

**Vote 39: Health Service Executive : Section 38 Agencies Remuneration****Statement by Professor Noel Whelan, Chairman, St. Vincent's Healthcare Group Ltd.**

Chairman and Members of the Public Accounts Committee,

The Board of the St Vincent's Healthcare Group Ltd (SVHGL) – let's call it the "Group" - thank you for inviting us to attend before you today. We welcome the opportunity to clarify issues relating to the Group that have featured in the media since November 2013.

I am joined by fellow Board Members and non-executive directors, Mr. Stewart Harrington, Deputy Chairman of the Group; and Mr. James Menton, Chair of the Group Finance Committee, and by executive directors, Mr. Nicky Jermyn, the Group CEO, and Professor Michael Keane, Chairman of the Medical Board of the Group.

We are here before you today because, while the Group believes it is compliant with public sector pay policy for the health sector, the HSE regards the Group as being non-compliant. So, as a national and international organisation of integrity the "St. Vincent's" Group wishes to put the public interest first, and address this matter with a view to ensuring that the Group is accepted by the HSE as being compliant with public sector pay policy. And I shall address this shortly.

But first: to help us outline the position of the Group to the Public Accounts Committee, let me set out some details relating to it:

**St. Vincent's Healthcare Group Ltd.**

St. Vincent's Healthcare Group Ltd is a not for profit healthcare organisation. It is a private company limited by shares. It is owned by Shareholders, the Religious Sisters of Charity, and it has charitable status. It comprises three operating divisions: St. Vincent's University Hospital, St. Michael's Hospital (in Dun Laoghaire) and St. Vincent's Private Hospital. Of these, the two hospitals in Elm Park are on private land owned by the Shareholders of the Group. Separate trading names were registered for each division within the company. St. Vincent's Private Hospital was established in 1974 with the primary purpose of providing additional capacity for public patients by providing a private hospital for insured patients or those who could afford to pay. It had a secondary benefit of making St. Vincent's a more attractive place to work for consultants, and thereby allowing St. Vincent's to attract and retain medical consultants of the highest calibre, ensuring the best possible service for **all of** our patients. Any surplus generated by the private hospital is reinvested in the Group, and no dividends, fees/remuneration for being a Director or bonus payments are paid to the company's directors. We contribute thus in a voluntary capacity. The integration of the three, then separate, hospitals into a single Group was completed, by decision of the Shareholders, in 2003. It was considered that this provides the best model of care for patients, ensuring

that we can move insured patients from the public hospital to the private hospital, thereby freeing up additional capacity in the public hospital and maximising patient choice.

This unique model has worked extremely effectively for our patients over the past decade. It has increased capacity, improved access, and provided high quality safe health-care.

Since the Group is at the core of today's PAC meeting, I would dearly wish to tell the Committee about its expansion, its many accomplishments, and its developments, since its creation; all of which are of specific benefit to Ireland's health sector. However, I would over-run the speaking time allowed for my opening statement. So, I am attaching them as an appendix \*

**Let me address some of the core issues which have arisen in recent times:**

### **Public Pay Policy**

The reason we are before you today is public pay policy as it relates to the health sector. A significant focus remains on remuneration arrangements for three staff in St. Vincent's Healthcare Group Ltd.

We believe that the Group is in compliance with public pay policy for the health sector. We had not divulged any information in relation to the salaries of the small number of executives involved as there were issues, including those of contract law and data protection, to be considered. Critically, also, there were no public or charity funds involved.

Let me stress: no funding was used from charitable donations. The Group's charity fundraising body, St. Vincent's Foundation, is run entirely on a voluntary basis. The funds raised philanthropically go to the aims and objectives of St. Vincent's Foundation.

As you may be aware, I, as Chairman, and my colleague Vice Chairman have met with the Director General of the HSE and his colleagues on Thursday last, 9 January 2014 to discuss the pay policy issue. This was the week suggested by the HSE for the meeting. We again met the Director General and his colleagues on Tuesday 14 January 2014.

We are in current discussions with the HSE which we hope will lead to an agreed process that will result in there being no issues with the HSE regarding pay compliance. As you can appreciate, there are complex issues to be worked out and we must, of course, ensure that the law is upheld. The HSE's own circular has asked agencies not to break the law as situations are dealt with.

To be specific here: While the current Group model has worked excellently for our patients, the Group Board is, in the public interest, willing to adapt it.

Subject to the early successful outcome of the process I have just referred to, the net result should be:

- That there will be no pay compliance issues with the HSE;
- The salary of the Group CEO will be paid entirely from funds generated by the private hospital;
- The roles of Group CEO and CEO of St. Vincent's University Hospital will not be occupied by the same manager.

There has been a sound logic for the incorporation of the two roles, Group CEO and CEO of St. Vincent's University Hospital, in the one person.

**Corporate Governance** - There has been a lot of discussion about the integration between the public and private hospitals of the Group, and whether there is the appropriate level of corporate governance in place to ensure that the public investment in health within the Group is appropriately safeguarded. My colleagues and I will be glad to expand on this, if required, during question time. But, let me mention a few points relating to governance here:

Two hospitals of the Group, St. Vincent's University Hospital and St. Vincent's Private Hospital have been accredited by the Joint Commission International (JCI). This is a prestigious internationally recognised independent organisation for accrediting healthcare organisations worldwide. St. Vincent's University Hospital is the only academic teaching hospital to be accredited, first in 2010 and re-accredited in 2013. One of the key international benchmarking standards of JCI is "Governance, Leadership and Direction" and we have consistently met this high standard. This is on the basis that the Group Board and St. Vincent's hospitals have clear responsibilities, accountabilities and authorities defined at each level in the organisation.

Financial clarity exists as between the three hospitals. The financial accounts and the bank accounts for the three hospitals are separate. Money provided by the HSE for the treatment of patients under the Service Level Agreements with St. Vincent's University Hospital and St. Michael's Hospital is, of course, extremely closely monitored by the HSE.

Of prime concern to us is upholding the public interest in our corporate governance arrangements. We have noted the fair comment from, among others, members of this committee and we accept that it is not just about protecting the public interest but being seen to do so as well. Consequently, the Board of the Group is willing to add immediately to our existing Board committees a 'Public Interest Committee' of the Board. This committee will monitor, on an on-going basis, issues arising from the public interest which may be relevant to the Group. This will be an addition to our existing Board committees which are: Finance; Audit; Remuneration; Nominations; Risk Advisory; Clinical Governance, and Mission Effectiveness.

The points I mention are but a few points from a very broad canvas relating to governance and I hope we can respond further to the governance issue in question time if you wish.

**Release of information on remuneration:**

We note there has been disquiet on the part of the PAC about the release of the information on remuneration levels on 23 December 2013 i.e. just before Christmas. There was an explicable reason for this and I hope we can address it in question time.

So, Chairman and Committee members: My colleagues and I will endeavour to answer, as fully as possible, any questions you may have.

Thank You.

**Professor Noel Whelan**  
**Chairman, St. Vincent's Healthcare Group Ltd.**

*Submitted electronically to the Public Accounts Committee on 14 January 2014*

\* Appendix to be submitted later