REVISED

MEMORANDUM

June 16, 2015

TO: Members of the Board of Trustees

FROM: Nancy L. Zimpher, Chancellor

SUBJECT: Academic Medical Centers and Hospital Governance

Action Requested

The proposed resolution supports the proposals of the State University of New York Academic Medical Centers Governance Task Force and directs the Chancellor to prepare an implementation plan for approval by the Board of Trustees.

Resolution

I recommend that the Board of Trustees adopt the following resolution:

Whereas upon the recommendation of the Chair of the Board of Trustees, in the fall of 2014, the State University of New York Academic Medical Centers Governance Task Force (the “Task Force”) was formed; and

Whereas on April 22, 2015, the Task Force, co-chaired by State University of New York Trustees John Murad and Marshall Lichtman, presented its report and recommendations (“Report”) to the Academic Medical Centers and Hospital Committee; and

Whereas a plan needs to be developed to achieve the recommendations presented; and

Whereas plan development and implementation require increased staffing as contemplated by the Report; now, therefore, be it
Resolved that the Board of Trustees hereby supports the improvement in the governance structure of the University’s academic medical centers and hospitals to achieve strong governance and provide broad expertise in all aspects of academic healthcare institutions; and, be it further

Resolved that the Chancellor, in cooperation with a select group of SUNY Trustees, the Presidents of the academic medical centers, and SUNY System staff, is authorized and directed to develop a plan for improving governance at the academic medical centers which shall be presented to the Board of Trustees for its approval in fall 2015; and, be it further

Resolved that the Chancellor, or designee, is authorized and directed to proceed with recruitment of staff as needed to implement the plan.

Background

The background for this resolution is set forth in the Report, a copy of which is attached.
MEMORANDUM

TO: SUNY BOARD OF TRUSTEES
FROM: SUNY Academic Medical Centers Governance Task Force
DATE: April 22, 2015
SUBJECT: Governance of the SUNY Academic Medical Centers and their Hospitals

Chairman Carl McCall, at their meeting in September 2014, recommended to the SUNY Board of Trustees the creation of a task force whose purpose would be to bring to the Trustees a model of governance and SUNY System staffing that would best position the SUNY Academic Medical Centers (AMCs) and their hospitals for success in the changing health care environment. He asked Trustees Marshall Lichtman and John Murad to chair the task force and Deborah Sale, former Executive Vice President of the Hospital for Special Surgery, to direct the work of the task force. The task force membership was to include experts in the fields of health care and academic medicine who would bring their knowledge to bear on the issues of governance facing the SUNY System. In addition, the Presidents of the SUNY AMCs served as advisors to the task force.

Current Situation

The SUNY AMCs, which include their professional schools and hospitals, represent an extraordinary resource to the people of New York with their three part mission of teaching the next generation of health care professionals, basic and translational medical research and delivering patient care for all New Yorkers regardless of income or insurance status.
The SUNY AMCs teach the most diverse group of physicians and health care workers in New York State at a much lower cost compared to their peers. Many of these physicians practice primary care and they stay in New York State. The budgets of the AMCs represent close to 22% of the overall SUNY budget and 41% of its operating revenues; therefore the economic health of the AMCs is critical to the SUNY System.

The SUNY AMCs face exceptional challenges. The national healthcare system is undergoing extraordinary and disruptive transition. There is a need to redesign governance structures to ensure the viability of healthcare institutions and the consistency of their mission. The business models are changing as more complex care moves away from “fee for service” to “fee for value” models, as care moves more toward outpatient settings and away from in hospital care, as insurers and consumers exert price pressure, as provider consolidation and integration continues and competition increases. The need for governance expertise in helping the SUNY AMCs succeed in this environment is evident.

Task Force Formation

Four health care experts were recruited to the task force in the month of October:

Benjamin Chu, MD, President of Kaiser Permanente Southern California and Hawaii; former CEO of the New York City Health and Hospitals Corporation

William Streck, MD, Chief Medical and Health Systems Innovations Officer, Healthcare Association of NYS; retired President and CEO of Bassett Healthcare

Michael Stocker, MD, retired CEO and President of WellPoint Inc, Empire Blue Cross and Blue Shield and Cigna Healthplans; former Chairman of the NYC Health and Hospitals Corporation

Paula Wilson, President and CEO of Joint Commission Resources and Joint Commission International; former executive deputy commissioner of the NYS Department of Health
In addition, Ms. Sale secured the assistance of the Harvard Business School Club of New York Community Partners to work closely with her to provide decision making support to the task force. A copy of their work is attached to the report as Appendix A. It provides analysis of the current governance and system staffing as pertains to the AMCs, a review of best governance practices and potential models considered by the task force as its work developed. To develop this analysis, site visits were conducted to all four AMCs, an array of both internal and external stakeholders were interviewed, a review of best practices in governance was conducted and governance models in other states were explored. Many states are facing these issues and undergoing change.

**Task Force Process and Analysis**

The AMC Governance Task Force held four formal meetings.

Initially, the task force held a broad discussion with the AMC leadership of the issues facing the AMCs in the current healthcare environment as they operate within the State and SUNY systems. Fundamentally, the SUNY hospitals must operate as not for profit businesses in a State structure accustomed to overseeing State agencies. The need for greater understanding of the business imperatives of the AMCs while maintaining the critical relationship to their education and research missions became apparent.

The second meeting was held with task force members to allow a “blue sky” discussion of potential options for the governance of the SUNY AMCs. Such Ideas as significantly expanding the size of the current SUNY Board, establishing a public benefit corporation to hold the SUNY hospitals or creating local boards for each AMC were considered. The Task Force decided to pursue governance options that could be implemented immediately through action of SUNY and its Board of Trustees without the need for legislation. It was felt that the new governance structure could consider whether to request legislative authority for further change should the need arise. Advice of counsel was sought with regard to SUNY’s powers.

The third meeting in addition to the task force members, included Chairman Carl McCall, the President of SUNY Upstate Medical Center and counsel. It focused on three issues. They were (a)
decision rights of any new governing body, (b) potential models of governance which SUNY has the power to establish, and (c) the staff support felt necessary to support a new model of governance as well as the SUNY System and its AMCs.

The fourth meeting was held to review and refine their recommendations. The Task Force members were joined by Chairman Carl McCall and the four presidents of the SUNY AMCs in that meeting.

Recommendations

The purpose of the SUNY Academic Medical Centers Governance Task Force is to recommend a governance model that should provide expert oversight to and contribute to the success of the SUNY AMCs. The four SUNY AMCs, three of which include SUNY hospitals, are subject to the challenges of a changing state and national healthcare system and state requirements that often do not permit nimble action in comparison to private not-for-profit health centers. The SUNY AMCs, also, are expected to provide outstanding pre- and postgraduate professional education in medicine, nursing, public health, and other disciplines, and support diverse research programs, requirements that add complexity and costs to the enterprise. Strong governance, providing broad relevant expertise in all aspects of academic healthcare institutions, is required, as are strong support structures at SUNY System Offices.

It is our opinion that SUNY would be best served by creating, as was done with the SUNY Construction Authority, a board to oversee the work of the AMCs. Therefore, the SUNY AMCs Governance Task Force recommends the creation of a new entity within SUNY, which sole purpose is to govern the SUNY AMCs and their hospitals: The Overseers of the SUNY AMCs. The Overseers should have the necessary skills, experience, and size to address the broad range of issues surrounding the AMCs and their hospitals. Our analysis illustrated the need for the SUNY hospitals to be given increasing freedom to operate as business entities, but it also made clear the need for informed oversight of hospital operations by the Board of Trustees or its agent. We view the Overseers of the SUNY AMCs as that agent.
The Overseers should be comprised of members who have knowledge of academic medicine, medical education, life sciences research, health care delivery, and additional disciplines related to the health care business environment, while maintaining a commitment to the State University. Fully investing the Overseers with the responsibility to meet these objectives may require legislative action, which SUNY should pursue.

We recommend that the Overseers of the SUNY AMCs be made up of no fewer than 10 members to include:

- The Presidents of the SUNY AMCs who should serve ex officio as voting members
- Representatives of the SUNY Board of Trustees
- External members who have a deep understanding of academic medicine, healthcare, and/or the additional disciplines necessary to provide appropriate oversight to the SUNY AMCs and their hospitals.

The Overseers of the SUNY AMCs should have delegated to it the following authorities:

- Recognizing that the Overseers and executive management must have a shared strategic vision, review the individual strategic plans of the four AMCs and the development of overall planning for their future.
- Review and approve AMC budgets, insure strong financial controls and provide strategic support to the AMC executives
- Set goals for the AMCs and their hospitals and measures to track progress against those goals
- Insure superior quality is achieved at each institution
- Insure the institutions comply with applicable health care law and regulation
- Review and recommend major acquisitions and divestitures of major assets
- Develop and maintain a staff support system with the capacity to develop reliable data and independent analysis to support the success of the enterprise
- Work closely with the chief executive officer and his or her senior staff to provide guidance and support in major initiatives taken by the AMCs.
A thoughtful balance is required between governance oversight and executive responsibility. There is no desire to undermine the operating responsibilities of the University Chancellor or Presidents.

SUNY should seek authorization from the New York State Attorney General to insure the Overseers are acknowledged in their capacity and that they will be protected by the Public Officers Law of the State of New York.

Although Legislative authority should be sought by SUNY to establish the Overseers of the SUNY AMCs, it is not necessary for SUNY to wait for that authority to begin to execute this proposal. The SUNY Board of Trustees is responsible for these institutions. As a pathway toward the goal of enhanced governance, we recommend the SUNY Board of Trustees reconstitute the AMCs and Hospitals Committee of the Board to reflect the recommended membership of the Overseers. This would add the four Presidents of the Universities and external expert members along with Trustees to that committee. A reconstituted Committee would enable forward movement toward achieving a model of governance for the SUNY AMCs including their hospitals that best position them for success in the changing health care environment.

Members of the reconstituted AMCs and Hospitals Committee will have as their sole responsibility the governance role outlined above. It should operate more as a subsidiary rather than within the typical committee structure of the Board. We anticipate that the Committee may meet as frequently as monthly in its initial year and that these meetings should be held on a rotating basis on the AMC campuses as well as in Albany and New York City. This should allow the members to become thoroughly familiar with the AMC campuses and their leadership and to focus on their issues.

The State University of New York strives to achieve excellence in all its endeavors. Acting on these recommendations should position the SUNY AMCs for excellence in the practice of governance.

**Critical Staffing**
The SUNY Academic Medical Centers Governance Task Force maintains that it is most important to provide sufficient expert staff support to work closely with the management of the SUNY System, the management of the AMCs and to support the role of the Overseers.

It is recommended that the staff be headed by a senior executive with experience in academic medicine and healthcare delivery---a Vice Chancellor for Health Affairs---appointed by the Chancellor with the approval of the Overseers. The Vice Chancellor for Health Affairs would have the expertise to understand complex healthcare economic issues, assess and evaluate the performance of the academic medical centers, lead and coordinate initiatives that can improve patient outcomes and strengthen the financial positions of the institutions, and improve communications between SUNY, its AMCs, including its hospitals and other state entities. This person would be a colleague with the AMC Presidents and would not change their reporting alignment with the Chancellor. The Vice Chancellor for Health Affairs and his/her staff would staff the Overseers.

The current SUNY staff allocated to healthcare, although talented, is too small. Three staff members and one counsel are focused on a $2.7B enterprise. There is a need to build on the current analytic staff to add capacity and to add certain members with healthcare operations experience. As noted above, healthcare delivery is rapidly changing and a staff mix with knowledge of both hospital operations and State operations and the attendant regulatory environment are essential for success. There is an anticipation of the need for a significant increase in staff, as justified by the Vice Chancellor for Health Affairs to the chancellor and the proposed Overseers of the SUNY AMCs, to be built over time.

Conclusion

The SUNY AMCS fulfill their core missions and are widely recognized as leaders in clinical care, education, research, and scholarship. Additionally, they are exceptional economic engines in their localities. SUNY Buffalo holds the promise for a rebirth of downtown Buffalo and a new economy driven by intellectual capital. SUNY Upstate Medical University is the largest employer
in Syracuse. SUNY Downstate University continues to play a critical role in health care education and economic development in Brooklyn. SUNY Stony Brook is generally acknowledged to be the focus of the future economy of Eastern Long Island. These are important institutions which, with the support of knowledgeable and constructive governance, will continue to lead their regions in the delivery of quality education, quality health care, and quality of life.