

Health system governance VHA annual conference 2009

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Overview

- Governance – what is it and who is responsible?
- The special challenge of clinical governance
- Governance failures
- Conclusion

Governance – what is it?

	Accountability (conformance)	Leadership (performance)
External focus	External accountability	Strategy
	Appoint and work through CEO	
Internal focus	Monitoring and supervision	Policy making
	Past and present oriented	Future oriented

Adapted from Robert I. Tricker, International Corporate Governance: Text Readings and Cases, New York: Prentice Hall, 1994, p.149

Governance – what is it?

- Good governance typically requires:
 - strong leadership, including cultural leadership
 - sound strategy
 - effective policy
 - sensible and clear delegations of authority
 - well-designed systems for the delivery of care and organisational support services
 - effective monitoring of organisational performance
 - clear systems of accountability
 - strong risk management systems

Governance – what is it?

- Clinical governance is *the governance of clinical services*
- Clinical governance is a core governance responsibility of the governing body
- Clinical governance is an element of, not separate to, corporate governance
- The clinical governance responsibility is similar to:
 - Financial governance
 - Human resources governance (including governance of occupational health and safety)
 - Information technology governance, etc.

Governance – what is it?

- Definitions of clinical governance that refer to “shared responsibility” between clinicians and managers risk missing the point
- Similar definitions of corporate governance do not refer to “shared responsibility”
- The board, managers and clinicians each hold specific and identifiable responsibility for the effective design and sound implementation of clinical quality and governance systems
- The nature of the responsibility is becoming quite clear

Governance – what is it?



“It is an account of a time whenthere was confusion throughout the NHS as to who was responsible for monitoring the quality of care.”

Final Report, Bristol Royal Infirmary Inquiry

Governance – whose responsibility?



- Most public hospitals in all states and territories are owned and regulated by Government
- In most states, Government runs public hospitals directly – there is an uninterrupted line from the Minister through the Department to the hospital, without an independent governing entity
- In one state only (Victoria) public hospitals and community health services are governed by independent boards of directors
- There is a view that Victoria is performing better than most if not all other states

Governance – whose responsibility?



- The advantages of boards:
 - they bring a range of expertise from other sectors
 - They bring independent thinking and scrutiny to the operations of health services
- The great disadvantage of boards is that directors may be overwhelmed by the complexity of the system
- A great board will establish an environment of self-regulation and accountability within the organisation

Governance – whose responsibility?



“It is the Board’s responsibility to ensure good governance and to account to [shareholders] for their record in this regard.”

Sir Robert Hampel, UK Committee on Corporate Governance

Governance – whose responsibility?



- While the board is responsible for ensuring that a sound governance system is in place, the CEO, senior managers and clinicians (who are content specialists) are key contributors to designing, implementing and monitoring the performance of the governance system

Governance – whose responsibility?



“After heading two health inquiries in NSW and South Australia, I have concluded that no one runs hospitals ... Hospitals in Australia have a life of their own with no clear lines of responsibility and accountability. Only the good sense of people in the system prevents it from descending into chaos. No one runs hospitals. Governance is fundamentally flawed A highly dysfunctional system in need of fundamental reform.”

John Menadue

Governance – whose responsibility?



“There is a lack of effective governance for several of the authorities considered by the review due to several factors including unclear boundaries in their delegation, a lack of clarity in their relationships with Ministers and portfolio departments, and a lack of accountability for the exercise of their power. ... This situation is often further complicated by the presence of a board, particularly those where it is impractical for government to provide the full governing powers required to be effective.”

The Uhrig Report

The special challenge of clinical governance



- There appears to have been a significant improvement in safety and quality systems and clinical governance in Victorian health services over the past decade
- BUT
- Clinical governance systems are not fully developed and (in my view) are experiencing developmental delay
 - Accountability for the design and performance of clinical systems is patchy and generally incomplete

The special challenge of clinical governance



- Significant variation between services
- A number of areas for improvement
- Limited access to robust measures
- A need for better coordination and meaningful information
- Variable capacity of boards
- Need for a more balanced approach

KPMG review 2008

The special challenge of clinical governance



- There is a degree of satisfaction amongst boards about the strength of clinical governance systems – this may be misplaced
- There is a clinical governance focus on safety and risk management – this is necessary but not sufficient
- This focus is almost entirely retrospective – it consists of monitoring and review of clinical incidents ‘after the event’ and monitoring of ‘performance indicators’

The special challenge of clinical governance



- Very few hospitals and health services (if any) have moved to proactively consider the adequacy of system design and performance
 - Do we have a safe clinical system?
 - How do we know?

The special challenge of clinical governance



- Elements of effectively designed systems:
- competent and well-performing staff
 - appropriate, well-maintained equipment
 - policies and procedures that accord with good practice
 - a data collection system that enables monitoring of performance
 - outcomes which meet expectations

The special challenge of clinical governance



- Many governance systems focus on retrospective analysis of adverse events (i.e. focus on safety) and on monitoring a narrow range of KPIs, presumably as a surrogate measurement of the adequacy of system design
- Retrospective analysis of adverse events is helpful for the next patient (but should we be waiting for the road crash before we review our systems?)

The special challenge of clinical governance



- Monitoring of KPIs tells us a small amount about clinical systems, but unless performance reliably and validly reflects system design and nothing else, in most circumstances it is insufficient to assure the adequacy of systems design
- If our clinical governance is limited to retrospective adverse event and KPI monitoring, we probably have a false sense of security

The special challenge of clinical governance



And another problem....

- Safety is not the only dimension of quality - other dimensions include access, appropriateness, effectiveness, efficiency and acceptability
- In addition, organisational elements such as sound systems for credentialing and scope of clinical practice are core good governance requirements
- Most governance systems do not enable assessment of appropriateness or effectiveness
- Are boards asking for information about systems for ensuring competent staffing?

The special challenge of clinical governance



And another problem....

- Many boards don't know what they don't know (**don'tknow²**)
- They look to their CEOs to inform them
- Many CEOs are uncertain how to monitor or report clinical quality, other than a narrow suite of indicators
- Their response often is "tell me what you want to know and I will provide it"
- Reporting to boards tends to be of variable quality and project-based

The special challenge of clinical governance



-leading to a circle of uncertainty
- Boards and CEOs are spending a lot of time and effort developing local clinical governance reporting frameworks
- For financial governance, there is an established and well-accepted reporting framework
- Why not for clinical governance?
- The cycle needs to be broken by:
 - more training for CEOs in clinical governance
 - the development of a system-wide reporting framework for clinical governance

The special challenge of clinical governance



And another thing....

- Good governance requires good systems design and monitoring of performance, but also needs to be complemented by strategic planning for clinical services
- We have a workforce crisis in health care
- Good clinical governance cannot exist without the engagement of senior medical clinicians
- We have a fragmented and disengaged medical workforce
- We have great difficulty retaining skilled nurses
- I am unaware of any hospital or health service which has an integrated strategic workforce plan

Governance failures



National Australia Bank

- \$360 million loss due to rogue trading
- Approx 6% of turnover

"...tearing apart its governance structures and threatening to do even more damage in the future."

"...the culture fostered the environment that provided the opportunity for the traders to incur losses, conceal them and escape detection despite ample warning signs. This enabled them to operate unchecked and flout the rules and standards ... ultimately the board and CEO must accept responsibility for the 'tone at the top'...."

Governance failures



HIH Royal Commission

"The hand and influence of Williams was paramount. In itself, there was nothing inherently wrong with a strong and forceful influence guiding the affairs of the corporation ... But in the modern commercial context such influence must be subject to the countervailing effect of close review, debate and questioning. This appears to have been a commodity in short supply at HIH ... there were very few occasions where the board either rejected or materially changed a proposal put forward by management. The board's independence was compromised by the influence of management in relation to its deliberations."

Conclusion



- Good governance of health care organisations is critically important to the community
- A high level of independence from management is the hallmark of most systems of good governance
- Clinical governance is a particular challenges
- Boards of governance operate well but not perfectly in Victoria
- Performance is better in non-clinical than in clinical governance

Conclusion



- Clinical governance is underdeveloped
- We cannot afford to be complacent
- We need to take the next step, from retrospective, risk-based governance to proactive governance based on good systems design
- There is a need for system-wide development of tools and reporting frameworks



EVERYTHING MATTERS