

Governance Innovation in the Transformation of a Public Health System

By **Steve Purves**, President and CEO, *Valleywise Health*

Before 2004, Valleywise Health (formerly known as Maricopa Integrated Health System) was part of Maricopa County government and overseen by the County Board of Supervisors. In 2004, voters approved a referendum to create the Maricopa County Special Health Care District, which today is governed by a five-member board of directors elected by voters within Maricopa County. The members serve four-year staggered terms with no term limits. The district complies with the Arizona open meeting and public record statutes, and board meetings are conducted accordingly and are open to the public.

In 2014, the voters approved a \$935 million bond referendum to “reimagine” the entire health system and replace its aging physical infrastructure with a new teaching hospital, clinics, and behavioral health facilities. The project is just over 50 percent completed but has required additional governance oversight of these public expenditures and the creation of an integrated program management office to help manage it.

The district board of directors has a fiduciary duty that requires decision making in the best interest of Valleywise Health’s mission. As publicly elected officials, board members also have a responsibility to the taxpayers who support the operation of Valleywise Health through a tax levy. Board members are obligated to comply with the Arizona statutes and enabling legislation that apply to the governance of the district. Although plenty of literature exists regarding healthcare governance best practices in the private sector, it can be difficult to deploy those practices in the public arena.

The Challenges of Governance in the Public Arena

Important considerations such as board member selection, board composition and size, committee structure, and the general conduct of board meetings are sometimes proscribed in law for boards of public bodies and prevent them from implementing generally accepted best practices from the private sector. In addition, public governing bodies have significant fiduciary obligations in their oversight of public assets.

Ensuring transparency, conducting open meetings, and providing access to records, including minutes, supporting materials, and agendas, makes board operations more complex. Furthermore, these public accountabilities require positive relationships between board members, the CEO, the medical staff, and partners to achieve organizational success. The board's accountability to the public has required focus, discipline, and support provided by the district counsel, the CEO, a chief governance officer, and the senior leadership team.

Adding complexity to the district board's governance role is the oversight of the 12 federally qualified health centers (FQHCs). The Health Resources and Services Administration (HRSA) has federal regulatory oversight of FQHCs and promulgates specific rules for governance of these facilities. Among these rules are the requirements that there is a governing body overseeing the FQHCs that, among other requirements, is composed of at least nine members with a majority being consumers or "users" of the facilities. However, the composition of the district board is proscribed by Arizona statute; therefore, a separate board structure is needed to ensure compliance with HRSA regulations. The solution to the conflicting requirements was

→ Key Board Takeaways

To improve efficiency and effectiveness, the Maricopa County Special Health Care District Board recommends the following best practices for publicly elected boards:

- **Effective governance structures:** Ensure adequate structures are in place to provide public accountability, for example, governing bodies needed to oversee federally qualified health centers and/or models to generate philanthropic support.
- **A chief governance officer:** A CGO works closely with the CEO and other senior leaders to ensure governing bodies conduct their affairs in strict accordance with the federal, state, and/or local laws.
- **Effective use of consent agendas:** Providing board packets ahead of time and using a consent agenda can help to increase efficient use of meetings.
- **Appropriate use of board executive sessions:** In addition to monthly public board meetings, monthly executive sessions should be held strictly for matters related to state open meeting and public record statutes.
- **Committee of the whole:** If there aren't enough board members to have standing committees, effective agenda planning and use of consent agendas allow more time for important governance issues.

the creation of a governing council to oversee the FQHCs. This relationship between the district board and governing council is outlined in a co-application agreement and was specifically designed to satisfy the regulatory requirements of both entities.

Another challenge that many public tax-supported hospital systems face is how to generate philanthropic support. At Valleywise Health, the board adopted an innovative approach from a model deployed by a leading university. The model involved the creation of a cooperative services agreement between Valleywise Health and the Valleywise Health Foundation, a private 501(c)(3) organization. The agreement set forth the specific obligations of the foundation to generate defined levels of philanthropic support in exchange for a defined level of overhead support provided by Valleywise Health. This arrangement has promoted increasing levels of accountability between the organizations. Since its inception in 2018, the Valleywise Health Foundation has increased its annual fundraising by over 100 percent.

Key Success Factors for the Board

Beyond the innovative governance structures, the following were key success factors that helped the board navigate an extraordinarily complex environment:

- **The chief governance officer (CGO):** The role of the CGO was formalized in 2017. This position has accountability to the board. The CGO ensures the governing bodies conduct their affairs in strict accordance with the Arizona statutes and with the HRSA. The CGO works closely with the CEO and senior staff to facilitate communication with board members and to facilitate effective meetings of the district board and governing council.
- **Effective use of consent agendas:** There are many approval items for the board to consider at each monthly board meeting. Board packets are sent to board members a week ahead of the meeting. During that time, the CGO and senior staff address questions from board members regarding consent agenda items to make more efficient use of the time spent in board meetings.
- **Appropriate use of board executive sessions:** In addition to the monthly public board meetings, there is a monthly executive session reserved strictly for matters that are allowed by Arizona statutes.
- **Committee of the whole:** Because there are only five board members, the board does not have standing subcommittees. Although it is unusual for most hospital or health system boards to not have subcommittees, effective agenda planning and use of consent agendas allow more time for reports and discussion on quality, finance, and other important governance issues. The CEO also has monthly meetings with board members to fully brief them before public meetings to ensure there are no surprises.

→ About Valleywise Health

The Maricopa County Special Health Care District, also known as Valleywise Health, has been serving Maricopa County, Arizona, for over 145 years. Maricopa County encompasses over 9,200 square miles and includes Phoenix, Mesa, Glendale, several other municipalities, and reservations belonging to the Fort McDowell Yavapai Nation, the Gila River Indian Community, and the Salt River Pima-Maricopa Indian Community. Valleywise Health is a public teaching hospital and safety net system that includes the Valleywise Health Medical Center, the Arizona Burn Center, three inpatient behavioral health centers, and a network of ambulatory care facilities.

The ambulatory network includes 12 FQHCs and two multi-specialty clinics located throughout the county. These clinics provide access to primary, specialty, and integrated behavioral healthcare for thousands of uninsured and Medicaid beneficiaries in the community; over 60 percent of patients served by Valleywise Health are either Medicaid beneficiaries or uninsured. In total, the system serves over 500,000 patients each year in the clinics.

As a complex public teaching hospital and safety net system of care undergoing tremendous change, it was essential for the district board to find ways to improve governance efficiency and effectiveness. The coronavirus pandemic further tested the ability of the district to react quickly and still comply with the numerous rules that apply to how publicly elected boards conduct their business in Arizona. Although the health system had to drive operational and clinical innovation to fulfill the promise of a new and vibrant public hospital system for Maricopa County, so too, did it require innovation in the boardroom.

The Governance Institute thanks Steve Purves, President and CEO, Valleywise Health, Phoenix, for contributing this article. It was done in collaboration with the American College of Healthcare Executives and was originally published in the February 2022 issue of BoardRoom Press. He can be reached at steve.purves@valleywisehealth.org.

