethics, appointment process and assessment, so that it is sustainable.

Corporate governance is not solely about regulatory or structural remedies. Fundamentally it’s about culture.

The Honourable Bob Rae

Corporate governance is not solely about regulatory or structural remedies. Fundamentally it’s about culture. It is a culture that has a common understanding of the roles of management and the board. It is a culture of mutual respect that both parties have for each other’s role. And it is a culture of continuous open dialogue and communication. The other component of the culture is strong leadership within the board. In the end, corporate governance is about people. People doing not just what the rules say but about doing what is right.²⁰

The Council was mindful of the need for its recommendations to support a positive governance culture.

¹⁸ Canadian Healthcare Association, *Health Care Effectiveness, A Principles approach to Achieving Health System Excellence in Canada*,

http://www.cha.ca/documents/pa/CHA_Approach_HealthSystemEffectivness_E.pdf retrieved 30/06/2009

¹⁹ Consultation participant during the work of the PEI Health Governance Advisory Council, 2009.

²⁰ David Smith, *Challenges in Corporate Governance, Insight Conference, Toronto, Ontario, May 2002*, www.cica.ca/index.cfm/ci_id/1160/la_id/1 retrieved 21/02/2009

Role of the Board

Within its enabling legislation and stated mandate, the board of a public entity oversees the management, activities and other affairs of the organization. Boards are responsible for policy, direction and oversight of the organization, including:

- Setting the strategic direction aligned with the priorities of government;
- Monitoring the budget and ensuring required financial and other reporting are completed;
- Understanding the principal risks of the organization and the policies in place to manage those risks;
- Providing a framework for effective stakeholder relations;
- Establishing corporate values and fostering a culture of integrity;
- Monitoring organization performance in relation to pre-established targets;
- Organizing board committees and activities; and,
- Employing the chief executive officer.²¹

According to David Smith, 2002 President and CEO of the Canadian Institute of Chartered Accountants, the “number-one duty” of boards is to select a CEO and to oversee the CEO and other senior management in the competent and ethical operation of the corporation.²² While this is a neat, succinct reduction of the board’s role, it fails to emphasize the significant responsibilities that are undertaken by board members when they accept an appointment.

The board’s job is the most underdeveloped link in enterprise.

John Carver On Board Leadership, p. 552

²¹ Treasury and Policy Board, *Governing in the Public Sector: A Guide for Province of Nova Scotia Government Agencies*, January 2007, p. 8

²² David Smith, *op cit*, retrieved 21/02/2009

In the health care context, boards take on considerable challenges. These were described by Joan Dawe, Chair of Newfoundland and Labrador’s Eastern Health:

In assuming the responsibility for establishing Eastern Health, the 18 volunteer-member Board of Trustees accepted the significant challenge of creating a complex, fully integrated organization and the need to bring financial stability and sustainability to a system that had incurred a substantial debt. Within months of its appointment, the board was also confronted with a number of very serious issues related to health human resources, physical capacity, and hormone receptor testing for breast cancer. Consequently, trustees realized they needed to think and act in new ways to meet the dual demands for services and greater accountability. Traditional “business as usual” ways of governing were no longer acceptable.²³

... trustees realized they needed to think and act in new ways to meet the dual demands for services and greater accountability. Traditional “business as usual” ways of governing were no longer acceptable

Joan Dawe

According to *The OnTarget Board Member: 8 Indisputable Behaviors*, boards act on behalf of their owners, know their jobs, set targets, identify risks, delegate work, assess performance, practice discipline, and report back to the owners through an accountability loop.²⁴



²³ Joan Dawe, *Eastern Health: A New Organization with a Unique Approach to Governance*, *Qmentum Quarterly*, December 2008, p. 21

²⁴ Mike Conduff, Carol Gabanna and Catherine Raso, *The OnTarget Board Member: 8 Indisputable Behaviors*, 2007

Competency-based Boards

Effective boards require more than figure heads; effective boards require members who add value to the board's work. What competencies do board members need to make the board effective? The Trustee Demonstration Project, a five-year study of trustee boards, identified six important areas where board competence made a measurable difference in organizational performance: a sound understanding of the organization, its mission and environment; continuing board education; supporting group decision-making; the ability to detach personal interests from issue analysis; relationship-building; and, staying strategically-focused, avoiding involvement in operational trivia.²⁵

A wide variety of organizations have created criteria or lists of required competencies for board members.²⁶ However, it is important to note that there are competencies that need to be shared by all members of the board, and skills, knowledge and experience that need to be present on the board, but not necessarily required of every board member.²⁷ The competencies are attributes that support the generic governance functions and group processes of the board; the skills, knowledge and experience mix provides the board with the subject matter expertise needed to help the board process information about the operational context, such as human resources, finance, marketing, operations, financial statements, information management, and government relations.

Identifying the competencies, skills and personal qualities to be sought in new board members is a task for the appointing body. However, Council offers its recommendations on the competencies, skills, and skill mix for the board.

Competency-based boards are considered a best practice and are being utilized across the country by a growing number of not-for-profit and governmental organizations.

*New Brunswick Regional Health Authority
Q&A*

²⁵ NCVO, *Six key competencies which lead to board excellence*, www.ncvo-vol.org.uk/governanceandleadership/?id=759, retrieved 6/10/2009

²⁶For example, Alberta Pharmacists' Association; Enterprise Saskatchewan. This is also recommended by Privy Council in *Building a Crown Corporation Director Profile*

²⁷ Privy Council, *op cit*

Board Appointments

With the growing recognition of the importance of governance function of boards, public boards have moved to appointed members as a means of ensuring that the desired skill sets and experience are present to provide the necessary governance and oversight of the board's work.²⁸ "Preference for appointed members over elected members is overwhelming, in the specialized literature as well as in the opinions of key informants. The only question is whether appointments should be made by central authorities, by the board itself, or both ways."²⁹

Council strongly believed that board composition should be representative of *one* Island community. While it is not unusual to see recommendations that boards actively recruit men and women, and encourage diversity of background and experience,³⁰ governance reports warn against the use of non-competency criteria. The *Report of the Manitoba Regional Health Authority External Review Committee* noted:

The practice of good governance is compromised when board members are expected to occupy multiple roles, such as being representatives of geographical areas within a region or being representatives of particular interest groups.³¹

Given the importance of the work of governing the Island health care system, the board needs to ensure that sound, intentional appointments are made. "Good governance can only occur if capable and well-motivated individuals are appointed as chairs and directors."³²

It is not enough for good people to be appointed to a board. The process for making the appointment must also meet the public's expectations for transparency, integrity and equity. The Alberta Board Governance Review Task Force recommended that the Government of Alberta "use a transparent, non-partisan and competence-based appointment process for the appointment of directors to agencies."³³

Agencies are run by people, not processes

At a Crossroads: The Report of the Board Governance Review Task Force

The next generation of members will not define enfranchisement merely as having a person with similar demography in a seat on the board.

Glenn H. Tecker, et al, A Will to Govern Well

²⁸ New Brunswick, Regional Health Authorities Q&A sheet, "Why are board members being appointed rather than elected?"

²⁹ Pierre-Gerlier Forest, et al, *Issues in the Governance of Integrated Health Systems Executive Summary*

³⁰ Toronto Stock Exchange, *Beyond Compliance: Building a Governance Culture*, p. 15

³¹ *Report of the Manitoba Regional Health Authority External Review Committee*, February 2008, p. 33

³² Auditor General of Alberta, *Report on the Recruiting, Evaluating and Training Processes for boards of Directors in the Alberta Public Sector*, 2005, cited by Neil McCrank, et al., *At a Crossroads: The Report of the Board Governance Review Task Force*, Board Governance Secretariat, p. 27

³³ *Discussion Draft – Alberta Public Agencies Governance Framework*, p. 13

Board Eligibility

Sometimes very capable, qualified individuals with a great deal of professional expertise are ineligible for board appointments. Governance studies indicate that individuals who have a real or perceived conflict of interest should be excluded from board membership. For example, the *Report of the Manitoba Regional Health Authority External Review Committee* recommended board members should not include: any person who provides professional advice to the board; employees who report directly to the CEO of the board; elected officials of unions representing workers of the health system; and, elected government representatives.³⁴

Furthermore, an Alberta report on board governance recommends that no government representatives should be on the board:

...government representatives on agency boards undermine the important role of the board chair as the primary interface with the government. The board chair's authority may be circumvented in ways that could harm the agency, especially when the government representative is viewed as having a 'super voice'. Boards certainly require access to government decision makers, but that need should not be met by placing government officials, either elected or appointed, on boards.³⁵

Similarly, in Prince Edward Island, Section 28 (2) (b) and (c) of the *Schools Act*, S.P.E.I. Cap. S-2.1 holds that employees of any school board and employees of the Department who are considered by the Minister to have a potential conflict of interest are ineligible to be School Trustees.

...government representatives on agency boards undermine the important role of the board chair as the primary interface with the government.

Neil McCrank, At A Crossroads

³⁴ *External Review Committee, op cit*, p. 34

³⁵ Neil McCrank, et al., *At a Crossroads: The Report of the Board Governance Review Task Force*, Board Governance Secretariat, p. 24

Board Remuneration

Governance reports and reviews vary in whether they address the remuneration issue:

Many not for profit boards are now considering offering remuneration to their Directors. Governance best practice dictates that Directors should not be paid for just turning up to Board meetings, they should be rewarded for adding value to the governance of the organization.³⁶

Governance best practice dictates that Directors should not be paid for just turning up to Board meetings, they should be rewarded for adding value to the governance of the organization.

Enterprise Care

In Canada, many public entities have “volunteer” boards that receive honoraria or stipends. Governance reports recommend that provinces establish an appropriate, fair and transparent remuneration policy, which attracts qualified and competent people to agencies. Research also indicates that while there is no requirement that appointees be paid, it is recognized that appointees to governing bodies of provincial agencies should not be out-of-pocket for their service. In determining appropriate remuneration, the rate should be commensurate with the nature of the service, the complexity of the tasks to be performed, and the amount of time dedicated to the service. It was noted that it is the standard practice across Canada to provide some form of remuneration to appointees; however, the scales for remuneration vary according to a number of factors, such that there is no established pattern across jurisdictions.³⁷

The Council acknowledges that board members take on significant responsibilities and liabilities when they accept a board appointment; they are expected to give of their time, attention and energy. Appropriate recognition of their contributions is reflected in a set of stipends or honoraria that shows respect for their role.³⁸

³⁶ Enterprise Care, *Director Remuneration: Reward Assessment*, http://www.enterprisecare.com.au/director_remuneration_reward_assessment, retrieved 28/06/2009

³⁷ *Discussion Draft, op cit*, pp. 25-26

³⁸ *Ibid.*, p. 35, 82

The Board Chair

The Board Chair does more than call meetings and arrange agendas. The Chair needs strong leadership and group process skills to play a transformative role:

“... the leaders of most effective boards ... take deliberate steps to transform an assembly of talented individuals into a well-integrated group.” These chairs seek to shape a ‘performance culture’ – to make it clear that there are certain values at play and performance expectations. In such a culture, directors will arrive prepared, be forthcoming with their views, work collaboratively with colleagues and carry out assigned roles responsibly.³⁹

A committed, cohesive and effective board adds value, first and foremost, by selecting the right CEO for the company.

Toronto Stock Exchange, *Beyond Compliance: Building a Governance Culture*

The Chief Executive Officer

“Without a clear difference in job contributions, the board becomes staff one step removed.⁴⁰ During its consultations, the Council heard of the challenges facing previous Island health CEOs:

The Board felt the CEO was their employee but the Department had a different perception, and ultimately they called the shots. That has to be clarified.⁴¹

The Toronto Stock Exchange recognizes that a board’s most important function “is to choose the CEO and approve the choices of the CEO for the management team.”⁴² As the lynch pin at the interface between the board and the operational arm of the organization, the CEO is central to the organization, and to the effectiveness of its governance. For good governance, it is essential that the CEO and board have a clear understanding of their respective roles and responsibilities. Accreditation Canada recommends that the governing body have a written statement of the roles and responsibilities delegated to the CEO such that the delegation of authority is clearly linked to strategic objectives and clearly delineates how the CEO’s role and functions differs from that of the governing body.⁴³

³⁹ Tim Plumptre, *Not a Rocking Chair! How board chairs can provide strategic leadership to public purpose organizations*, Institute On Governance, June 2007, p. 5

⁴⁰ John Carver, *Boards that Make a Difference*, p. 125

⁴¹ Consultation participant, PEI Health Governance Advisory Council, 2009

⁴² Toronto Stock Exchange, *op cit*, p. 20

⁴³ *Qmentum Program 2010, op cit*, p. 12

The Work of the Board

As Council's considerations moved from board structure to the board work itself, it observed strong overlaps between issues. The concepts of ownership, accountability, trust, engagement, risk management, while distinct from each other, are often driven by similar needs or concerns. In summarizing the governance literature on board functions, Council identified four key types of board work: engagement, delegation, processes & evaluation, and risk management.

*Engagement of the community
the organization serves is
perhaps one of the most
important elements of
governance work there is.*

Banff Executive Leadership

Engagement

Governance literature points out that governance issues go beyond structure; governance is also a process that engages staff and the Island community. The sustainability of the health care system depends upon the support of the community it serves. "Engagement of the community the organization serves is perhaps one of the most important elements of governance work there is."⁴⁴

Engagement is about the capacity of individuals to contribute to the systems that serve them.⁴⁵ As such, community engagement is not a task, but rather an on-going process through which "health outcomes are improved, trust is built, public legitimacy is enhanced and systems transformation can be pursued."⁴⁶ The literature recognizes that community engagement is addressed in various ways, such as community meetings, presentations to and by the board, surveys, small group processes and topical meetings. (See Appendix D for further suggested engagement activities.)⁴⁷ It is up to the board to determine how it engages with the community, and to what extent.⁴⁸ "Regardless of which approach is utilized, Board members need to adequately prepare themselves for this strategic thinking process."⁴⁹

⁴⁴ Banff Executive Leadership, *Models of Corporate/Board Governance, Leadership Acumen*, Issue 21 – April/May 2005, p. 6

⁴⁵ MASS LBP, *Engaging with Impact: Targets and Indicators for Successful Community Engagement* by Ontario Local Health Integration Networks, 2009, p. 12

⁴⁶ *Ibid.*, p. 12

⁴⁷ Oliver, Caroline (General Editor), *The Policy Governance Fieldbook*, Jossey-Bass, 1999, p. 126

⁴⁸ *Qmentum Program 2010, op cit*, p. 15

⁴⁹ Banff Executive Leadership, *op. cit*, p. 6

Engagement & Ownership: Unlike private sector corporations where the board is accountable to the shareholder (owners), the health care system has a dual accountability to the Province through the responsible minister, and to its public constituents. While engagement with the Province is readily apparent, ensuring the board is aware of the interests of its public constituents requires additional mechanisms. In meeting its responsibilities, the board must be comprised in a manner that equips it with the necessary skills and competencies to accomplish its tasks, including the engagement of the community. However, it is important that in its accountability to the community, the board does not create a multiplicity of accountabilities to various interest groups, but rather be accountable to *one* Island community.

While the board of trustees recognized that it existed to serve both the people of Newfoundland and Labrador and the provincial government, there was a view that direct accountability to the community served might indeed be the most critical aspect of that accountability.

Qmentum Quarterly, December 2008

Dual accountability requires a dual set of dialogues with the Province and with the Island community with respect to accountabilities. For such dialogues to be meaningful, the parties need to be engaged. Studies of governance in health care indicate that direct accountability to the community served is critical. However, such accountability requires more than using public consultations for the development of strategic plans.

People also need to hear about the decisions and choices that have been made, the results stemming from those choices, and the implications that these decisions have on other aspects of the system Explaining choices requires both formal reporting of plans and of performance and informal exchanges of information for meaningful two-way communication and accountability.⁵⁰

Note that at least one of these studies recognizes that honesty, clarity and respect are essential, but may not be sufficient to gain public acceptance of needed healthcare change.⁵¹ Moreover, for meaningful engagement and dialogue that adds value to the decision making process, Government, the Board, and the Island community need to be knowledgeable and informed regarding their roles in the governance process, and the specific issue being explored. Meaningful engagement requires education on the parts of Government, the board, and the public.

Given enough information and the chance to talk things over with peers, ordinary people are more than capable of

⁵⁰ CCAF-FCVI, *Principles for Governance, Management, Accountability and Shared Responsibility*, p. 11

⁵¹ *Ibid*

understanding complex issues, and making meaningful choices about them.⁵²

Board members need to devote a significant amount of time and effort in being oriented to the governance model, governance process, the relationship between the board and staff, and executive limitations.⁵³ The Alberta Board Governance Review Task Force recommended that there be a commitment to educating and strengthening the abilities of directors *and* address a gap in the knowledge of government employees relating to how to work with and support agencies. “Specifically, the task force recommended that the Government of Alberta provide orientation to all directors, as well as to ministers and departmental staff who work with agencies.”⁵⁴ The Task Force observed with approval that the province was considering developing and offering a high-level governance orientation program for agency directors, ministers and departments: agency directors will review good governance in the public sector, fostering relationships and key government support services; ministers and departments will focus on the range of agencies and how to work with them to promote superior outcomes. It was noted that other provinces provide support for orientation and ongoing training of individuals appointed to agencies. Ontario, British Columbia and Newfoundland and Labrador have dedicated central groups that provide this support, while other provinces provide assistance through Executive Council.⁵⁵

With a clear understanding of its role in the governance model, Board members are better prepared to learn from the public consultation process. In Ontario, the OHA, with the guidance of the Governance Leadership Council, has launched a Governance Centre of Excellence which provides continuing education to health sector directors and trustees.⁵⁶

Orientation and training are key to developing a committed and effective board. Boards are encouraged to provide formal orientation to new and current directors, and to include a training component into every meeting.

Wayne Amundson, *Director Development*

⁵² James Surowiecki *The Wisdom of Crowds, Why the Many Are Smarter Than the Few and How Collective Wisdom Shapes Business, Economies, Societies and Nations*, 2004 p. 260

⁵³ Joan Dawe, *op cit*, pp.21-22; see also, Wayne Amundson, *Director Development*, in ***Primer for Directors of Not-For-Profit Corporations***, Industry Canada, 2002, p. 91; *Qmentum Program 2010*, *op cit*, p. 9; Chris Miller, *Tough Questions Avoided: The Broadbent Report on the Voluntary Sector*, ***Policy Options***, October 1999, 75-79, p. 77

⁵⁴ *Discussion Draft*, *op cit*, p. 21

⁵⁵ *Discussion Draft*, *op cit*, pp. 20-21

⁵⁶ Quigley and Scott, *op cit*, p. 31

Engagement & Values: Through its research and consultation process, the Council identified Values as a key element to be reflected in its governance recommendations: it is vital that the Board reflect the values of Islanders as policy is created to guide the health system. This is best accomplished by requiring the Board to have a robust engagement process with the Island community. The use of health system staff as a source of information and input is *not* an appropriate substitute for community involvement.⁵⁷

The Accreditation Canada program, *Qmentum 2010*, recommends that when defining the organization's vision and strategic plan, the governing body "consider the needs of the community and priorities set by government or other stakeholders".⁵⁸ Community needs and priorities are reflective of community values.

Manitoba's External Review Committee noted that if interest groups see a particular board member as their representative, they will try to influence the board through a particular member rather than through appropriate community engagement vehicles. Therefore the External Review Committee recommended that the health governance model develop "effective community participative and representation mechanisms outside of the board so that boards can focus on governance, fiduciary responsibilities and strategic planning."⁵⁹ It went on to note that the Community Health Assessments are an excellent example of community involvement.⁶⁰

Community assessment was used as a vehicle for community engagement in Newfoundland. A community stakeholder who participated in Newfoundland & Labrador's Eastern Health Burin Peninsula Community Health Needs Assessment described the value of community engagement:

Usually, we have our own understanding of something and we talk to our circle of friends about it and we have one perspective. The great thing about this needs assessment was that it came from the people of the Peninsula; it wasn't from one group. Participating on the committee made me realize we need to consider the needs of the whole community. Health is not just about

... at the centre of this system is the Canadian public. Individual Canadians have expectations of the system, and roles and responsibilities when using its services. In the final analysis, the Canadian public provides the framework of values, principles and expectationson which the health system is built. Their active engagement is increasingly sees as key to resolving the difficult choices Canada's health system faces and ensuring its continued existence, acceptance and capacity to provide care.

CCAF-FCVI, Principles for Governance, Management, Accountability and Shared Responsibility

⁵⁷ *External Review Committee, op cit, p. 50*

⁵⁸ *Qmentum 2010, op cit, p. 4*

⁵⁹ *Ibid., p. 34*

⁶⁰ *Ibid., p. 51*

the services at the hospital. I found it to be very enlightening... I think the needs assessment has had an impact on the community.⁶¹

There are various mechanisms for community engagement, such as surveys, focus groups, meetings with boards of other organizations with an interest in health:

Community governance has been shifting away from direct democracy of locally elected community boards toward engagement through various other mechanisms such as information sharing and consultation, and by the establishment of community advisory committees, councils or groups.⁶²

Note that some governance authorities recommend that engagement mechanisms be issue specific, rather than standing committees.⁶³

There is a “difference between engaging patients in their own care and engaging members of the public in policy-making or planning”

MASS LBP

⁶¹ Browne et al., 2008 as cited by Joan Dawe, *Eastern Health: A New Organization with a Unique Approach to Governance*, *Qmentum Quarterly*, December 2008, p. 24

⁶² *Engaging with Impact*, *op cit*, p. 31

⁶³ Pierre-GerlierForest, et. al., *op cit*, p 2

Delegation

Delegation & Transparency: Delegation requires a level of trust that the authority being delegated is legitimately granted. True delegation is supported by evidence of good will through transparent processes, such as the appointment process for board members. The *Report of the Manitoba Regional Health Authority External Review Committee* noted the lack of transparency in the board appointment process:

...the current appointment process does not allow for ensuring that boards have a proper mix of skills...there are minimal published selection criteria or candidate qualifications...the government sometimes appoints board members without consulting with either the RHA board chair or CEO....there is no succession planning for replacement of board members...while RHA Boards are accountable to the Minister of Health, there is no formal accountability process to hold individual board members and boards in general accountable to either the region or to the Minister.

The net effect is a lack of transparency in governance processes, which leads ultimately to reduced board accountability...⁶⁴

Delegation & Trust: Appropriate delegation requires a fundamental trust that the delegation process will function as intended. Governance models involve the appropriate delegation of authority and accountabilities. True delegation requires more than a leap of faith, it requires trust, clearly understood roles and responsibilities with appropriate decision making at all levels of the system. Creating and sustaining a culture of trust is imperative for successful governance. Where others can be delegated to carry out leadership's directions, a trusting environment will prevail.⁶⁵

However, delegation of roles is only meaningful where there is a clear understanding of who is responsible for what.

Despite the precautions taken by governments to ensure the effectiveness of crown corporations, there is recent

Trust is the alignment of what the association promises to what it delivers. Often trust within an organization is articulated in a set of values, and through a commitment by leaders and staff to act on those values

Glenn H. Tecker, et. al., *The Will to Govern Well*.

⁶⁴ *External Review Committee, op cit*, p. 33

⁶⁵ Glenn H. Tecker, et. al., *The Will to Govern Well: Knowledge Trust and Nimbleness*, Canadian Society of Association Executives

evidence of weak governance and flawed board practices. For example, a report in Ontario focusing specifically on board governance in hospitals found significant flaws in the boards' level of engagement and overall effectiveness. Frequently cited flaws included lack of clarity with respect to the board's accountability to government, lack of a clear board role, inappropriate skill sets on the board, lack of term limits for directors, inadequate and inappropriate information supporting board decision making, and lack of clear differentiation between governance activities and management responsibilities in the organization.⁶⁶

The mandate and roles document is not a control document. Instead, it provides an opportunity for ministers and chairs to develop communication channels, express concerns and share successes.

Discussion Draft -- Alberta Public Agencies Governance Framework

Responsibility for clarity begins at the top. As the primary source of delegation, government has the leading responsibility “to consistently and promptly communicate their expectations in relation to governance and management principles and practices across the system.”⁶⁷

Mandate and role documents are useful tools for achieving clarity. The exercise of creating or reviewing mandate and role documents ensures that the roles and responsibilities of government and the governing entity are clearly understood. The Alberta report on board governance recommended that mandate and role documents be prepared for each organization, reaffirmed annually and reviewed systematically every three years as a means of reminding the parties of their responsibilities, inform newcomers, and contribute to continuity when people within the organization or government change.⁶⁸

Mandate and role documents should be created cooperatively between the minister and chair and should address key points in the government-board relationship: mandate; roles and responsibilities; expected outcomes with indicators and timeframes; financial, staffing and administrative support provided to the organization by the department; statement of accountability relationships; financial, staffing, and administrative arrangements; reporting requirements; audit requirements and arrangements; periodic organizational reviews; and, applicability of cabinet directives and legislation.⁶⁹

⁶⁶ David A. Nadler *et al.* *Building Better Boards*, Mercer Delta Consulting, p 241

⁶⁷ *Principles for Governance, op cit*, p. 14

⁶⁸ McCrank, *op cit*, p. 23

⁶⁹ *Discussion Draft, op cit*, p. 11

Delegation & Tension: A certain amount of tension between a board and government is normal even in very effective and successful governance models. The ability to use that tension constructively is determined by the relationship building skills of the leaders: the Minister, the Board Chair, the Deputy Minister, and the CEO. The 2004 Accreditation Results report for the Prince Edward Island Health Authorities (as they then were) observed:

Equally empowered and informed in these areas, the governance-executive exchange can be dynamic, creative, not always in agreement, yet balanced and respectful.

Banff Executive Leadership

Strategic management requires long term planning, separate from the political process, and the Health Authorities are challenged by the restrictions of the budgeting process and resource allocation. Informal processes have been effective in moderating these issues, due to the close relationships in the small province, but there is a need to formalize accountability and decision making processes to empower the leadership positions in the Health Authorities.⁷⁰

Tension is also an important driver for community engagement as a means for navigating a solution:

Here, discussions of sustainability and relevancy at the community level (governance work), meets the strategy, competitive analysis, value-building & positioning work from the operational perspective. Equally empowered and informed in these areas, the governance-executive exchange can be dynamic, creative, not always in agreement, yet balanced and respectful.⁷¹

⁷⁰ Canadian Council on Health Services Accreditation, *Provincial Summary Report, Prince Edward Island Health Authorities, 2004 Accreditation Results*, January 2005, p. 20

⁷¹ Banff Executive Leadership Inc., *op cit*, p. 6

Delegation & Accountability: Good governance requires accountability: the board holds the staff accountable for the performance of the system and the board is, in turn, accountable to the community it serves. Where a governing entity has dual accountabilities, such as in the health care system, accountabilities are enhanced where the governing body clarifies areas of shared decision-making with government or funding authorities.⁷²

Accountability discussions need to be framed in terms of assessment and evaluation. In terms of governance, accountability is not about what the organization's employees *do*, but on the *outcomes* of their activities: Who is better off? In what way? At what cost? Was it worth investing?⁷³

Therefore boards need to develop accountability processes that include independent, third-party assessment of board and board member effectiveness, board accountability for empowering communities, and meeting outcomes and service delivery objectives.⁷⁴ The more specific the outcomes, the less control is required for the oversight of the functions, methods, practices and processes of the organization.⁷⁵ This clarity of purpose is essential where the Minister wants to have sustained engagement with the community. As noted in a governance report to the Ontario Ministry of Community and Social Services in 1992,

To fulfill the provincial commitment to local choice, the critical requisite will be the integrity in local governance. For the ministry to honor its obligation to provincial taxpayers while engaged in an empowering relationship with local ones, it must have assurance that the range of local latitude is exercised by proper local governance...

It is this exercise of local latitude that requires the integrity of local governance to be a ministry concern⁷⁶.

...there is no recipe for the most effective accountability framework to fit the unique circumstances of a particular case. However, there are several critical elements that need to be part of the formal discussion about governance and accountability:

- 1. The clear articulation of the results expected.*
- 2. Open, transparent and public reporting of the results to the ministers, partners and citizens.*
- 3. Management and measurement systems that ensure the promised results can be monitored and evaluated.*
- 4. Mechanisms to adjust the arrangements so as to redress the concerns of citizens, ministers and partners.*
- 5. Ensure that government as a whole, the partners and citizens learn to adapt partnership arrangements and their governance and accountability frameworks as they gain experience.*

Tom Fitzpatrick,
HORIZONTAL MANAGEMENT
Trends in Governance and Accountability,
 CCMD's Action-Research Roundtable on
 the Management of Horizontal Issues,
 2000 http://www.csps-efpc.gc.ca/pbp/pub/pdfs/W2_e.pdf

⁷² *Qmentum Program 2010, op cit*, p. 17

⁷³ John Carver, *Partnership for Public Service*, in *John Carver on Board Leadership*, p. 551

⁷⁴ *External Review Committee, op cit*, p. 82; see also Debra L. Brown and David A.H. Brown, *The 7 Steps to Board and Director Evaluation, Governance Matters*, Canadian Co-operative Association, February 2003

⁷⁵ John Carver, *Partnership for Public Service, op.cit.*, p. 551

⁷⁶ John Carver, *Partnership for Public Service, op.cit.*, p. 552

How is delegated governance to achieve the required level of integrity? By developing standards of governance, the Minister must state the desired effects of good governance, and allow the governing body to develop its actions and structures. A leading authority on governance suggests some possible outcomes of good governance, such as:

- Civic trusteeship wherein the board determines how its constituency or owners can be heard, how individual members will reconcile their accountability to the whole constituency with individual allegiances to constituency sub-groups;
- Strategic leadership in developing the board’s own job and its agenda including consideration of long-term options for the organization, and balancing diverse needs and organizational realities; and
- Relation to staff with respect to the level of control and direction from the board, setting boundaries with respect to unacceptable outcomes, activities, decisions or behaviours, and a means of ensuring board directives are being followed.⁷⁷

Unfortunately, the conditions under which a minister knows that it can rely on the board to ensure department directions are being followed are rarely established. A former Provincial Auditor of Ontario observed:

The Ministry had neither sufficiently defined nor ensured that its governance, performance and reporting expectations were met for economical and cost effective service delivery.⁷⁸

A functional governance relationship requires trust.⁷⁹ This can be supported through established reporting mechanisms. The Prince Edward Island *2004 Report of the Auditor General to the Legislative Assembly* recommended that all Crown agencies provide a corporate plan that is approved by the board; endorsed by the Minister; reviewed and approved by Treasury Executive Council; released to the Legislative Assembly with the budget approval process and linked to the corporate annual report.⁸⁰

It is important that the ministry not dictate to local boards the specifics of how to govern. It is only to require that they use an approach capable of supplying the assurances which justify the ministry’s allowing them to make decisions on the use of provincial money.

John Carver On Board Leadership, p. 557

The long turnaround times for decisions and extremely complex government approvals process that currently exist are no substitute for a robust health care prioritization and escalation approach that trusts a health team to make important decisions with an overall government framework.

Corpus Sanchez International Report

⁷⁷ John Carver, *Partnership for Public Service*, in *John Carver On Board Leadership*, pp. 556-7

⁷⁸ Erik Peters, *Public Sector Governance and Accountability – Key Elements to Earn the Public Trust, Governance, Ethics, Responsibility and Independence*, p. 3

⁷⁹ Corpus Sanchez International, *op cit*, p. 86

⁸⁰ *2004 Report of the Auditor General to the Legislative Assembly*, Prince Edward Island, p. 25

Governance Processes & Evaluation

To function as an effective governing body, a board needs processes to do its own work, such as how to recruit and select new members, how to select the chair, internal roles and responsibilities, how to develop and adopt bylaws and policies, and how its performance is evaluated.⁸¹

This evaluation is a governance assessment, which is different from an evaluation of the organization as a whole in meeting its mandate. It is intended to improve the performance of the board, and enhance the effectiveness of individual directors. Such evaluations would be used for strategic planning, board reappointments and identification of any missing competencies on the board.⁸²

While there is no single, standard method of assessing boards and directors, the need for evaluation is an accepted principle of good governance.⁸³ It is noted that while recognized as a principle of good governance, board evaluation is not yet a universal practice. This may be due, in part, to the fear that such evaluations would deter individuals from accepting board appointments. However, board evaluation is a developing practice. For example, Accreditation Canada has developed a Governance Functioning Tool which is to be used by health care organizations every three years. While the tool is seen as an important part of an organization's assessment process, it is not intended to be the sole means for evaluating board performance.⁸⁴

The fundamental requirement for evaluation is for the Minister to “define and communicate its expectations for agency governance and for acceptable operating policies and procedures to be followed...”⁸⁵

Risk assessment and management is another core corporate function that has been almost entirely eliminated in past restructurings. Senior managers in the health system agree that the risks of operating the current system are very high, but that they have no accepted across-the-board method of managing them – the current approach is entirely ad hoc. Leaders in PEI need look no further than public review processes currently under way in Newfoundland and New Brunswick to identify the significant risk in this approach.

Corpus Sanchez Report, p. 86

⁸¹ *Qmentum Program 2010, op cit, pp. 7-10*

⁸² *Discussion Draft, op cit, p. 24*

⁸³ *Discussion Draft, op cit, p. 24*

⁸⁴ *Qmentum Program 2010, op cit, p10*

⁸⁵ Erik Peters, *Public Sector Governance and Accountability, op cit, p. 4*

Risk Management

The board is responsible for more than adopting a strategic planning process. It is responsible for contributing to the development of strategic direction and approving a strategic plan that takes into account the opportunities and risks.⁸⁶ The board is then responsible for monitoring the organization's efforts to follow the plan, and regularly reviewing with management the strategic environment, the emergence of new opportunities and risks, and the implications for the organization's strategic direction.⁸⁷

Governance literature, particularly in the health context, notes the importance of ensuring that the governance structure provides for processes to identify and manage risk in the health system, particularly with respect to quality and patient safety.

Board members have to be educated about what is going on in the national environment on quality and safety, and then use those newly acquired skills to make sure the organization they are responsible for is measuring and delivering on its quality and safety goals. ... Most boards fail on both steps. They don't devote resources and precious time to education on quality and safety, and thus they lack the fundamentals to hold management's [and clinicians'] seats to the fire regarding quality and safety.⁸⁸

The board contributes value to the organization through its oversight role relating to risk management, "ensuring that management has in place appropriate processes for risk assessment, management and internal control, monitoring performance against agreed benchmarks, and assuring the integrity of financial reports."⁸⁹ The TSE guidelines advise that boards be responsible for "the identification of the principal risks of the corporation's business, ensuring the implementation of appropriate systems to manage these risks".⁹⁰

Public governance and management are about making choices – choosing to do something, to do it in a certain way, or not do it at all. There are risks involved in choosing any of these options: a chance or probability that the success of the organization could be impaired, something undesirable may happen, or an important opportunity could be missed.

CCAF-FCVI, *Principles for Governance, Management and Accountability*

⁸⁶ *Principles for Governance, op cit*, p. 10

⁸⁷ Toronto Stock Exchange, *op cit*, p. 23

⁸⁸ Dr. David B. Nash, chair of the Department of Health Policy at Jefferson Medical College, as quoted by Barry S. Bader with Sharon O'Malley, *7 Things Your Board Can Do to Improve Quality and Patient Safety, Great Boards*, Bader & Associates Governance Consultants, Spring 2006, Vol. VI, No. 1

⁸⁹ Toronto Stock Exchange, *op cit*, p. 7

⁹⁰ Toronto Stock Exchange, *Report on Corporate Governance, 1999: Five Years to the Dey*, p. 8

Council's Key Elements of Governance

Having reviewed the governance studies and considered carefully the input gathered through its consultation process as well as its own deliberations within its membership, Council identified seven key elements of governance that it believed its recommendations needed to address:

- Values – the governing body reflects the values of Islanders through its policy decisions;
- Ownership – the governing body acts on behalf of all Islanders;
- Direction Setting – the governing body is responsible for setting the goals of the health system;
- Delegation – there are clearly understood roles and responsibilities with appropriate decision making at all levels of the system;
- Accountability – the governing body holds the staff accountable for the performance of the system and is in turn accountable to Islanders;
- Governance Processes – the governing body has established processes to do its own work, including how its performance is evaluated; and,
- Risk Management – there are processes in place to identify and manage risk in the health system.

These seven elements were developed by the Council and used in framing the recommendations that follow.

Values
Ownership
Direction Setting
Delegation
Accountability
Governance Processes
Risk Management

Recommendations

Using the seven key elements of governance identified by the Council, the following recommendations are submitted to the Minister for consideration:

1) Values

- The Minister adopt the elements of good governance as described by the Council: values, ownership, setting direction, risk management, delegation, accountability, and governance processes.
- The board engage with the Island community to identify and prioritize:
 - Needs and values of Islanders;
 - Beliefs and wishes of health care users;
 - Values of service providers; and,
 - Values of government.
- Leave the new model in operation for a period of at least five to ten years to allow it to grow and fully function. In Council's consultations, there was a very strong message from stakeholders that the health care system needs a period of sustainability and stability.
- The board's plan for community engagement should include a method to determine the values of Islanders and Government and these values be used to guide the future direction of the health system and other board policy direction to the CEO.
- The board take steps to ensure there are mechanisms to connect formally with staff and physicians as expert advisors to the board.
- Although board members shall be appointed from a variety of communities and backgrounds from across Prince Edward Island, the board members are appointed to represent *one* Island community, and not be identified with sub-group interests at the expense of the Island perspective.

2) Ownership

Principles of good governance require that the structure of the organization be transparent so that stakeholders clearly understand who is being served by it.

- The health system on Prince Edward Island be operated by a corporate entity called the *PEI Health Services Corporation* (the “Corporation”) which is external to Government:
- The primary mandate of the Corporation’s Board is to provide governance and direction on the effective, efficient and sustainable delivery of quality health care services that produce healthy Islanders. The Board’s mandate is to act on behalf of Islanders in:
 - Defining the Board’s objectives;
 - Ensuring that the Corporation achieves its objectives; and,
 - Ensuring that the Corporation operates within the parameters set by the Board.
- The Corporation’s deliverables will include the planning, payment, organization, allocation, development and evaluation of capital, human, technology, facility operation, as well as assisting the Deputy Minister with capital planning and other required resources.
- The Corporation should be governed by a Board of no less than 11 and no more than 15 directors.
- The Council recommends that the Board Members be selected according to a set of competencies⁹¹ such that each member demonstrates:
 - i. A strong personal commitment to the health of Islanders;
 - ii. Community involvement and credibility;
 - iii. Strategic thinking;
 - iv. Analytical capabilities;
 - v. Group decision making skills such as the ability to listen to and consider the perspectives of others, effective participation in discussions, an understanding of group process and show support of group decisions; and,
 - vi. Personal integrity.

⁹¹ The Council considered competency statements from a variety of organizations, including the International Policy Governance Association.

- In addition to the competencies identified above, the Board's membership should be comprised of a mix of specific skills, knowledge, experience and perspectives such that the Board includes a mix of:
 - i) People from various regions of the province with a rural and urban mix and different ethnic and cultural backgrounds;

At least two board members will come from each of rural Prince, Queens and Kings counties and two from each of the greater Charlottetown and Summerside areas;
 - ii) People from different demographic groups;
 - iii) Male and female members;
 - iv) People with subject-matter knowledge including: business, quality and safety, finance, law, communications, community development, and comprehensive knowledge of health and/or health systems; and,
 - v) Strategic qualities such as demonstrated leadership, forward thinking.
- A current employee of the Corporation or of the Department of Health or a physician, who derives current income from the Corporation or Department of Health, is not eligible to be appointed to the Board.
- The Board is responsible for the creation and implementation of a multi-faceted annual plan for community engagement to elicit input from and to be accountable to the Island community;
- The Board will adhere to the following reporting structure:
 - The Board will meet twice annually with the Executive Council to report on progress on the achievement of health priorities;
 - The Board will prepare and submit to the Minister an annual report in compliance with legislation;
 - The Government consider establishing a Standing Committee regarding Health, and the Board will report annually to such a Standing Committee on the achievement of outcomes and indicators and the success of community engagement; and,
 - The Board will report annually to the Island community.

3) Direction Setting

Direction and leadership responsibilities for the Island's health system will reside at multiple levels both in Government and in the Corporation.

The Minister

- The Minister is ultimately responsible to the Government and the people of Prince Edward Island for provincial health programs and for overseeing the provincial health system;
- The Minister, with the support of Government, is responsible for communicating the priorities of Government for the health system, setting the overall strategic health system direction, including establishing and monitoring health outcomes and health system performance indicators in addition to the monitoring by the Board;
- The Minister may give directions to the Board and the Corporation. Without limiting the Minister's authority to issue directions, these may include:
 - i. Providing priorities and guidelines for it to follow in the exercise of its powers; and,
 - ii. Coordinating the work of the Corporation with the programs, policies and work of the government and public institutions.
- The Minister is responsible to allocate sufficient funding to the Corporation to carry out its work, including funding appropriate for the support of the Board to fulfill its governance mandate, including adequate resources for research.

The Board

- The Board is responsible for ensuring the operation of one Island health system and the delivery of an approved set of programs in accordance with the Minister's strategic direction for the provincial health system.
- The Board is responsible for ensuring the development and submission of the Corporation's strategic plan to the Minister. The strategic plan shall:
 - i) Be a three-year strategic document that communicates how the Corporation intends to fulfill its mandate and legislative obligations;
 - ii) Indicate how the Corporation has aligned its strategic direction with the Minister's goals, priorities and directives; and,
 - iii) Identify key actions to be implemented, with targets and measures to be used to assess and monitor performance.

Once approved by the Minister, the strategic plan forms an agreement between the Minister of Health and the Board on what is to be accomplished and how it will be monitored and measured.

- The Board is responsible for ensuring the development and submission of the Corporation's Business Plan to the Minister. The annual business plan includes key activities to achieve planned outcomes in the coming year.
- The Board is responsible for the recruitment, selection and appointment of a Chief Executive Officer ("CEO").⁹² Compensation for the CEO should be competitive with other health organizations of similar size and complexity in the region. The CEO is accountable to the Board and is responsible for providing leadership and management of the Corporation under the direction of the Board.⁹³

The Corporation

- The CEO shall ensure that the Corporation shall, annually prepare and submit a budget to the Minister, at the time and in the manner required by the Minister. The budget shall contain estimates of amounts necessary to enable the Corporation to carry out its delegated mandate and exercise its powers in the coming financial year.
- The Corporation will work with the Minister in accordance with government directions on capital planning, to prepare and submit to the Minister future capital expenditures needed to effectively support service delivery strategies.

⁹² A scan of other Canadian jurisdictions supports the practice of boards appointing their chief executive officer. See *The Regional Health Authorities Act*, C.C.S.M. c. R34, s. 21(1)

⁹³ McCrank, *op.cit.*, p. 35

4) Delegation

The fundamental objective of governance principles is to ensure that responsibilities and functions reside at appropriate levels to enable senior leadership to focus on strategic leadership and monitoring, and to enable operational leadership to see to the day-to-day work.

The Minister

The Minister will work with the Corporation to create a mandate and roles document to ensure the clarity of roles and responsibilities between the Board, the CEO, the Minister and the Deputy Minister and departmental staff.

The Deputy Minister

The Deputy Minister:

- Is the executive chief of the Ministry acting under the direction of the Minister;
- Works in collaboration with the Board Chair and CEO;
- Provides feedback to the Corporation regarding its responsibilities and performance; and,
- Provides input to the Chair on CEO evaluation.

The Corporation

- The Corporation is a delegated operational organization serving as the Province's health service delivery arm. Its primary accountability and reporting obligation is to the Minister.
- The Corporation may not, without the approval of the Minister, take the following actions:
 - i) Creation of new programs that cannot be managed within the current budget;
 - ii) Capital expenditures, including the acquisition of property, over a pre-approved amount as agreed upon in the roles and mandate document;
 - iii) Changes to existing programs and services in a way that results in a significant reduction of geographic access by Islanders;
 - iv) Material changes to the allocation of human resources across the province;
 - v) Spending outside the approved global budget;

- vi) Changes to the composition of the Board; or,
- vii) Negotiation of collective agreements with bargaining agents.

The Board

- The Board governs the operations of the Corporation and reports to the Minister through the Board Chair.

The CEO

- The CEO is employed by the Board to manage the operations of the Corporation. The CEO reports to the Board.

5) Accountability

The delegation of authority is balanced with clear accountabilities for the exercise of that authority.

Board Performance

- The Minister is responsible for identifying the governance expectations for the Board:
 - i. Board and board member competencies;
 - ii. Community engagement;
 - iii. Strategic planning and oversight;
 - iv. Board practices and behaviors; and,
 - v. Board reporting.
- The Minister is responsible for evaluating the Board and its governance practices against pre-stated assessment criteria. This will include, but is not limited to:
- Evaluating the strategic plan and the annual business plans in light of the requirement set out in legislation;
- Providing feedback to the Corporation in a timely manner and identify either acceptance of the plans, or recommendations for change.

*Board Appointments*⁹⁴

- The Minister is responsible for appointing the first Board of the Corporation, using a third party process to recruit, screen and interview candidates according to a set of pre-identified competencies and requirements; and,
- The Minister shall appoint subsequent Board members. Such appointments shall be based upon recommendations by the Board. The Board shall use a third party process with appropriate community engagement, according to a set of pre-identified competencies and requirements.⁹⁵

⁹⁴ A survey of public boards in Canada indicates that Boards and Board Chairs are appointed. See *The Regional Health Authorities Act*, C.C.S.M. c. R34, s. 14(4); *Regional Health Authorities Act [To be proclaimed]*, SNL 2006 Chapter R-7.1, s. 8(1)

⁹⁵ Treasury and Policy Board, *op cit*, p. 4

- The Minister is responsible for appointing the Board Chair:
 - i. From among the sitting board members;
 - ii. According to pre-established competencies and criteria; and
 - iii. Upon recommendation by the Board.

Board Reporting

- The Board is responsible for ensuring the development and submission of legislated accountability documents including the multi-year strategic plan, the annual business plan and the annual report:
 - i. The Board will meet twice annually with Executive Council to report on progress on achievement of health priorities;
 - ii. The Board is required to prepare and submit to the Minister an annual report in compliance with legislation;
 - iii. The board is required to report annually to a Standing Committee on Health on the achievement of outcomes and indicators and the success of community engagement;
 - iv. The Board will report annually to the Island community; and,
 - v. The Board will ensure an annual, external audit takes place.

6) Governance Processes

Structures and accountabilities support the actual work of governance, which is performed through governance processes.

- The Board is responsible for the development of policies to guide the Corporation and policies to guide its own functioning including: orientation, education, planning, policy making and self assessment and evaluation.
- The Board should be thoroughly oriented and trained, with board policies and processes in place prior to formally assuming authority over the Corporation.

Terms of Appointment

- The members of the first board will be appointed for a combination of terms of either 4 or 3 years so as to ensure the continuity of Board corporate knowledge. Thereafter, Board members will be appointed for 3 year terms to a maximum of 3 terms.
- The Board Chair will serve a 3 year term. The Chair may be reappointed for a second term provided that the incumbent's total length of term on the Board does not exceed 10 years.

Board Remuneration

- Board members will be remunerated by a combination of annual retainer and per meeting honoraria. In consideration of the time, commitment and level of responsibilities required for this work:
 - i. Annual retainer for Board members in the range of \$3,000;
 - ii. Annual retainer for Board Chair in the range of \$10,000;

Honouraria per meeting to an annual maximum in the range of \$4,000 (exclusive of orientation, education and training):;
 - a. of four hours or more at a rate in the range of \$250; and,
 - b. for less than four hours at a rate in the range of \$150;
 - iii. Travel time and expenses will be remunerated;
 - iv. Except for Board orientation, education and training, preparation time for meetings is included in the annual retainer.

7) Risk Management

Risk management is a key element that captures aspects of all of the other key governance elements identified by the Council, particularly with respect to quality, and accountability. Principles of good governance support sound risk management.

- The Board is responsible for the oversight of the health system, and the management of risk associated with operating the health system, including the quality and safety of programs and services.
- The Board shall contribute value to the organization through its oversight role relating to risk management, by ensuring that management has in place appropriate processes for risk assessment, management and internal control, monitoring performance against agreed benchmarks, and assuring the integrity of reports.
- The Board shall ensure a culture of safety within the organization.

Transition

Recommendations for the transition from the Department of Health to a new Corporation model

- There should be a dedicated resource to support the board during the establishment of the board, including the orientation, training and policy development processes;
- The Department of Health should appoint the first CEO with the advice and assistance of the Health Governance Advisory Council, in the event the Board is not yet in place;
- There should be a transition plan in place prior to any governance change and this transition plan should include:
 - timelines for all key activities;
 - dedicated staff resources to transition the organization;
 - the allocation of money and time to the training and preparation of all staff including senior staff;
 - Identify the impact of the changes on the broader Provincial Government processes (such as Public Service Commission, Finance, Purchasing, Provincial Treasury), ensure appropriate resource re-allocations and develop appropriate responses to minimize disruption of services and personnel;
- Change management plans and processes to prepare various stakeholders for the transition, including clear accountabilities for this implementation. Stakeholders would include, staff who will remain as employees of the Department of Health, staff who will transfer to the Corporation, physicians, and staff in Government departments who will work with the Corporation on a regular basis;
 - Create a detailed communication plan to create a two-way communication process with key stakeholders, including staff, physicians, unions and professional organizations:
 - Identify a central point of access for information; and,
 - Engage in multiple avenues for communication;
- Within 24 months of the Board assuming responsibility for the Island health care system, the Council be asked to monitor the governance transition process in reference to the Council's report and relationships between the Board, Government, and communities.

Advice to the New Board:

In addition to its governance recommendations, Council also wished to share some of its learnings and experience with the new Corporation's board:

- Use the seven elements of governance as a framework for the work of the board;
- Establish an ongoing orientation and training plan for board members;
- Delegate decision making authority to the CEO and encourage empowerment throughout the organization, with appropriate accountability and monitoring;
- Delegate the process of medical staff appointments and privileges to the CEO;
- Educate Members of the Legislative Assembly about the health system, through an orientation for new members and on an ongoing basis;
- Ensure there are robust complaint processes in place in the organization;
- Establish a process for board members to know what to do when they receive an individual's complaint or concern;
- Be aware of barriers to change;
- Ensure that there are resources to conduct research in support of evidence-based decision-making within the system that will inform the Board with respect to current and future direction;
- Act on behalf of *all Islanders*.

Conclusion

The Council appreciates that the Province's health system has been subject to several reorganizations and governance changes, and that with the human resource and operational challenges facing the system, change should only be considered where necessary. The Council agrees with the Corpus Sanchez report that such is the case with respect to its governance recommendations. Furthermore, the Council believes that through adopting its recommendations, the Province will realize significant benefits:

1. Improved efficiency & agility

Utilizing a provincial government department to try to both set provincial policy direction *and* oversee and manage a complex system of health services and supports is inefficient. Departmental reporting structures evolved in response to the organizational needs of a department that enforces compliance, rather than an operational environment that gives rise to situations on a daily basis that cannot be resolved through reference to pre-established policies and procedures alone. The recommended governance model will ensure a high level of accountability while also giving the health system the ability to be agile in response to the needs of Islanders.

2. Properly places administrative functions within the health system rather than at the Cabinet table

By creating an arms' length organization to run the Island's health system, the Provincial government will no longer need to be reviewing front-line operational decisions such as approving staffing decisions.

3. Allows the Province to consider Island health from a strategic and provincial policy perspective.

Without the distraction of operational concerns of the health system, cabinet and departmental resources can better focus on the strategic and public policy issues relating to how the Island's health system can support and be supported by the government's vision for One Island Community that promotes Islander prosperity.

4. Board's focus is exclusively on the health system

With a separate board responsible solely for the operation of the Province's health system, the board is able to devote all of its resources and attention to fulfilling its mandate.

5. Structure works – it supports the sustainability of the health system

Unlike the Provincial cabinet, which serves a variety of purposes, the health board will be designed for governing the Province's health system, with clearly delineated accountabilities to both the Province and to Islanders for the delivery of health services.

6. Quality & Accountability

Appropriate government structures enable quality assurance processes to be monitored and evaluated by government from an arms' length position. This enhances public trust and confidence in the system that has appropriate oversight through a set of checks and balances.

7. Continuity of leadership in government & cohesion of decision-making

While change in front-line practices may be a permanent aspect of the health system, the functional leadership of the health system benefits from stable leadership that has sufficient time in place to offer stability of vision and direction. It is difficult for a health system to be functional when it is subjected to changes in leadership at the frequency of cabinet shuffles or deputy minister rotations.

8. Role of community input

Community input must involve more than simply asking for public opinion. The Board must help Islanders understand the nature and constraints of their health care system and the particular issues they are asked to address.⁹⁶ The Board must clearly define the purpose of a particular engagement with the public and the role the public is to play. Recent studies of Local Health Integration Networks (LHINs) in Ontario suggest that regional organizations are better positioned than ministry officials to assess and interpret local needs.⁹⁷ While the recommended Corporation is on a provincial scale in Prince Edward Island, the small size of our Province would allow the Board to play a similar role to the LHINs. The Board will be exclusively focused on the operation of the Island's health care system, and will be better placed to assess and interpret local needs for health care services.

⁹⁶ *Engaging with Impact, op cit, p.\10*

⁹⁷ *Engaging with Impact, op cit, p. 7*

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APPENDICES

Appendix A

Health Governance Advisory Council

The Council consisted of eight members from across the province and two co-chairs.

The two co-chairs were:

Dr. Rosemary Henderson, a physician from Charlottetown; and,

Mr. Ron Maynard, a dairy farmer from Tyne Valley.

The eight other members include:

Mary Jane Callaghan of Souris, Manager of Home Care in King's Region;

Diane Collins, a Registered Nurse from Montague;

Donna Murnaghan of Charlottetown, from the UPEI School of Nursing;

Roseanne Sark, Director of Health with the Mi'kmaq Confederacy;

Alan Montgomery, a Chartered Accountant from Summerside;

Marie-France Thériault, a lawyer from Summerside;

Brian Willis of O'Leary, Floor Supervisor of a potato packing plant; and

Tammy Chaisson, a medical laboratory technologist from Tignish and president of a provincial union that represents health care workers.

Appendix B

Call for... Expressions of Interest

Department of Health, Governance Advisory Council

This is a call for expressions of interest for anyone or any body wishing to make a presentation to the Governance Advisory Council.

As part of the Integrated Health System Project (IHSP) the Governance Advisory Council has been tasked with recommending a new province-wide governance model to oversee the delivery of health care on the Island. The Council is committed to recommending a health system governance model that will promote effective system functioning, enable effective management and responsibility, and ensure that the system is accountable to Islanders and government.

Please forward expressions of interest to the council co-chairs:

c/o France Mouffier with HRA
1 Harbourside, Brecken Bldg
Charlottetown, PEI C1A 8R4
Tél. / tel. (902) 626-2518
Télec. / Fax (902) 626-2532
fmouffier@hra.ca



Please mark as "EOI: Health Governance Advisory Council"

Department of Health



Appel... de déclarations d'intérêt

Conseil consultatif de la gouvernance en santé de l'Île-du-Prince-Édouard

Ceci est un appel de déclarations d'intérêt pour quiconque ou n'importe quel organisme voulant présenter des observations écrites au conseil consultatif de la gouvernance en santé.

On a confié au conseil de consultation de la gouvernance en santé la tâche de recommander un nouveau modèle de gouvernance à l'échelle de la province pour encadrer la livraison des soins de santé sur l'Île. Le conseil s'engage à recommander un modèle de gouvernance pour un système de santé insulaire qui fournira une surveillance appropriée, qui promouvra une fonction opératoire efficace et qui assurera que le système sera responsable devant les Insulaires et le gouvernement. Des questions plus spécifiques seront fournies pour vous aider à préparer votre soumission. La date limite pour la présentation de vos observations écrites est le **vendredi 8 mai 2009.**

Prière d'envoyer votre déclaration d'intérêt au :

Conseil d'administration de la gouvernance en santé

a/s de HRA, France Mouflier,
1, Harbourside, Édifice Brecken,
Charlottetown (Î.-P.-É.) C1A 8R4
1.902.626.2500 téléphone
1.902.626.2532 télécopieur
governance@hra.ca



Ministère de la Santé



Appendix C

“Governance” Defined

...**governance** is viewed as the interaction between citizens, experts and elected representatives in the development and implementation of policies designed to solve social problems. Health system governance may be considered at one or more levels: 1) the macro level (i.e., central or national authority), which has responsibility for the public sector as a whole (e.g., federal or provincial governments or pan-Canadian authorities; 2) the meso level, which includes regional or functional authorities determined either geographically or by population group; and 3) the micro level of specific organizations or communities (Forest et al. 1999). Given the paper’s focus on issues of public participation, we are specifically interested in the contributions of citizens, through their democratic participation and interactions with experts and elected officials, to the governance of the health system.

Public Participation and Citizen Governance in the Canadian Health System

“Good governance has certain principles that are common across the public, private, and non-profit sectors. These are transparency, clear allocation of roles and responsibilities, financial probity, accountability, and looking at outcomes. Recognize that the principles of good governance apply to all organizations regardless of their size. The structure will have to be tailored to the institution depending on its size, but the principles remain the same.”

(The Honourable Bob Rae)

Governance comprises the complex mechanisms, processes, and institutions through which citizens and groups articulate their interests, mediate their differences, and exercise their legal rights and obligations.

*UNDP Internet Conference Forum on
"Public Private Interface in Urban Environmental Management"*

"Governance" is the art of public leadership. There are three distinct dimensions of governance:

1. the form of political regime;
2. the process by which authority is exercised in the management of a country's economic and social resources; and
3. the capacity of governments to design, formulate, and implement policies and discharge functions.

The criteria that constitute good governance have been drawn from these three dimensions, and include:

- legitimacy of government (degree of "democratization"),
- accountability of political and official elements of government (media freedom, transparency of decision-making, accountability mechanisms),
- competence of governments to formulate policies and deliver services,
- respect for human rights and rule of law (individual and group rights and security, framework for economic and social activity, participation).

Novartis Foundation for Sustainable Development

The Three Dimensions of Governance

The essential nature of governance is the structure of institutions and societal norms by which authority is exercised for everyone's benefit at all levels, from local to global.

Governance in general has, among others, three dimensions:

- The political dimension - processes by which those in authority are selected/ elected, monitored and replaced.
- The economic dimension - process by which public resources are effectively managed and sound policies implemented
- The institutional dimension - processes by which citizens and the state itself respect the society's/public institutions

Source:

The Governance Working Group of the International Institute of Administrative Sciences 1996.

Public sector governance covers:

‘...the set of responsibilities and practices, policies and procedures, exercised by an agency’s executive, to provide strategic direction, ensure objectives are achieved, manage risks and use resources responsibly and with accountability.’¹

It also encompasses the important role of leadership in ensuring that sound governance practices are instilled throughout the organisation and the wider responsibility of all public servants to apply governance practices and procedures in their day-to-day work.

Good governance is about both:

- performance—how an agency uses governance arrangements to contribute to its overall performance and the delivery of goods, services or programmes, and
- conformance—how an agency uses governance arrangements to ensure it meets the requirements of the law, regulations, published standards and community expectations of probity, accountability and openness.²

This means that, on a daily basis, governance is typically about the way public servants take decisions and implement policies.

Foundations of Governance in the Australian Public Service

Governance can be defined as: the combination of policies, systems, structures and a strategic/operational framework, which the governing body puts in place to ensure the leadership of the organization makes appropriate decisions, and takes appropriate actions to deliver services in an effective and accountable manner.

Leadership Acumen, Banff Executive Leadership Inc.

Governance has been defined as the process by which organizations are directed, controlled and held to account. (ANAO)

Several principles of good governance apply to all organizations, including government. These include:

- Setting direction: establishing organizational policy; the budget is a major tool
- Ethics: instilling values in the organization; setting the tone at the top, with clear lines of accountability that hold people responsible for doing the right thing
- Overseeing results: oversight to ensure policies are implemented; monitoring that performance meets expectations
- Accountability reporting: good financial and performance reports, preferably subject to independent audit
- Correcting course: identifying problems; responding and taking corrective action - for instance, implementing auditors' recommendations.

Some principles are more critical in the public sector, because of the political context in which government operates and the public sector elements of public service and public trust. These include:

- Transparency: Government needs to maintain openness to its citizens.
- Probity: Government officials must act always with honesty and integrity.
- Equity: Government officials must exercise the power entrusted to them fairly. Government must avoid the misuse of power, and corruption.

Lack of transparency, probity or equity will erode the public trust, undermine government's legitimacy and damage government's ability to govern.

Oversight

The senior governing bodies in a public sector organization - whether a legislature, an appointed Board or a CEO - are responsible for providing oversight in any sound governance framework.

Canadian Comprehensive Auditing Foundation 2008

Corporate Governance Defined

Corporate governance is most often viewed as both the structure and the relationships which determine corporate direction and performance. The board of directors is typically central to corporate governance. Its relationship to the other primary participants, typically shareholders and management, is critical. Additional participants include employees, customers, suppliers, and creditors. The corporate governance framework also depends on the legal, regulatory, institutional and ethical environment of the community. Whereas the 20th century might be viewed as the age of management, the early 21st century is predicted to be more focused on governance. Both terms address control of corporations but governance has always required an examination of underlying purpose and legitimacy. - - James McRitchie, 8/1999

The system by which companies are directed and controlled. (Sir Adrian Cadbury, The Committee on the Financial Aspects of Corporate Governance)

Governance may be defined as the exercise of authority, direction and control of an organization in order to ensure that its purpose is achieved.

It refers to who is in charge of what; who makes decisions about what; who sets performance indicators, monitors progress and evaluates results; and who is accountable to whom for what. (*BC Centre for Non-Profit Development*)

Appendix D

Samples of Engagement Activities

From Caroline Oliver *et al.* *The Policy Governance Fieldbook*, Jossey-Bass, 1999, p. 126

EXHIBIT 6.2 OWNERSHIP LINKAGE TOOL FINDER.

When You Want to Link with
The Ownership in Order to . . .

Try This

Be accountable

Annual general meeting
Open board meeting
Presentations by the board
Newsletters
Newspaper advertisements
Annual report
Information on web site

Create the future (considering
Owners' needs, concerns, and
Demands—Ends work)

Search conference
Board-to-board meeting
Breakfast meeting
Needs assessment
Various small-group processes; fishbowl,
roundtables, brainstorming, affinity
diagram process
Expert informants
Focus groups
Statistics, demographic data
Community profile
Presentations to and by the board
Board recruitment
Brown-bag lunch
Open forum
Town hall meeting
Topical community/membership
meeting
Focused questions
Board committee

Clarify values (Ends and Executive
Limitations)

Surveys
Case studies, scenarios
Ethical decision-making framework

Educate the owners

Presentations to and by the board
Board-to-board meeting
Annual general meeting
Expo, poster session
Newspaper articles
Sponsoring speaker
Newsletter

Build a relationship

Board-to-board meeting
Community or membership meeting
Presentations to and by board

Appendix E

PEI HEALTH GOVERNANCE ADVISORY COUNCIL TERMS OF REFERENCE FEBRUARY 11, 2009

BACKGROUND:

After the Executive Council meeting on October 14, the DOH was directed to further examine the issue of governance and, more specifically, to bring back for consideration a proposed structure and terms of reference for a provincial advisory body to assist the Minister of Health in considering options for a new governance model. The Corpus Sanchez report clearly demonstrated that the current governance model could not be expected to easily support the successful implementation of the vision of one island health system.

PURPOSE OF THE PEI HEALTH GOVERNANCE ADVISORY COUNCIL:

The PEI Health Governance Advisory Council is an advisory body to research, consult and recommend to the Minister of Health a new governance model for the PEI health system which will better support the concept of an integrated health system, one which is responsive to the needs of Islanders and which is focused on supporting expanded primary health care services, home based services and an integrated acute care system.

FUNCTION/ROLE OF THE PEI HEALTH GOVERNANCE ADVISORY COUNCIL:

The primary function of the Council is to ensure that the determination of the new governance model for the health system that will be endorsed by this Government is based on the input of community leaders and on sound research and consultation with the various stakeholder groups. Their recommendation will need to ensure that the size of PEI in terms of population and geography and the expectations of Islanders towards the delivery of health services are recognized. In particular the Council will:

- Develop an understanding of the current governance model for the PEI health system, including the roles of Cabinet, Treasury Board, the Minister of Health, the current community hospital boards and the department staff;
- Review previous governance models for the health system on PEI;
- Research the governance models utilized in other jurisdictions and for other systems besides health;
- Consult with a diverse range of stakeholders including staff, physicians, foundations, board members of the community hospitals, members of Cabinet, Treasury Board, other Government departments and other external stakeholder groups;

- Develop a comprehensive understanding of this Government's new vision for the health system and the goals that will be expected; and
- Based on this input, design a governance model that will increase the probability of successfully achieving the vision of one island health system that is sustainable, accountable and responsive to meeting the health needs of all Islanders.

COMPOSITION:

- ▶ Up to Twelve (12) provincial appointees who meet the following criteria:
 - The committee should reflect the diversity of Prince Edward Island in areas of geography, ethnicity, language (English/French) and gender.
- ▶ Specific suggestions for composition include:
 - 1 appointee should be selected from the geographical area associated with each of the seven hospitals;
 - At a minimum, one appointee must be bilingual and representative of the Acadian /Francophone community and one appointee should be a representative of the First Nations community;
 - There should be at least one appointee with a legal background and one with an accounting background;
 - There should be one appointee who is recognized as a patient advocate;
 - There should be appointees with a medical, nursing, or other health care provider backgrounds.

SELECTION CRITERIA:

The primary selection criteria should be a personal commitment towards the vision that is described in the Corpus Sanchez report and as articulated by Government in their response to the report. While the composition criteria does identify various factors to be considered, all appointees have to be prepared to come to the council, not as advocates, but to work with the other members of the council to achieve the objective established for the council.

ANTICIPATED TIME COMMITMENTS:

- Council members will serve from the date of appointment until the final report is submitted.
- The Council would meet on a bi-monthly basis or as they are needed.
- Council will also be engaged in review of the draft legislation.

APPOINTMENT PROCESS:

The importance of ensuring that the members of the advisory council are prepared and equipped to recommend to Government a governance model that will truly position the health system to accomplish the significant task in front of them cannot be understated. As well, there will not be time to ask for submission of names and then begin a selection process. Therefore, the recommended process is for the Minister of Health to solicit names based on the above criteria and submit these names to Executive Council for final approval.

RESOURCES:

The work of the Council will need to be supported by appropriate resources. These resources will be identified once the council is selected and they have had the opportunity to develop a work plan that will allow them to accomplish their purpose. The work will be lead by the Minister and coordinated by the Deputy Minister.