

Appendix L

Dissenting View of a Taskforce Member

Hospital Governance Task Force Dissenting Opinion

The Hospital Governance Task Force (HGT) was a unique and valuable opportunity for a diverse group of community leaders to explore, discuss, and learn more about the governance and related issues impacting Jackson Health System. The group included subject matter experts on hospital governance structures and also solicited the input on several major public healthcare systems on the strengths and weaknesses of their models. Although brief (less than 20 hours total), the task force was able to learn much on the topic and Mr. Zapata should be commended for his leadership.

Given the short duration of the task force and the lack of any legal, financial, operational, strategic or other due diligence or modeling of alternative governance models as they would impact Jackson Health System, it would be inappropriate for the task force to author any specific recommendations to the County Commissioners at this point. The governance discussion is inherently complex and therefore any change in the governance structure is a relatively long process to evaluate and implement. It is clearly not to be considered a solution for the immediate financial issues impacting Jackson. As Mr. Larry Gage, a national known hospital governance expert, reported to the task force “effective governance is a tool, not a panacea.” Therefore, Jackson needs to remain focused on the very real operational and other issues currently impacting its ability to achieve sustainability in the short term.

Jackson is currently going through a major leadership transition with the hiring of a new Chief Executive Officer. In addition, the County recently approved the formation of a financial recovery board to oversee Jackson which is in the process of being populated. The financial recovery board is not a governance change, per se, as it is contemplated in ordinance 25A, but it does serve the purpose of reducing the size of the board and populating the board with subject matter experts in relevant areas of focus. These changes have great potential and should be allowed to crystallize and mature prior to introducing a further complexity of a new governance structure. This will provide Jackson the best opportunity to achieve immediate sustainability which needs to be the paramount focus. There can be no distractions from this vital objective although continued study of the optimal governance structure for Jackson is advisable.

The *National Association of Public Hospitals and Health Systems* reported that “before considering a major reorganization, it is essential to evaluate the challenges and obstacles that face a given hospital or health system – and to determine which of these challenges can be improved through improved structure or governance.” The following are some operational issues that need to be addressed regardless of the governance structure:

- Develop and implement a contemporary overall strategic plan.
- Secure cash resources to avoid permanent and irreversible consequences to core service levels and mission due to current cash crisis.
- Develop and implement a primary care and outpatient services strategy.
- Reduce length of stay to clinical optimal levels.

Appendix L

- Provide budgeting and other financial reporting with integrity and credibility.
- Maximize the leverage of the Jackson Health Plan.
- Shift the labor cost curve through universal adoption of evidence based medicine guidelines; treating each patient in the most cost effective, clinically appropriate setting; improving patient throughput and other measures.
- Optimize the relationship with the University of Miami.
- Position Jackson for success in an ACO and/or capitated environment.
- Enhance information technology solutions to achieve meaningful use standards.
- Position Jackson to participate successfully in the HHS Patient Safety Initiative Funding Program.

These are several of the mission critical objectives for Jackson to immediately pursue within the revised executive leadership team and newly enacted financial recovery board.

There are certain attributes of any governance model that the task force believes are important for Jackson Health System. Miami-Dade County will always be a vital component of the governance structure of Jackson, even if a new model is ultimately selected, as it has the inherent responsibility to provide healthcare services to the underserved population of the County. Any newly created entity would undoubtedly seek financial support from the County, via the taxpayers, to support the valuable mission of Jackson. Therefore, the governance conversations need to remain open, transparent and in the sunshine to continue to preserve these interests.

The impact of a governance change on all sources of reimbursement, on the outstanding bond obligations, on the pension program, on sovereign immunity, and on other major components of the public healthcare model needs to be fully vetted to avoid any unintended consequences. It is irresponsible to provide specific recommendations on a governance model change, i.e. not-for-profit, without a full understanding of how a change in governance may impact these factors. The taskforce has not studied these issues with any level of specificity and is not in a position to make such recommendations.

As noted, any fundamental change in governance structure is a long term consideration as the financial recovery board should be allowed to address the immediate issues impacting Jackson. Continued exploration, including moving towards appropriate due diligence, should continue to be pursued to identify the optimal governance model for Jackson in the future.

Conclusions

- Jackson Health System is an important community resource and its mission is in jeopardy under the status quo.
- Greater accountability is required for the fulfillment of the mission within a sound financial framework, given budgetary restraints, reduced federal and state funding and competitive pressures.

Appendix L

- The evaluation of optimal governance models should continue in an effort to identify the most efficient and effective structure to allow Jackson Health System to fulfill its mission for decades to come. Any recommendations should be data driven and fully vetted to ensure that this very important assignment is handled with the highest degree of professionalism and responsibility.
- Legal and financial experts need to be engaged to perform the necessary due diligence. Any new structure should maintain Sovereign Immunity which goes hand in hand with the Sunshine Laws. The revenue streams should be enhanced, not decreased with any new structure. The eligibility for ad valorem and ½ cent sales tax should be fully studied to ensure continued availability to fund the mission of Jackson in any recommended model.
- The taskforce never considered or evaluated the risk to federal funding such as Intergovernmental Transfers (IGT) and Certified Public Expenditures (CPE) that a new structure such as not-for profit could possibly jeopardize. These federal monies are a real possibility and are being strategically pursued at JHS. A public structure is necessary to qualify as a recipient for these funds currently.
- The current effort has been very valuable but not sufficient to formulate any concrete solutions or recommendations.
- Task force membership should be re-evaluated to remove any task force members with a conflict of interest. Several members are direct competitors of Jackson and others have competing interests.
- A structure change to a private entity would most likely mandate a cessation in the Public Retirement System (FRS and PHT retirement) and the cost of doing so needs to be evaluated. The taskforce never explored or even recognized this risk which has the potential of significantly increasing the contribution from the employer.
- The Miami-Dade County Commission is an integral component of the governance of Jackson Health System and will continue to be so under any governance model. The tax payers of Miami Dade provide significant funding to Jackson and their elected officials are very relevant to its governance process.
- The immediate focus should be on developing a strategy for Jackson Health System to make it a more competitive alternative in the market place to serve everyone's healthcare needs in Miami-Dade County. The new executive team and the new financial recovery board should be given an opportunity to succeed with great assistance from the County.
- All current efforts regarding Jackson Health System should be directed towards averting a reduction in scope of services provided to County residents and to avoiding any deterioration to the great mission of Jackson. The operational issues denoted in this report should be the primary focus.

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