Minutes of the
Called Meeting of the
Greenville Health System (GHS) Board of Trustees
Tuesday, September 8, 2015, 10:30 am
GHS Downtown Board Room

**Members Present**
James C. Morton, Jr., Chairman
Benjamin B. Waters III, Secretary
Michael D. Riordan, President and CEO
Anna Kate Hipp
Dell Baker
James F. Barker (*via phone*)
Lewis R. Vaughn
Lisa Stevens
Marguerite Wyche
Michelle Seaver
Rev. Sean Dogan

**Management Staff Present**
Beverly Haines
Brenda Thames
Doug Dorman
Dr. Angelo Sinopoli
Dr. Austin Raunikar
Dr. Bill Schmidt
Dr. Chip Wiper
Dr. David Williams
Dr. Eric Bour
Dr. Gene Langan
Dr. Jerry Youkey
Dr. Jesse Stafford
Dr. Jim Ellis
Dr. Ken Rogers
Dr. Peter Tilkemeier
Dr. Scott Sasser
Dr. Sean Bryan
Dr. Spence Taylor
Dr. Wendell James
Doug Dorman
Greg Rusnak
Hunter Kome
Jeanne Ward
Joe Blake
Malcolm Isley
Paul Johnson
Rich D’Alberto
Rich Rogers
Terri Newsom
Tod Tappert
Howell Clyborne

Also in attendance during all or part of the meeting were the members of the GHS staff: Anne Ellefson, Chris Carino, Cindy Cambron, Cortney Easterling, Jay Babcock, Karen Potter, Michael Hildebrand, Mona Cole Sandy Dees, Sally Foister and Cindy Thompson; members of the press including but not limited to representatives from WYFF TV, WLOS TV, the Greenville News and the Greenville Journal; members of the Greenville County Legislative Delegation including Senator Tom Corbin and Representatives Dwight Loftis and Mike Burns; and members of the Greenville County Council including Willis Meadows, Sid Cates, Jim Burns and Joe Dill; and other guests including Bob Knight and Steve Whitman.

**Call to Order**
Mr. Morton called the meeting of the Board of Trustees to order at 10:30 am and declared that a quorum was present and that proper notice of the meeting had been given. He made the following opening statement: After several years of self-evaluation, involving bench-marking, studies, meetings and discussions with a top authority on governance, I believe we are ready to further explore changes to GHS’ current governance structure and be in a position by year end 2015 to consider implementing in 2016.
Mr. Morton further stated that while not shown as an agenda item, following the last presentation anyone in attendance except media will be given the opportunity to make a relevant statement and that any comments from non-hospital personnel prior to that time will be out of order.

Mr. Lewis Vaughn then asked the Chairman if the meeting agenda could be amended; the Chairman responded that it had been posted and could not be amended. The Chairman then recognized Malcolm Isley, Vice President of Strategic Services.

Changing Healthcare Environment and Implications for Greenville Health System Strategy
Mr. Isley stated that the GHS Strategic Plan was established in 2008 (with a focus on creating an integrated academic health system, and growth/regionalization) and updated in 2014 (creating a risk capable organization) and lays out a path for our health system to be a leader in the new health care environment where we are responsible for the health and well-being of communities. A major cornerstone of this plan is GHS’ participation in a multi-regional system that advances the fundamental tenets of improving the health of the populations served; addressing per-capita costs; and focusing on the patient experience (satisfaction and quality).

He noted the “Whys” of creating a multi-regional health system include having the size and resources necessary to support subspecialty medical services; population health; academic services; and research and development. It also provides the ability to diversify and have a deep and wide bench to attract top talent, implement service, and right-sizing to facilitate consolidations and partnerships. He briefly explained each area.

Mr. Isley updated the Board on the marketplace activities since the July 2015 Board and Leadership retreat, including local and regional activities and their impact.

Finally, he summarized his presentation by stating that GHS has had a strategy in place since 2008 and that we have been working and working successfully to achieve this strategy. To be a leader in the new healthcare landscape, we have the roadmap in place and we have made and are planning to make investments in services, people, patients, communities, technology, and programs to advance health of people and communities we serve. He stated we are at an inflection point in ability to continue to develop the system to meet the needs of our communities given how GHS is organized. Without change in how we are organized, we run the risk not only being unable to move forward, but being able to keep what we have now. Our organization has an excellent track record of making the right big moves. He thanked the Board for taking up this seminal issue. A discussion followed and Mr. Isley answered the questions of the Board.

Potential Governance Model
Mike Riordan then presented the potential governance model being considered. He stated this is his 10th year as CEO of Greenville Health System. He stated that this idea is not new; he has been talking about it since 2006 in venues such as employee town hall meetings held every 90 days, with physicians and physician leadership, and in Board and Leadership retreats. He stated that he is aware of different lengths of service on the Board. Mr. Riordan said the governance discussions have spanned two board chairmen – Billy Webster and Jim Morton -- and has been long, thoughtful and appropriate. The Board self-evaluation discussions have been in process for about a year. He also noted other health systems such as Sutter Health, Geisinger Health, Mercy and BJC are taking or
have taken the same steps being considered. GHS has talked with governance and financial consultants in the process.

Mr. Riordan discussed the Governance Principles and System Foundation Principles approved by the Governance Committee and Board of Trustees in 2012, noting that this is the third time during his tenure the Board has contemplated governance changes. Stating that GHS is here to transform and not be transformed, Mr. Riordan said that GHS needs to take responsibility for the patients and communities we serve. He said two practical examples of this are exceptional presentations given to the Quality and Academics Committee on the same date – one by Dr. Spence Taylor, President of the GHS Clinical University outlining the need for structure that allows us to connect with other academic partners; and one by Dr. Ken Rogers, Chairman of the Department of Behavioral Health showing how the current structure prevents us from partnering with entities that could help expand services for under-represented patients. He stated that all activities of the System are based and grounded in very strong principles. He said it is all about relationships and partnerships that allow us to stay a strong, local healthcare provider.

Mr. Riordan then discussed a proposed model of what the System could do to help meet the needs presented by Drs. Taylor and Rogers as well as other needs of the System. He stated there are misconceptions about the model – a notable one being that there is no role for the current GHS or the Legislative Delegation. He pointed out that it is important to honor GHS’ tradition and is also important to have enough flexibility. The State, in Act 432, has given GHS the authority that allows GHS to move forward positively. He stated there are still details to be worked out and that GHS intends to adhere to the dictates of Act 432. A discussion followed and Mr. Riordan answered the questions of the Board.

Resolution to Affirm Strategic Direction and Explore Organizational Structure Changes
Mr. Morton then presented the Resolution to Affirm the Strategic Direction and Explore Organizational and Structure Changes. He stated that Margaret Jenkins, Vice Chair of the Board, was not able to attend the meeting but requested her support of the resolution be entered into the record. He also stated that no vote or action had been taken regarding this matter prior to today’s meeting. He then read resolution portions of the following resolution into the record:

Whereas, the Greenville Health System was established in 1947 pursuant to Act 432 of the Joint Acts and Resolutions of the General Assembly of the State of South Carolina to provide adequate hospital facilities and services for the residents of Greenville County. As set forth in the Act, the responsibility for governing and operating its facilities and providing health care services was vested in a Board of Trustees, which Board was specifically established to be independent and free from the corporate control of the political bodies (the Legislative Delegation and the City of Greenville) which were instrumental in its establishment.

Whereas, as a political body created by the State, the power and authority of GHS is derived from the State under Act 432, as amended from time to time, and the general laws of the State of South Carolina. Act 432 provides that GHS is “authorized and empowered to do all things necessary or convenient for the establishment and maintenance of adequate hospital facilities for Greenville County.” Decision rights as
to what is necessary or convenient are vested solely in the Board of Trustees, which the Supreme Court of the State of South Carolina in *Provence v. Greenville Hosp. Syst.* (S.C. 1988) (mem.) (per curiam) has recognized are broad. Enumerated powers, including the power to lease its facilities, are specifically included, but as provided in the Act, the enumerated powers are not meant to be “limiting in any way.” Recently, the State further expanded the enumerated powers to include those exercisable by regional health service districts, including that leases may be with private hospitals and that operations can be provided directly or through contracts for operations which are, in GHS’ judgment, in the best interest of the communities served.

**Whereas,** over its history, GHS has been at the forefront of innovative change in the delivery of healthcare in South Carolina. It pioneered the growth of multiple facility systems operated under a common management structure in the 1950s and 1960s with the development of satellite hospital campuses as a part of a single system. Beginning in the 1990s, it was a leader in the movement in South Carolina to more closely integrate the hospital and the physician into a delivery system that focuses on the needs and continuum of care for the patient. It supported the development of academic programs for physicians, nurses, pharmacists and other providers in Greenville without relying on public funding and taxpayer dollars, including the opening of a medical school in 2012 in Greenville. And GHS has developed one of the largest clinically integrated networks in the country which is focusing on improving the quality care and lowering its cost. In order to economically afford and support this vast array of services and programs, which have been of great value to the Greenville community, since 2008 GHS has embraced a strategic plan which is largely dependent on continued growth and economic efficiencies which are gained through the size and scope of services. The strength and success that GHS has brought to the Greenville community is a result of the foresight and willingness of its Board of Trustees to consider the future and take the steps necessary to improve healthcare in Greenville.

**Whereas,** the Board of Trustees has undergone an extensive and thorough process of analyzing the current and future state of health care in Greenville County, the upstate of South Carolina, the state of South Carolina, and regionally and nationally. This analysis has been ongoing for 12 months. It has engaged third party governance experts and met with leaders of some of the most successful health care systems in the country. It has reviewed the organizational and governance structures of more than 20 leading systems and guidance provided by many leading national advisory and health care trade associations. It has embraced Governance and System Foundation Principles to guide its considerations. This analysis and empirical evidence has led to the conclusion that by becoming part of a multi-regional system, GHS operations can be conducted in a manner needed to accomplish its vision to “Transform healthcare for the benefit of the people and communities we serve” and as expressed in its mission to “Heal compassionately. Teach innovatively. Improve constantly.”
Whereas, this analysis and empirical data has led GHS to determine that evolutionary changes are occurring today as the responsibility of hospitals and healthcare systems shift from simply treating disease to improving the health and wellbeing of the communities served. This change will affect all aspects of the way healthcare systems operate, including the way they are paid, an increasing focus on quality, embracing technological advances, and equipping the workforce with the skills which will be needed. GHS has determined that it can be a successful system and meet its statutory obligations by:

- redesigning the role of the health care system from treating disease to improving the health of the community;
- having the flexibility to partner with others;
- finding additional sources of capital;
- taking advantage of efficiencies that result from a large and diverse scope of operations;
- educating a workforce that has the knowledge and training to work as teams in support of the health of the community;
- participating in innovative, comparative effectiveness research; and
- being able to accept risks associated with healthcare performance.

Whereas, the market is moving rapidly and consolidation of hospitals, physicians, insurers, and pharmaceutical and medical device suppliers both with each other and across the healthcare spectrum are becoming the norm. The Board of Trustees believes that the Greenville community would be well served for the healthcare operations in Greenville to be structured in such a manner that maximizes the potential that in the future, there will a local, meaningful voice in decisions affecting the care delivery system in the present communities served.

Whereas, the GHS Board of Trustees does not believe, and does not believe the community would support, accessing capital and supporting operations in the future through public funding and taxpayer dollars. Instead, the Trustees are committed to finding an operational and management structure in which GHS will be involved that provides the needed flexibility in the future and the best opportunity for the continuing and improving the quality care, academic, and community based programs and services in Greenville and the Upstate.

Whereas, GHS has determined that healthcare delivered as part of a regional or national not for profit system is in the best position to meet the challenges of the future and provide care within Greenville County. Such a system has the advantage of being organized under an operational governance structure that is not single community focused when services and programs must be provided across multiple communities in order to be delivered efficiently and of high quality. It is able to
partner with others to gain access to capital, to avoid duplicating resources, and to take advantage of the knowledge and expertise of others.

Whereas, the GHS Board of Trustees has determined that a successful operational model meeting these objectives involves the development of a system in which strategic, managerial decisions for all parts of the system are made centrally, with operations being conducted by affiliated entities organized along geographic and service lines. Such a structure enables the various communities which join the system to work together in an efficient manner to meet the changing face of healthcare as hospitals, physicians and patients become more and more responsible for population and individual health and cost. Such a model also enables each community to retain a significant fiduciary voice consistent with the system’s local operations. Examples of such successful systems include Geisinger Health System, Sutter Health, Intermountain Health, and Mercy Health.

Whereas, the GHS Board of Trustees has determined that the powers granted in Act 432 enables it to participate in such a system through a leasing of its facilities to a not for profit entity to be formed which will be part of a larger, newly created system that provides the strategic direction for the system. The GHS Board of Trustees recognizes that by leading the process and embracing the need to adapt, they will be fulfilling their responsibility to the communities they currently serve. Any such arrangement will include a clear, contractual obligation on the new system to provide the services and meet the responsibilities set forth in Act 432; a means for the GHS Board of Trustees to monitor the status of health in Greenville County and the Upstate and the needs of the community; a process by which GHS can input to the system; dispute resolution mechanisms to resolve questions; and, if necessary, remedies available to GHS to cure the problem for the benefit of the community it serves.

NOW, THEREFORE, BE IT RESOLVED that the Board of Trustees adopts the following:

1. **RESOLVED**, that the Board reaffirms the strategic direction of GHS, which includes:

   a) Continuing its development as an integrated academic health system in order to optimize the provision of accessible, quality, safe, and cost efficient care;

   b) Continuing the development and expansion of its academic programs to train the caregivers of the future, to support clinical services and specialties needed by our community so patients and their families can get the care they need close to home;

   c) Embracing the need to bring value in terms of quality and lower cost to those who use our services through becoming a system
dedicated to community health and capable of accepting economic risk for its services; and

d) Continuing to build programs and operations which are not dependent on taxpayer support.

2. **RESOLVED**, in accomplishing its vision, mission and strategic direction, GHS is fulfilling the responsibility vested in it by the State of South Carolina in Act 432, as amended.

3. **RESOLVED**, the Board of Trustees finds that in order to fulfill this responsibility, it is necessary to explore the following for further consideration by the Board:

   a) GHS participate in the creation and operation of a new system which will provide strategic management services for Greenville based operations and other communities which become part of the system;

   b) GHS lease its facilities and operations to a newly created entity which will be affiliated with the system and will contractually assume responsibility to operate and deliver services consistent with the mandates of Act 432;

   c) GHS continue as a governmental entity overseeing compliance with the lease and other transfer agreements on behalf of the Greenville and upstate community; and

   d) In developing the yet to be prepared governance and organizational documents for the new system, the affiliates who are part of the system, and the lease and other agreements with GHS: (i) the structure will be guided by the organizational and system foundation principles attached; and (ii) sufficient rights and authorities, with dispute resolution mechanisms, will need to be included to insure that the GHS obligations owed to the community are being met and meaningful mechanisms for GHS as lessor and as founder of the system are included.

4. **RESOLVED**, it is the intent of the Board of Trustees that by the end of calendar year 2015, the details of the proposed organization and structures, and the terms of the lease, will be in such a form and have sufficient clarity that the Board of Trustees will be in position, at that time, to consider proceeding with the structure and a timetable for implementation during 2016. As part of its deliberations and due diligence, the Board of Trustees will be seeking input from affected communities. To this end, the members of the Board agree to devote the time, attention and resources, and to seek legal, accounting, and
independent expert advice (if determined appropriate) in order to make fully informed decisions.

Attachment to Resolution: Governance and System Foundation Principles

A motion for adoption was made by Marguerite Wyche and a second by Benjamin B. (Buddy) Waters III. The Chairman called for discussion.

Mr. Dell Baker made a motion to amend the Resolution as follows:

Amend Section 3 (b) to add as the last sentence: This newly created entity will be governed by a self-perpetuating board;

The motion was seconded by Mr. Lewis Vaughn. A discussed followed. The amendment was defeated by a vote of 2 in favor (Messrs. Baker and Vaughn) and 11 opposed.

Mr. Lewis Vaughn then made a motion to amend the Resolution as follows:

Resolved that no restructuring of current GHS Board will be done until requested changes are approved by the Greenville Legislative Delegation and Act 432 is amended by the South Carolina General Assembly that clearly defines an altered structure of the GHS Board;

Be it further resolved that no action taken will be taken to restructure the board until you at least have a resolution by the Greenville Legislative Delegation with the majority approving that you can go forward with this resolution.

The motion was seconded by Mr. Dell Baker. A discussion followed. The amendment was defeated by a vote of 2 in favor (Messrs. Baker and Vaughn) and 11 opposed.

A lengthy discussion followed during which questions about the proposed structures were raised and various Trustees commented on the need to proceed.

The Chairman then stated that the original Resolution as proposed and without amendment is on the floor with a motion and a second. There was no further discussion. The Resolution was passed 11 to 2 with Messrs. Baker and Lewis dissenting.

Communication Next Steps

Mr. Howell Clyborne then covered the steps in the communication process. He stated that prior to today the Board has been in a self-evaluation process. Also prior to day, GHS has reached out to members of the Delegation and advised them of what the Board was going to do today. Not all were scheduled, but GHS hopes to get with the remaining few in the near future. He stated there will be ongoing communication to inform the public at large. Typically, this communication is accomplished in a number of ways: keeping our employees updated; continuing one on one discussion; using traditional and social media to disseminate information; and keeping our website current. He added that the Board meetings have always been public. The Board will be kept aware of the public feedback as it makes its decisions going forward. On initiatives like this, accurate and timely
information is and always has been our objective. Mr. Clyborne answered the questions of the Board. Mr. Vaughn asked if GHS would be opposed to the Greenville Legislative Delegation calling a public hearing. The Chairman replied that this could be discussed.

In conclusion, Mr. Morton stated that we want the public input going forward and knowing the community’s position is important. He reiterated that these discussions are about maximizing the potential of the System to provide the best healthcare in the Upstate region and to insure the future viability of the Greenville Health System. He noted that we are all working toward the same objective.

Mrs. Stevens reiterated that with the adoption of the Resolution that, moving forward, it is not a done deal. She stated this is a journey that includes exit ramps and if the Board finds that there are other ways to go and other things to do, it is important to understand the Board can decide to do so.

Adjourn
There being no further business the meeting was adjourned at 12:01 pm.

Respectfully submitted,

Benjamin B. Waters III
Secretary
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   d) In developing the yet to be prepared governance and organizational documents for the new system, the affiliates who are part of the system, and the lease and other agreements with GHS: (i) the structure will be guided by the organizational and system foundation principles attached; and (ii) sufficient rights and authorities, with dispute resolution mechanisms, will
need to be included to insure that the GHS obligations owed to the community are being met and meaningful mechanisms for GHS as lessor and as founder of the system are included.

4. **RESOLVED**, it is the intent of the Board of Trustees that by the end of calendar year 2015, the details of the proposed organization and structures, and the terms of the lease, will be in such a form and have sufficient clarity that the Board of Trustees will be in position, at that time, to consider proceeding with the structure and a timetable for implementation during 2016. As part of its deliberations and due diligence, the Board of Trustees will be seeking input from affected communities. To this end, the members of the Board agree to devote the time, attention and resources, and to seek legal, accounting, and independent expert advice (if determined appropriate) in order to make fully informed decisions.

Attachment: Governance and System Foundation Principles
**Governance Principles**

1. Governance should support and advance the System’s adopted vision, mission, goals and strategic plan of the system.

2. The System should continue to be true to our history as an academic health center providing quality care to all without regard to ability to pay.

3. System governance should facilitate community wellness, involvement and support.

4. System governance should embrace diversity in its composition.

5. Governance structure and function should facilitate efficient, effective, and timely decision making.

6. Governance structure should maximize system strategic and financial flexibility to integrate all future partnerships, affiliations, and acquisitions to drive the continued success and stability of the System.

7. Governance structure and function should enable the system to efficiently address market opportunities and challenges, and be designed to facilitate successful system operations in a rapidly changing economic, regulatory and competitive climate.

8. The composition of the System board should be based on necessary competencies, skills and commitment.

9. The System board should be guided by current governance best practices, including being self-selecting.

**System Foundation Principles**

1. Consistent with evolution of a new system, not just an expansion of GHS

2. Maximized ability to achieve approved Governance Principles

3. Provides for System-wide, centralized decision making to advance consistence and economies of scale throughout the System

4. Local involvement, not local autonomy, is goal

5. Legacy, entity control, requirements and involvement need to be kept to a minimum. Sunset provisions should apply, if included

6. Monies, assets and programs need to be fungible across regions and the System as a whole

7. Decision rights for significant issues and transactions need to rest with the body with the most knowledge and exposure to industry trends and challenges to weight the benefits, risks and alternatives available

8. Recognize need for flexibility and ability for governmentals to participate