



# **VESTED**<sup>®</sup> For Success Case Study

**A New Day, New Way:**

*The Island Health – Hospitalist Journey to Vested*

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## EXECUTIVE SUMMARY

Canada's Vancouver Island Health Authority (Island Health) pioneered in developing a Hospitalist service in British Columbia in 2000, establishing a small group of Hospitalists to work at two hospitals. However, enthusiasm for the practice waned each time the Island Health Administrators and the Hospitalists met to renew their contract.

Between 2000 and 2014 Island Health and the Hospitalists met four times in what can best be described as increasingly long, acrimonious and difficult negotiations. It is safe to say when their fourth contract expired on June 30, 2014, neither side was optimistic about how negotiations would proceed. The parties continued to work under the expired contract, but distrust only increased as the parties fell into a tit-for-tat cycle that intensified with payment delays and the controversial and highly emotional suspensions of some physicians in March 2015.

Both parties recognized the critical need to build a new relationship and made changes in personnel in the fall of 2015 to get the relationship back on track. But the relationship was so broken that contract negotiations went into a standstill; neither side knew how to proceed. Simply put, both sides were stuck.

Call it serendipitous, a coincidence, fate – or all three – but Kim Kerrone, Island Health's Vice-President, Chief Financial Officer, Legal Services & Risk attended a presentation on the Vested business model and methodology for creating highly collaborative business relationships. The Vested model was intriguing. Could it be applied to the Island Health and Hospitalists' relationship to get them unstuck?

Kerrone went back to Island Health Administrators and Hospitalists and recommended they look into the Vested collaborative model. There were skeptics. But there was also nothing to lose. The result was a three-day workshop many involved describe as a watershed "moment" that recalibrated the relationship and commitment to restart with "A New Day, a New Way" mantra. A small team of five Hospitalists and five Administrators was selected to guide the parties through the Vested process, which culminated in the first professional labor services contract to implement the Vested model and methodology.

This case study shares the journey of Island Health and the SIHI Hospitalists as they used the Vested model to transform their toxic relationship into a highly collaborative one. Some called it transformational. Others would say it was more like magic, or even a miracle. No matter what one calls it, the shift to a Vested model enabled Island Health and the Hospitalists to get unstuck and create what the parties believe is the ideal model for professional relationships operating in a contractor environment.



## PART 1 - BACKGROUND

Island Health provides health care services through a network of hospitals, clinics, health units, community-based services, home support, and residential care centers for over 767,000 people on Vancouver Island, the islands in the Salish Sea and the Johnstone Strait, and the mainland communities north of Powell River and south of Rivers Inlet.<sup>1</sup>

Island Health was one of the first Health Authorities in Canada to adopt the practice of using Hospitalists<sup>2</sup> to care for patients who do not easily fall under the auspices of any one specialist. These Family Physician Hospitalists typically care for very elderly patients or those with complex multisystem diseases. The concept of using dedicated Hospitalists to care for patients is relatively new. It wasn't until 1996 that the New England Journal of Medicine first recognized the field of "Hospitalists" as a specialty in and of itself.<sup>3</sup>

Island Health's Hospitalist practice was formally launched in 2000 when a small group of Hospitalists was hired to care for patients 24/7, 365 days per year in the two tertiary-level hospitals in Victoria, British Columbia (BC). The Victoria Hospitalists on Vancouver Island today are incorporated as the South Island Hospitalists, Inc (SIHI)<sup>4</sup> and are now a large group of physicians caring for approximately 400 patients daily.

Before 2014, Island Health and the Hospitalists had gone through contract negotiations four times, each depicted by what Dr. Jean Maskey describes as "long, acrimonious and difficult, with a tense and distant relationship between contract renewals."

Dr. Jean Maskey, MD, CCFP, FCFP joined Island Health as a Hospitalist in 2006 and was the site chief between 2009 and 2013. She reflects:

"The chasm between the Administrators and physicians had always been wide. There was a running joke that we were separated by a rhododendron forest because some Hospitalists work in the Royal Jubilee Hospital and the Administrators work in offices on the same campus in a separate building called Begbie Hall. I remember early in my Hospitalist career the first time I tried to meet with someone in Begbie Hall. It was June and rhododendrons were in full bloom. I left the hospital and walked through this canopy of amazingly beautiful rhododendrons. And at the end was Begbie Hall – an old nursing building. I went to enter but the door was locked. The rhododendron forest became symbolic for me about our relationship with the Administrators because it was like there was this great divide between us and them. Instead of going on a wonderful stroll through the rhododendron canopy, it was more like you were going through a scary and evil forest. And when the Hospitalists did make the effort, it always seemed you were shut out."<sup>5</sup>

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Dr. Maskey continues, “Many of the Hospitalists didn’t even know what the Chief Medical Officer looked like or where the office was. It was like there was this mysterious group of Administrators who lived on the other side of the great divide of this rhododendron forest. We perceived that they didn’t care or have a clue about what we really did, even though we were the physicians who were caring for the majority of the inpatients in Victoria, BC.”

Kim Kerrone was also relatively new at Island Health, joining as Island Health’s Vice-President, Chief Financial Officer, Legal Services & Risk in September 2012. She could sympathize with Dr. Maskey’s frustration. “Island Health had three or four Chief Medical Officers over the years and it was easy to see why it was difficult to establish any kind of lasting relationships. Also, the Island Health Administrators and the Hospitalists had used traditional negotiation approaches which did not help close trust gaps.”

Despite attempts at negotiation, the contract expired in July 2014; ultimately, an interim agreement was made with the hopes to reach an agreement that fall.

The parties continued to operate under the terms of the expired contract, but the environment to achieve a new contract was challenging. Many refer to this period of time as “the troubles.” Deep-seated distrust led to a negative tit-for-tat negotiations cycle and the re-opened discussions came to an abrupt halt with the notice to cease the contract at midnight on Feb. 28, 2015. The “troubles” worsened. There was a vast divide and widening of the rhododendron forest. Several Hospitalists left the program, leaving the remaining doctors with additional work in a tense environment.

Each side argued that the contract talks were not about money, but about how to perform the job and by how many doctors. The Hospitalists felt they were being mismanaged and squeezed monetarily. They wanted a more flexible workload-based contract and argued Island Health’s plan included cutbacks that would jeopardize physician safety and the ability to deliver an excellent and consistent service to patients in Victoria. The Hospitalists argued more Hospitalists were needed to safely maintain quality of care levels.

For their part, Island Health Administrators were concerned about the transparency of the Hospitalists scheduling and hourly billing practices. But poor reporting procedures meant Island Health Administrators did not trust the Hospitalists’ calculation of the census numbers or how they were managing scheduling. Limited data and poor communications, coupled with a longstanding lack of trust exacerbated the situation. Island Health wanted the Hospitalists to work under a new model aimed at more transparent measurement and reporting as well as work together on quality and efficiency initiatives.

Dr. Manjeet Mann, MD, FRCP, a cardiologist who later was promoted as the Island Health Executive Medical Director, explains how things went ‘sideways.’ “As a physician, you sacrifice so much. The feeling was the Administrators simply didn’t care about patient care or physician well-being. It became toxic and the lack of trust and transparency led to a tit-

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for-tat cycle of actions on each side. This included an emergency room crisis and the refusal to admit new patients, suspension of three medical staff, and non-payment of Hospitalists.”

Headlines from local papers added fuel to the fire:

- “Strategy to intimidate is a failure, Victoria's hospital doctors say.” *TimesColonist*, June 29, 2014;
- “Doctors suspended for refusing patients, health authority says.” *TimesColonist*, March 10, 2015;
- “One year later, no sign of deal for Greater Victoria hospitalists.” *TimesColonist*, April 8, 2015.

The contract negotiations had stopped altogether. Kerrone reflects, “We had made no progress on getting a contract because of the deep-seated feelings of distrust and animosity between the two sides. Patient care was happening, but we didn't have a contract; it was just a really bad environment – there was no trust, no trust whatsoever.”

In March 2015 – at the peak of the difficulties – Dr. Mann was asked to become Island Health’s Executive Medical Director hoping he could calm the waters between the Island Health Administrators and the Hospitalists. Mann was the perfect person to bridge the gaps between the Island Health Administrators and the Hospitalists because he had worked alongside many of the Hospitalists. As a fellow physician, the Hospitalists were his peers, and he considered many as friends.

Dr. Mann notes: “There was no relationship between the Administrators and the Hospitalists. Also, many of the Administrators in leadership positions were not accustomed to the workflow and the overall work of the Hospitalists. In many ways I can understand in retrospect where a lot of the difficulties occurred. Contract negotiations became more of a budgetary conversation and patient care, provider safety, and work-life balance were not properly addressed. In addition, there were internal problems within the Hospitalists themselves because they were a subcontracted group that started as a small group and started getting larger.”

Dr. Mann started building trust by relating to the Hospitalists on a personal level. But the relationship remained broken, with no clear way to fix it.

Kerrone also wondered how much of the trust gap was real or built on perceptions inflamed and magnified over the years. Kerrone reflects she never appreciated the enormity of the gap between the Hospitalists and Administration until one day when she shadowed Dr. Maskey for part of the day. Kerrone remembers, “I took away a lot that day about how easy it is to have perception gaps. I saw firsthand how masterful Jean was at multitasking, writing orders, reviewing lab results, etc. and also the complexity of the patients she was caring for – particularly when it came to discharge planning. But what struck me most was

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a conversation with a young Hospitalist who stopped to talk to me that day. He had a few general questions, but the crux of what he wanted to ask was ‘why does administration dislike us so much?’”

Kerrone was shocked. No one in Administration disliked the Hospitalists, and in fact their work was highly recognized and valued. When Kerrone shared this story with her colleagues, all agreed they needed to reach out in a different way. The problem was both sides were in traditional contracting methods that would only continue to deepen the divide.

Call it serendipitous, a coincidence, fate – or all three – but Kerrone attended a presentation on February 1, 2016, that would begin what would be marked as a seminal turning point in how Island Health and the Hospitalists would approach contract negotiations. Kate Vitasek, a University of Tennessee (UT) faculty member for graduate and executive education, was presenting the Vested business model for the British Columbia (BC) health authorities where she shared a highly collaborative methodology in which buyers and suppliers co-created a contract based on “Five Rules.”<sup>6</sup> As part of the presentation, a Vancouver Coastal Health Authority (VCH) representative shared how they used the Vested model to transform the way VCH worked with an environmental services provider, Compass.<sup>7</sup>

Kerrone noted that listening to Vitasek made her think, “Wow, this is what we need for the Hospitalists. I thought that the approach would be just perfect for resolving the standoff.”

She went to other Island Health Administrators to get their feedback, including Courtney Peereboom, Director, Special Projects and In-Facility Care at Island Health, and Dr. Brendan Carr, MD, CCFP(EM), MBA, and Island Health’s President and CEO.

Peereboom reviewed UT’s website on Vested and downloaded the open-source material to learn more about Vested. She comments, “A Vested partnership approach made sense given that the Hospitalists care for the majority of our adult inpatients in South Island. If we wanted to move the dial on strategic priorities such as improving patient flow and system access, we had to work with this group differently than we had in the past. We had really run out of options using traditional negotiation methods. Vested seemed like the only way forward that we had and we had to try it.”

Kerrone got the green light to arrange an initial meeting with Hospitalist leaders.

There was still distrust and suspicion and the meeting was tense. Kerrone suggested the Hospitalists contact Vitasek and ask the researchers at UT questions about Vested for themselves.

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Vitasek recommended Island Health and the Hospitalists engage with The Forefront Group – a Vested Center of Excellence – to facilitate a three-day “Alignment workshop” and if that went well they could then make a ‘go/no go’ decision to proceed with the Vested methodology to help them get to a contract. The Forefront Group had helped Vancouver Coastal Health and Compass co-create a Vested agreement for environmental services and had experience in creating Vested agreements in the health care sector. Both parties liked having The Forefront Group play the role of a neutral third-party facilitator. They also liked the fact they did not have to formally commit to the Vested methodology out of the gate.

Dr. Maskey remembers thinking, “The Vested methodology sounded incredible. We were, of course, skeptical. But we had nothing to lose; nowhere else to go.” She ultimately recommended the Hospitalists give the three-day Alignment workshop a try.

Dr. Patrick Slobodian, MD, CCFP was one skeptic. He was one of the original Hospitalists in Victoria who helped to develop the Hospitalist program. He remembers feeling “disenfranchised and disempowered.” Dr. Slobodian described the overall sentiment of the Hospitalists: “As a group, the Hospitalists really felt trapped by obligations to our patients through the College of Physicians and Surgeons to stay at work. It was a hard time and we were all very cynical about anything suggested by the Administrators. However, there was little other choice but to tentatively give the Vested method a try.”

The result? Both parties set the three-day workshop<sup>8</sup> to begin on May 30, 2016.

To prepare for the workshop, The Forefront Group conducted a Deal Review, which is a 360-degree review of a relationship between contracting parties. It includes:

- A confidential online “Compatibility and Trust” (CaT)<sup>9</sup> assessment by both parties
- A formal review of the existing contract to determine if structural flaws could be causing misalignment and perverse incentives
- Interviews with both parties to better learn about their background and situation

Bonnie Keith, president of the Forefront Group and a Vested Certified Deal Architect, notes: “The relationship was really broken and they needed to get a contract in place to repair a relationship that was hugely damaged. Physicians were so frustrated many were thinking of leaving. And of course, that put the whole system at risk.” Keith described the level of trust between the parties as “zero-minus.”

But the good thing was that both parties had at least agreed to talk – something that had not happened for more than a year.



### **PART 2 – THE JOURNEY BEGINS: LAYING THE GROUNDWORK**

The Forefront Group recommended the three-day workshop be held offsite, away from the hospital campuses. This was important, as there were no clinical or administrative distractions, but also because it was “neutral” territory. The parties chose the University of Victoria.

Kerrone reflected on the power of having a neutral location. “Being offsite was a unique experience in itself, as meetings were always held in either the hospital or administrative offices. Our traditional meeting places had difficult memories for many of those who attended these sessions. The simple fact that we were in a neutral location being challenged by academics to try a different approach gave the whole meeting a different focus. And most importantly, it helped us to stay focused because we were literally offsite.”

Peereboom admits she felt “a little trepidation” at the start of the three-day workshop because “I wasn’t sure if this was going to help us at all or if it would be a step backward. But I was hopeful. Going into that meeting there was lots of worry about what the results might say about us and were we ready to hear it.”

Others were downright skeptical. Peereboom summed up the feelings in the room:

“Most people went into that room with folded arms and negative body language. The feeling of the room felt uncomfortable and not very open. But by the end of the three days, we were in an environment where people were talking to each other and starting to trust each other. There was more openness.”

Skepticism aside, what mattered was that the parties agreed to at least give the Vested methodology a try. And, if they didn’t want to proceed after the three days, they didn’t have to move forward. Nothing ventured, nothing gained. And definitely nothing to lose.

#### **DAY ONE: RELATIONSHIP REVIEW**

Day One of the workshop provided a neutral third-party “State of the State” review where The Forefront Group shared the results from the Deal Review. Also, the format allowed the parties to candidly discuss their “Elephants in the Room.”

The workshop opened with a quote from Albert Einstein to set the stage for the need to change:

*“The significant problems we face cannot be solved at the same level of thinking we were at when we created them.”*

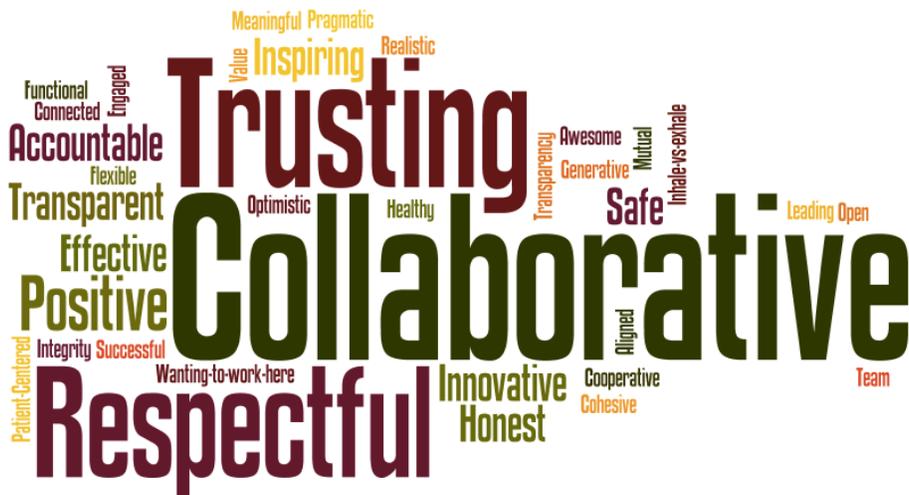




Peereboom was disheartened by what she saw. “Seeing the words on the Wordle from that survey was very disturbing. When you look back at it we were in a terrible place.”

Before going into detail about the CaT, the Forefront Group also asked the workshop attendees to write down three adjectives describing an ideal relationship between Island Health and the Hospitalists. Each participant wrote down three words. During a break, a second Wordle was created – but this time the words represented hope for a “future state” for the relationship. (Figure 2)

**Figure 2:**  
**WORDLE of Adjectives Describing the Desired Future State of the Relationship**



The “Today” and “Future State” Wordles were posted at the front of the room with The Forefront Group challenging the parties to think about how they might change their behaviors to begin to “live into” the Future State.

Dr. Milvi Tiislar, MD, CCFP was a Hospitalist who had just returned from maternity leave during the “troubles” in 2015 and was part of the first three-day workshop held at the University. Dr. Tiislar describes her reaction to seeing the words. “It was very powerful to see a graphical depiction of all the negative emotions. And then there was the huge contrast describing what we all wanted the relationship to be. It was both eye-opening and nice to see that we had all described the same fundamental things that we wanted.”



**COMPATIBILITY AND TRUST (CAT) ASSESSMENT**

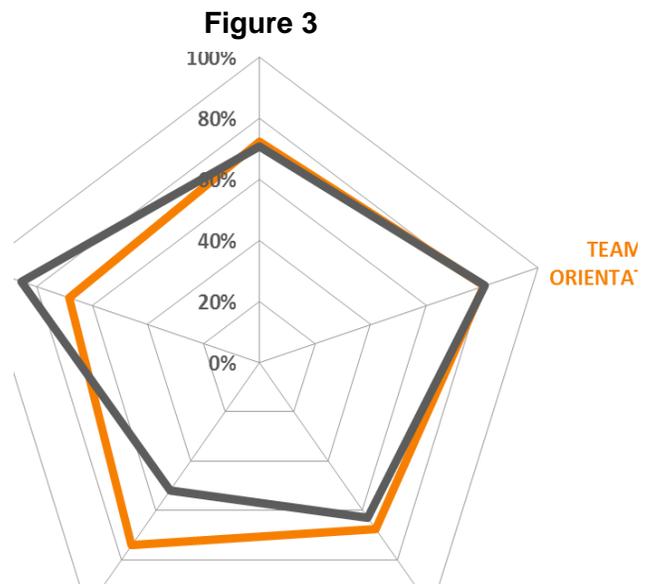
A key part of the Compatibility and Trust Assessment was to understand perception gaps. “I remember the CaT started with a question for us to grade ourselves and to grade your partner,” Kerrone says. “We gave ourselves a B and the hospitalists a D, and they did the exact opposite. For some, the perception was, ‘We are the good guys and they are the bad guys.’ It was interesting because the Hospitalists thought the exact same thing from their perspective! That was very illuminating.”

The detailed CaT assessment provided a “spider map” showing how the parties viewed themselves across five behavioral dimensions – and how they perceived the other party. (See Figures 3, 4, and 5).

**Figure 3** shows the self-assessments of each group across each behavioral dimension, revealing there was relatively good alignment between how the Administrators and the Hospitalists viewed themselves. There was tight alignment across three of the five dimensions.

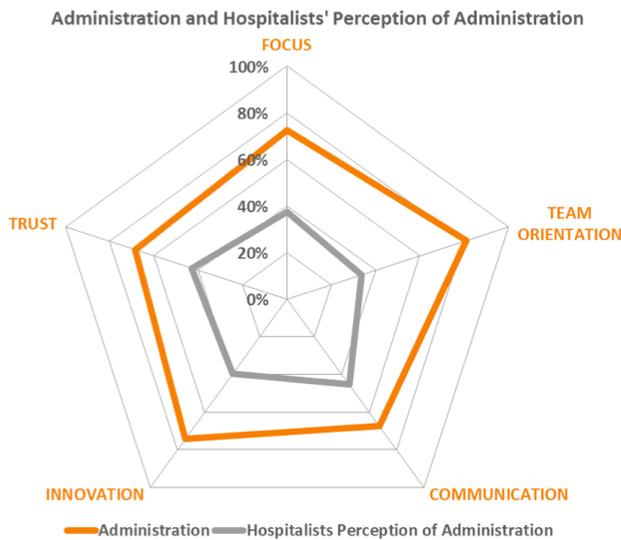
Peereboom explains, “The results of the CaT were interesting. We all went into the workshop thinking we were so far apart from each other, but what the CaT revealed was that at our core we were somewhat aligned in our values, which was surprising.”

**Figures 4 and 5** (following page) show how each party views each other - showing perception gaps. While the parties had a similar view of how they approached key aspects of the relationship, they viewed the “the other guy” as being far from aligned.

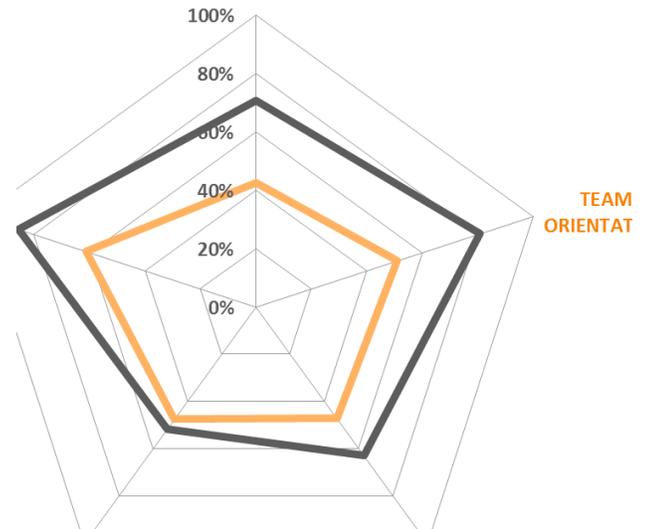




**Figure 4**



**Figure 5**



Dr. Kenneth Smith, MD, CCFP, summed up the cause of the perception gaps. “Simply put, neither side knew what the other was doing: the Hospitalists had no idea what the Island Health budget was for them, and Island Health Administrators did not know how the Hospitalists scheduled patient care. It was easy to see how there were such huge perception gaps.”

As lunch drew near, the facilitators introduced the concept of the “buddy system” where Administrators and Hospitalists would pair off in groups of two or three and have lunch solely to get to know “the other guy” on a more personal level. Dr. Maskey remembers thinking, “Like really? We’re all going to have lunch together. That was amazing, especially after only one morning together!”

Dr. Maskey had lunch with Dr. Brendan Carr, who was the President and CEO of Island Health at the time. Dr. Maskey said she invited Dr. Carr to lunch “because he was someone I did not know very well and had a somewhat fraught relationship with when we had encountered each other in the past.”

Dr. Maskey explains the power of getting to know the person behind the business side of negotiations. “During lunch, we were able to begin to establish a different relationship. We both seemed to be able to appreciate that our prior tensions were related to the Hospitalists’ passion for their work, and a desire for a respectful relationship, and a lack of understanding or knowledge extending across ‘the rhododendron forest.’”

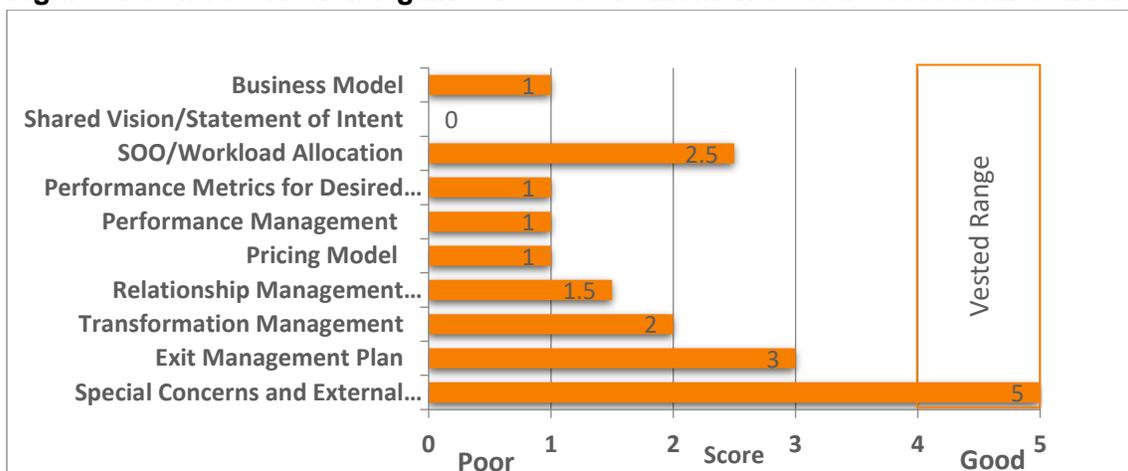


**CONTRACT REVIEW**

The workshop then reviewed the contract assessment. Before the workshop, The Forefront Group did a ‘deep dive’ review of the old contract to identify structural flaws in the contract that created perverse incentives. Keith explains, “Many times contracting parties tend to blame each other for the way they are behaving – especially when there are negative behaviors that are causing tension. When you do a deep dive diagnostic of a contract what you often find is that there are structural flaws that are actually causing the friction.”

The overall score of the Island Health–Hospitalist contract was low (see **Figure 6**), signaling many structural design issues in the original (expired) contract.

**Figure 6: Contract Review Against Vested “10 Elements” of a Successful Contract**



In a Vested relationship, all of the components must score at least 4.0.

Day One was a turning point for Dr. Maskey; she had a strong intuition that Vested would work. She described day one of the workshop as somewhat hokey, but also freeing. She explains, “During the workshop, one of the facilitators made a joke about a country music song, ‘When you hit rock bottom, there ain’t nowhere to go but straight up or sideways.’ I said to myself, we had been spending way too much time and energy going sideways and there was nowhere to go but up. Let’s go.”

She continues, “It was very freeing to think that we could kind of ditch all of the negativity and old history, and choose to go with the new in the space of six hours. It was a miracle.”

Dr. Maskey was not the only one who felt positive. When the first day ended Dr. Carr, Island Health’s CEO, addressed the entire group. He began by acknowledging the difficulties that both the Administrators and Hospitalists had gone through. He then committed as the CEO he would provide his full support to recalibrate the relationship and



work together to develop a contract and collaborative working environment going into the future.

Dr. Maskey said, “Dr. Carr was very positive about the progress that we had made that first day and that we would be successful—together.”

Dr. Maskey and Dr. Maureen Boylan, MD, CCFP walked home together after Day One of the workshop. Dr. Boylan was relatively new to the Hospitalist group and they lived in the same neighborhood within walking distance to the University of Victoria.

Dr. Maskey recollected, “As Maureen and I walked home together and reflected on the day, I recall our discussion revolving around the shocking revelation that we really could change our relationship. Having started the day with trepidation, we were excited. I recall that I said to her, ‘Am I crazy to think this (Vested) will work?’”

Dr. Boylan added, “For me it was like, whoa, this is going to be really interesting.”

“We were cautious because you don’t want to look ridiculous to your colleagues,” said Dr. Maskey. “But I came back the next day and said to myself, “Okay let’s go!”

### DAY TWO – ALIGNMENT

The second day of the workshop put the past behind and the focus on the hope for a better future. The group repeatedly looked at and referred to the “Desired Future State of the Relationship Wordle. The facilitators challenged the Island Health Administrators and the Hospitalists to create what is known in the Vested methodology as a “Statement of Intent.” The Statement of Intent combines a shared vision with six Guiding Principles and a commitment to adhere to desired positive behaviors, called Intended Behaviors, which the parties agree to in writing.

“Creating a Statement of Intent is a really powerful approach to help organizations take the first steps to a highly collaborative relationship,” Keith explains. “The Statement of Intent is a two-page document that is created by the parties together, which lays the foundation for a future relationship.”

The joint Administrator-Hospitalist team worked through *RealPlay* small group exercises to help them co-create a Statement of Intent for their future relationship. Day Two ended with the parties agreeing on a formal shared vision and behaviors.

As the workshop continued into Day Two, skeptics became hopeful. Kerrone thinks back to the workshop: “One major game-changer was the creation of a shared vision that patient



care is our North Star. When the Hospitalists realized that was what the Administrators also wanted, it was a breakthrough.”

Dr. Smith felt the turning point for him started on Day Two. “The first day was very difficult. It was not a surprise that we were out of alignment. But on day two and day three we really started to develop some interpersonal relationships with some common ground and started to function like we’re all in the same boat together. It became more of a ‘we need to solve this together; we need to respect each other.’”

He added, “This was a profound change, and we started working together on what our goals were.”

Dr. Mann felt the change too. “Something remarkable began to happen. Those attending began to see that the Vested process just might break the impasse and bring them to alignment on a collaborative labor services agreement that would fit the needs of their unique situation.”

Dr. Mann believes a key reason people opened up is because the workshop facilitators and process created a safe environment where people could vent their feelings. “By Day Two, there was some common ground that was starting to develop. I think from my point of view the one variable that I think made me realize that this is going to be successful is when the conversation changed to let’s have the right people looking after the right patients and not worry about how many people are on the ground because that minimizes what is important. What is important is to have work consistency and to have job security. I think what these guys needed was to know that if the patients were reduced and volume was reduced that they wouldn’t be laid off.”

Day Two of the workshop ended with the Island Health Administrators and Hospitalists agreeing (yes, agreeing!) on a formal Statement of Intent for their relationship.

### **The Island Health – Hospitalist Shared vision**

- Together, we are a team that celebrates and advances excellence in care for our patients and ourselves through shared responsibility, collaborative innovation, mutual understanding, and the courage to act, in a safe and supportive environment
- We will be recognized leaders in healthcare
- We will achieve this vision by building relationships grounded in trust and respect, and anchored in the following Guiding Principles and Intended Behaviors

***The complete Statement of Intent is presented in Part 4 of this study.***



### DAY THREE – HIGH LEVEL DESIRED OUTCOMES

Day Three started with the group reading the Statement of Intent they had jointly created the day before.

“The Statement of Intent and the environment in which we developed it was crucial in developing trust. It gave all of us permission to speak up, as well as permission to relax and have real conversations and exchanges of ideas as equal partners,” says Dr. Maskey. “I think the fact that that it works both ways is critical.”

The facilitators then helped the group take the high-level shared vision to the next level, creating the Desired Outcomes that the parties agreed would be the foundation for a future contract. Four Desired Outcomes emerged:

- A Sustainable and Resilient Hospitalist Service
- Excellence in Patient Care
- Relationship Health Excellence
- A Best Value Hospitalist Service

All agree that the three-day Alignment workshop was a pivotal turning point for the Island Health Administrators and the Hospitalists. By the end of the third day, the Administrators and the Hospitalists rallied behind the theme of “A New Day, A New Way.”

- Reflecting on the three days, Dr. Smith said, “The Vested process allowed us to see each other's needs and goals and how to blend the two into a positive working framework that could work going forward. The concept of working together as “we” was a unique experience. The three-day workshop and the Vested methodology had created a safe environment for everyone to move forward.” He added, “When you looked at the graphs with the words of how we felt at the beginning of the three days and how profoundly negative it was and then you look at the words at the end of the three days, there was all this hope.” Dr. Mann described the workshop as “therapeutic,” commenting on how the Vested process helped Island Health Administrators and Hospitalists begin to have a strong feeling of empathy.
- Kerrone attributed the transformation over the three days to a combination of things but summed it up nicely: “The bottom line was we were sitting in the same room talking to people as people. This was just what the group needed. It was enough to get us going.”
- Dr. Maskey was relieved to see there was hope. “Those three days definitely validated that we could move forward. We could begin to see there was enough alignment to help us get past our past troubles.”
- Peereboom insists the Vested process was “transformational for the relationship and it was fundamental to help us get to where we needed to be.”



As the third day ended, the Island Health Administrators and the Hospitalists were aligned not only with a Statement of Intent (Shared Vision, Guiding Principles, Statement of Intended Behaviors) but also with a renewed sense of hope and a willingness to move forward using the Vested methodology.

Formal “buddy teams” were formed. Although both Courtney Peereboom and Dr. Maskey had other buddies, they found themselves in the position of being the leaders and key change agents, for propelling the next stages and planned to meet the next week.

Dr. Maskey observed. “We did not want to lose the momentum developed at the three-day workshop and we decided it would be essential to cover a lot of groundwork very quickly. The good news is that we could rely on The Forefront Group for coaching support to help us. One of the first things The Forefront Group did was coach us through an exercise on creating communication memos with the larger group of Administrators and Hospitalists to update everyone on how the contract workshops were progressing. We called these memos ‘New Day, New Way!’”

The journey had begun. The rest of this case study profiles how Island Health and the Hospitalists collaborated to develop what would become the first Vested contract for professional labor services – not only in Canada but in the World.

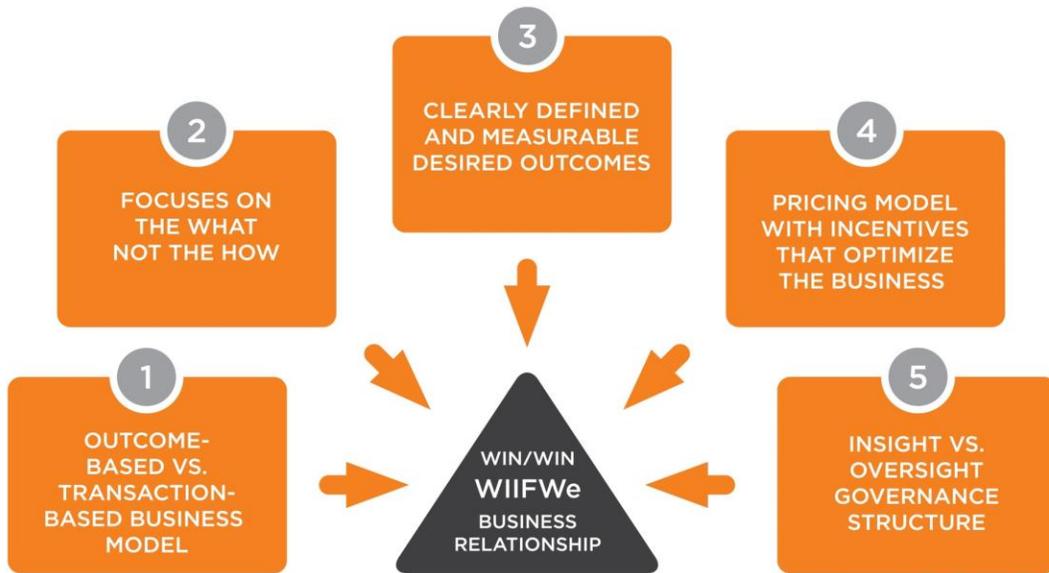


### PART 3 - CREATING THE VESTED AGREEMENT

The Vested business model is based on Five Rules,<sup>10</sup> as illustrated in **Figure 7** below.

A Vested agreement shifts from a conventional, transaction-based “buy/sell” sourcing model to a highly collaborative relational contract with an outcome-based economic framework.

**Figure 7 The Five Rules of Vested**



The Vested methodology includes creating a core “Deal Architect” team who work side-by-side to translate the intent of the relationship into a win-win contract that follows the Vested Five Rules. As part of the process, the entire team takes an online course, [“Creating a Vested Agreement.”](#) and comes to the workshops where they collaboratively make decisions that are translated into contract language.

Peereboom was chosen as the lead from the Administrators and Dr. Maskey volunteered to take on the lead role from the Hospitalists. Dr. Maskey recalls the first meeting with Courtney after the three-day workshop. “We both felt extremely overwhelmed, but quickly rolled up our sleeves, realizing that we would need to work together and rely on each other’s support if this were ever to get done. Also, we both knew our organizations were



very small compared to the big companies that had used the Vested methodology. We had limited people and resources. So, one of our first challenges was to figure out who would be on our “Core” Deal Architect Team that could help us translate our intent for the relationship into an actual win-win contract.”

Ultimately Peereboom and Dr. Maskey were joined by four more Administrators and four Hospitalists who joined as the “Core Team” except for one kink. The Hospitalists were missing a legal counsel representative who would be essential to assist in writing the contract as the team moved through the Five Rules/Modules.

Dr. Maskey remembers being somewhat in a panic. “The Hospitalists did not, at that point, have a lawyer, and the first workshop was two weeks away!”

Dr. Maskey contacted Glenn Gallins, QC, a Professor and Director of the Law Centre Clinical Law Program, University of Victoria. Dr. Maskey knew Gallins was a senior lawyer in the city and thought he would have ideas about who the Hospitalists might approach. She knew that Gallins had some understanding about the practice of medicine as all four of his children had become physicians and two were Hospitalists.

As Dr. Maskey explained the background, Gallins became more and more intrigued and liked what he had heard about the Vested approach.

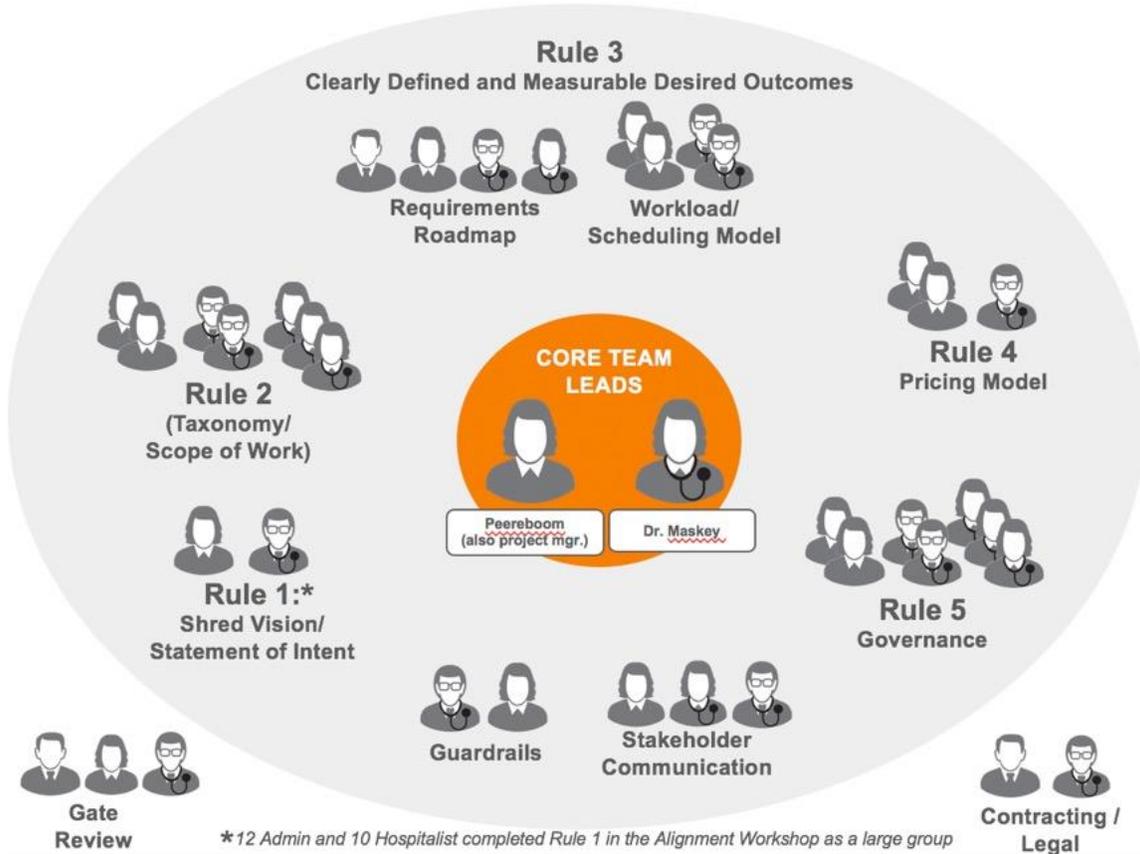
Gallins commented: “I thought the focus on relationship building in Vested was absolutely brilliant. Towards the end of Day Three, most of the doctors were at the point when they said, ‘Well when are we actually going to discuss the contract?’ I took that to be a good sign.”

Gallins ultimately volunteered to represent the Hospitalists himself and joined the series of workshops to be the Hospitalists’ legal counsel through the Vested process.

Figure 8 (next page) depicts the Core Deal Architect Team.



**Figure 8 - Deal Architect Team**



With the team in place, it was time for Island Health and the Hospitalists to convene in facilitated workshops to hammer out their Vested labor service agreement, defining the playbook of their contract and how they would follow each of the Vested Five Rules.

A key part of the workshops included having the Deal Architect team members sitting on sub-teams to design how the parties would follow each of the Five Rules. Each organization had co-leads for each sub-team who became “Two-in-a-Box” partners. Besides the Core Team, both parties:

- Worked with outside legal counsel to help them turn the decisions they made in the working teams into contract language
- Had individuals chartered to communicate back to their respective larger groups what the decisions were in Gate Reviews

Dr. Maskey and Peereboom played critical roles. Dr. Slobodian was thankful for their leadership. “They had the tenacity to hold the torch and maintain the interest and belief in



the Vested process – not just during the contracting workshops but over the next two years as we began to live into the intentions of the contract.”

During the contracting process, The Forefront Group suggested that the team members continue with the “buddy system” and strive to create and maintain more personal relationships between Hospitalists and Administrators.

Dr. Ken Smith was buddied with Catherine Mackay, Executive Vice President & Chief Operating Officer (who recently retired). Mackay had a nursing background and was interested to learn more about clinical aspects of what the Hospitalist did so she asked Ken if she could shadow him for a shift. At first Ken was apprehensive, but then thought to himself “that is the old way of thinking.” Dr. Smith recalls Mackay followed him around all day and had great questions. “She was intrigued and we discussed how Hospitalists are positively affecting patient care.”

Kerrone could sense the energy Mackay had after the day she shadowed Ken. “She became a big champion of the Hospitalists, and helping them work through operational issues to be more effective became a priority.”

Kerrone had a formal buddy and an informal buddy. Her ‘Two-in-a-Box’ partner in the Deal Architect team was Dr. Spencer Cleave, MD, CCFP. “Spencer and I set out to develop the funding model together. We not only built the model; we built a solid relationship. One of the things I learned about Spencer was he is a talented musician. When we were done, Spencer recorded a personal song for me for my partner’s 60<sup>th</sup> birthday. I was touched. It was really cool.”

Kerrone’s informal buddy was Dr. Maskey. “Through the next months of creating our Vested agreement Jean and I got to know each other on a more personal level.” She notes. “We would have coffee or lunch. She’s invited my husband and myself over for dinner at her house. Her daughter was in law school and so was my daughter so we decided to also introduce them over Christmas break and they hit it off. It doesn’t take long before you begin to see someone in a different light and it changes everything.”

With the Deal Architect team in place and relationships fostering, creating the Vested agreement became the target. Together, the Deal Architect team worked through each of the Vested Five Rules, co-creating how the parties would work together.

### **RULE 1: FOCUS ON OUTCOMES, NOT TRANSACTIONS**

Most business relationships follow a transaction-based business model where the service provider is paid for every activity performed – either per activity or bundled into a fixed price. The prior Island Health-Hospitalist contracts very much followed a transactional



business model, which was further complicated by the physician compensation regulations in British Columbia.

The first order of business was for Island Health and the Hospitalists to align around a Shared Vision and Statement of Intentions (SOI). Their previous contract had no formal, joint shared vision or SOI. The good news: the foundation for this had been done as part of the initial three-day Alignment workshop.

Dr. Smith reflects:

“I remember what they (the Island Health Administrators) wanted was to get to more of a sort of a joint ‘we’ position. They wanted honesty, transparency and integrity. I think that they had a perception that the Hospitalists were misusing funds and that we were behaving in a dishonest way. I don't think they really understood what was happening on the ground. They just had a perception that bad things were happening, which ironically, were not. But we had a perception that all the Administrators wanted to do was to break up our group to get us to work huge amounts of volume at bargain-basement prices. We had this feeling they would never come to the table in a meaningful way and that they were trying to micromanage our group.

“From our perspective, we wanted the autonomy. We wanted the resources we needed. We wanted a sustainable group that was robust and focused on excellence.”

The Guiding Principles were drafted by the larger group at the original three-day workshop, to address each party's concerns and guide the parties in their decision-making process, “especially during times of adversity.” Together, the Island Health Administrators and the Hospitalists agreed on the exact wording of the Guiding Principles that became the foundation for their contract. These are:

- **Reciprocity:** We conduct ourselves in the spirit of achieving mutual benefit and understanding. We recognize this requires ongoing give and take. We each will bring unique strengths and resources that will enable us to overcome our challenges and celebrate our successes.
- **Autonomy:** We give each other the freedom to manage and make decisions within the framework of our unique skills, training and professional responsibilities. We individually commit to make decisions and take actions that respect and strengthen the collective interest to achieve our Shared Vision.
- **Honesty:** We will be truthful and authentic even when that makes us vulnerable or uncomfortable. This includes honesty about facts, unknowns, feelings, intentions, perceptions, and preferred outcomes.



- **Loyalty:** We are committed to our relationship. We will value each other's interests as we value our own. Standing together through adversity, we will achieve our Shared Vision.
- **Equity:** We are committed to fairness, which does not always mean equality. We will make decisions based on a balanced assessment of needs, risks and available resources.
- **Integrity:** Our actions will be intentionally consistent with our words and agreements. Decisions will not be made arbitrarily, but will align with our Shared Vision and Guiding Principles. Our collective words and actions will be for the greater good of the relationship and the provision of patient-centered care.<sup>11</sup>

With the Guiding Principles as the foundation, Island Health and the Hospitalists also agreed on "Intended Behaviors" that would help them jointly build a "positive culture that will enable us to achieve our shared vision and extraordinary results." These – also a centerpiece of the actual contract – are:

(a) **Patient-Centered:** This is our true north. We will, in collaboration with patients and families, strive to identify opportunities to include them as members of the team. We will be guided by the patients' values, beliefs and interests in designing and delivering health care services within the context of our evolving system

(b) **Honesty:** We will communicate the truth and we will trust in an open and honest dialogue with congruence between words and actions. We will commit to transparent decision making.

(c) **Collaboration:** We will take a team approach to identify challenges, generate ideas, and together achieve desired outcomes.

(d) **Empathy:** We will continually build and maintain good relations through careful consideration, forgiveness and mutual understanding of one another's work, perspectives, emotions, and experiences, without judgment, to achieve our Shared Vision.

(e) **Forward Focus:** Together, we acknowledge and commit to learn from our past and move forward. We will pursue our Shared Vision as the primary focus of achievement and jointly champion changes that add value for our patients, families, communities, colleagues and ultimately ourselves.

(f) **Communication:** We will engage in proactive dialogue and transparency in a safe, collaborative environment to support our Shared Vision. In this pursuit, we commit to:

- Listen actively
- Encourage participation
- Seek clarity and be curious
- Say what we mean



- Be kind
- Hold good intentions
- Be hard on the problem, not the person
- Have courage for difficult conversations
- Share information and discuss interpretation.

**(g) Accountability:** We will acknowledge and assume a collective responsibility for our words, behaviors and decisions as evidenced by:

- Closing loops on communications
- Making realistic commitments and following through
- Circling back when we can't follow through and suggesting options
- Being consistent
- Balancing bedside thinking with system thinking
- The degree we conduct ourselves in accordance with the Intended Behaviors as described above.<sup>12</sup>

Combined, the Shared Vision, Guiding Principles and Statement of Intended Behaviors make up a “Statement of Intent.” It is essential to the foundation of the relationship. The entire Statement of Intent is documented in the preamble of the final Island Health-SIHI contract and physically forms the beginning of the final contract, clearly defining and establishing the basis of the relationship.

Keith explains why integrating the Statement of Intent into the foundation of the contract is essential. “Vested uses a relational contracting philosophy. As such, the purpose of the contract is the relationship, not the actual deal points. While the contract includes the specifics of the agreement, these have to be considered in light of the intentions of the relationship. Putting the Statement of Intent right up front in the actual contract makes this explicitly clear.”

Janet Grove, Managing Partner, Vancouver Office of the Norton Rose Fulbright Canada LLP law firm, was the legal counsel for Island Health. She noted how the Vested approach differs from conventional agreements. “The contract sets the Shared Vision and the Guiding Principles right upfront. While I have seen that before in strategic relational contracts, it is not typically the norm.”

Dr. Smith says one of his favorite things is seeing the Statement of Intent framed in many offices and that the governance teams start their meetings by reiterating the Shared Vision and reviewing how well they are living into the Guiding Principles and intended behaviors.

Dr. Maskey is adamant about how crucial the Statement of Intent is to the contract because “it gives everyone a grounding for the relationship to develop, permission to



relax and hear each other, so that differences can be worked out, as equal and trustworthy partners so that we can arrive at agreements.”

Dr. Maskey reflected on how she and Peereboom used the Statement of Intent with great effect during contracting workshops. “Courtney and I realized many, many times as we worked on the details of the contract together that the real ‘gold’ spun out of all of the work and the words that we put together to form the contract was the process and the resulting relationships. Without these strong and trusting relationships, the contract is just words. During the workshops with the Deal Architect Team, we often referred to Shared Vision, Guiding Principles and Intended Behaviors that were developed at the first three-day workshop with the full team, especially during difficult conversations where people might fall back into their old ‘us versus them’ mindset.”

### **RULE 2: FOCUS ON THE WHAT, NOT THE HOW**

The purpose of Vested Rule 2 - Focus on the What, not the How – is to make sure pre-described mandates do not constrain the supplier. This allows a supplier to explore innovative solutions that will meet the mutually defined Desired Outcomes.

Rule 2 is where the Guiding Principle of Autonomy came to life for Island Health and the Hospitalists. Under the previous contract, the Hospitalists felt the Island Health Administrators wanted to control and micromanage them having no clear understanding of how they worked and scheduled their physician/patient workloads.

An essential tool in the Vested toolkit is the co-creation of a taxonomy and workload allocation. The combined taxonomy and workload allocation form the scope of work under the agreement.

“I don't think we had actually mapped out [the workload allocation and taxonomy] in the past to this level of detail,” explains Peereboom. “It became apparent that we did not have a full understanding of all the work that the Hospitalists did until we went through that exercise. We thought we knew their business, but in reality, we really had little grasp of it.”

Dr. Maskey agrees. “It was a surprise to both Administrators and Hospitalists that we both needed to work jointly on the Scope of Work and taxonomy together. The Hospitalists felt that this was ‘their domain’ and most thought that we should just develop this on our own and then show it to the Administrators. But working on it together was brilliant because we both realized what the ‘other guy’ did not know.”

The Vested process enabled the two sides to recognize each other's needs and how their behaviors were preventing success for both groups. Dr. Smith explains:



“Prior to Vested, we really didn’t understand each other’s perspectives. For example, I hadn’t realized how important transparency was to the Administrators regarding billing and how a lack of an access point to talk with us was hindering them. Likewise, the Administrators didn’t understand our perspective and how important not micromanaging our group was. The Vested process helped educate both of us. The Administrators learned the concept of autonomy and of letting your experts be your experts -- letting people do what they do and not having to micromanage them. Vested really helped the Administrators release the reins a bit and give us what we needed to do what we do. But it also set the expectation for them to have access to us, communicate with us in a transparent and ongoing working relationship. This gave them the tools they needed to feel comfortable giving us that autonomy.”

Dr. Smith continues, “The Vested process enabled us to respect each other’s needs. For us, the autonomy principle allowed us to show the professionalism and integrity to manage our workload ourselves as a unit. We ultimately came up with a solution where they got what they needed.”

### **RULE 3: CLEARLY DEFINED AND MEASURABLE OUTCOMES**

Alignment is a key Vested concept. Vested Rule 3, “Clearly Defined and Measurable Desired Outcomes,” ensures the right set of measurement criteria.

The Deal Architect team once again turned to the foundational work done in the three-day Alignment workshop where the parties had drafted four high-level Desired Outcomes:

- A Sustainable and Resilient Hospitalist Service
- Excellence in Patient Care
- Relationship Health Excellence
- A Best Value Hospitalist Service

For context, Desired Outcomes represent BHAGs (Big Hairy Audacious Goals) the parties hope to achieve because of the highly collaborative Vested relationship. Specifically, a desire is something both parties want, but don’t have at the start of the relationship. And an outcome is a business result that can be achieved only by both parties working together. In short, the Desired Outcomes represent the future of what the parties are striving for and the Requirements Roadmap is how the parties hope to get there.

The Forefront Group facilitated the Deal Architect Team by completing a modified Requirements Roadmap for their agreement.<sup>13</sup> This assigned responsibilities for the agreement to one of the four Teams, aligned with the Desired Outcomes.



The Requirements Roadmap, as linked to the Desired outcomes, follows:

**A Sustainable and Resilient Hospitalist Service**

Goal	Actions	Responsible for Work
1) Strengthen Hospitalist recruitment, mentorship, and retention processes.	Refresh the recruitment criteria	Sustainability Team
	Ensure 100% of new Hospitalist physicians (SIHI Members) have a formal mentorship plan in place when they start work.	Sustainability Team
	Measure Physician Satisfaction with Mentorship support.  Measure annually at a minimum through a survey (year 1 will be baseline satisfaction). Information obtained will be used to improve the program if necessary).	Sustainability Team
	Establish a stable workforce. Decrease unfilled weekend shifts by 50%.	Sustainability Team
	Measure Hospitalist physician satisfaction annually, and develop actions as necessary to improve or maintain satisfaction levels.  The NHS burnout scale/tool or a similar tool will be used to measure satisfaction. A random sample of Hospitalist physicians will be surveyed annually at a minimum.	Sustainability Team
2) Ensure the Hospitalist scheduling model is efficient and flexible.	Review the Scheduling Protocol annually at a minimum and adjust as appropriate.	SIHI Scheduling Committee with Oversight from Sustainability Team
3) Clearly define and articulate Hospitalist Services and Workload and develop stronger interdepartmental working relationships.	Develop a work plan within 6 months to: <ul style="list-style-type: none"> <li>a. Clearly define, document, and communicate the Hospitalist Services and Workload broadly to the medical staff. This work will include consultations with stakeholders, such as allied health and physician colleagues.</li> <li>b. Develop criteria/admission protocols as necessary in support of the MRP Policy.</li> <li>c. Develop Interdepartmental scope of work agreements in consultation with stakeholders (such as allied health, physician colleagues, etc.). The target is to complete one agreement each quarter.</li> </ul>	Sustainability Team
4) Support the development of current and future Hospitalist leaders.	Develop a strategic plan for the succession of Medical Lead/Division Head and key governance positions.	Sustainability Team



**Excellence in Patient Care**

Goal	Actions	Responsible for Work
1) Develop a formal and robust quality structure.	Select two system/program quality metrics for improvement annually.  For year one, the focus will be on 1) improving care for COPD patients (reducing LOS and readmissions, and improving adherence to clinical guidelines), and 2) improving SIHI Member attendance at ward-based Structured Team Reports (with the goal that attendance will be 80% or better).	Excellence Team
	Develop a dashboard of quality indicators for the Hospitalist program that includes anonymized physician-specific data within one year. The dashboard will be for the collection, reporting, monitoring, and analysis of Hospitalist program data and physician performance. The data will inform future QI projects.	Excellence Team
	Develop two physician-specific quality metrics to be monitored annually by SIHI. The anonymized results will be shared with Island Health  For the first year, Time to Consult will be measured and monitored. The second indicator is to be determined.	SIHI with oversight from Excellence Team
	Implement Hospitalist Morbidity & Mortality rounds within six months.	SIHI with oversight from Excellence Team
	Develop and administer within one year a patient and team (including specialist colleagues, allied health, etc.) satisfaction survey. Once data is collected, it will be reviewed for opportunities for improvement.	Excellence Team
	Appoint a patient representative to the Excellence Team to ensure that the patient perspective informs quality discussions and decisions.	Excellence Team



**Relationship Health Excellence**

Goal	Actions	Responsible for Work
1) Continue to build and maintain a healthy relationship between Island Health and SIHI.	Regularly measure and monitor the health of the relationship. Throughout the life cycle of the Agreement, a Compatibility and Trust survey (or a similar survey) will be administered regularly at the discretion of the Relationship Health Excellence Team. The tool and baseline data are to be determined within 6 months of the Agreement coming into effect.  Develop and implement strategies to improve or maintain the relationship between Island Health and SIHI as necessary.	Relationship Team
	Ensure continuity of personnel in the governance structure. Monitor adherence to the continuity of resource process included in the governance framework.  The Core Steering Team members will stay in key governance roles for a minimum of 1 year (with the exception of unforeseen circumstances), and will onboard replacement members as appropriate. A succession plan will be developed.	Relationship Team



**A Best Value Hospitalist Service**

Goal	Actions	Responsible for Work
1) Proactively manage the budget, optimize recoveries, regularly review Workload, and optimize operational efficiencies.	Ensure MSP Recovery Billing sheets are submitted for 100% (rounded to the nearest percentile) of shifts worked (currently it is at 87% but the expectation is to improve that to 100%). If there are no billings for a shift, a blank sheet will be submitted.	Best Value Team
	Create a joint working group to explore improving the electronic billing system platform.	Best Value Team
	Improve utilization of the billing platform by 20 SIHI Members within six months of the Agreement coming into effect, with the added expectation that all new hires must use electronic billing	Best Value Team
	Conduct in-services on billings quarterly at a minimum. Require all new SIHI Members to attend an in-service on billings when they begin as part of their SIHI probation requirement.	Best Value Team
	Review the schedule for Hospitalist Services, Workload and budget quarterly at a minimum. Review the outputs in relation to budget constraints and resources. Develop, recommend, and implement strategies to course-correct as necessary to ensure that the Hospitalist Services anticipated to be required during the particular fiscal year can be delivered within the Fixed Hours and Variable Hours.  Over time, refine how Workload is quantified to account for complexity and acuity. Recommend revisions to the Scheduling Protocol to address those learnings.  Ensure there is a mutually agreed-upon process to review Workload and associated data.	Best Value Team
	Develop a joint working group to improve operational efficiencies at the system and programmatic levels. Develop Terms of Reference and a work plan within six months of the Agreement coming into effect.	Operations Team

The Requirements Roadmap is a “living document” that is reviewed and updated annually by the Governance Team.

After the contract signing, Peereboom developed a simple yet highly effective Dashboard to track progress against the Requirements Roadmap. Dr. Smith loves the Dashboard. “On the right-hand side each action is given a color (either green, yellow or red) and that



means either you're on schedule, behind schedule, or completely behind schedule and that area needs a lot of work. It helps the subcommittees when they're steering to look at the current roadmap and find out where they're falling behind or where and what they need to put more effort in, to make sure that we're getting things done that we had on the roadmap.”

Dr. Maskey echoes this sentiment: “The Requirements Roadmap keeps us all on the same page and on track. There is a lot to accomplish on the Requirements Roadmap and it can feel very overwhelming. But it is broken down into small pieces and helps us stay focused, knowing where we need to help each other. The Requirements Roadmap portion of the contract is used almost daily, which is a big change from contracts that sit on a shelf gathering dust between negotiations.”

### **RULE 4: PRICING MODEL WITH INCENTIVES**

In conventional outsourcing, companies purchase services for a transactional fee (cost per shipment, pallet storage, FTE). In Vested, buyers and service providers develop a pricing model with incentives that reward the supplier when mutually defined outcomes are achieved. The supplier is Vested in the buyer’s success – and vice versa.

Developing a pricing model with incentives for Island Health and the Hospitalists was somewhat tricky because within British Columbia and elsewhere in Canada, health care is publicly funded. The Ministry of Health (MOH) works with the Doctors of British Columbia (DOBC) and the Health Authorities to agree to the total funding available to pay physicians, and the guidelines for how physicians are individually paid. They operate in a system tightly regulated with little room for innovation or flexibility.

Kerrone sums up the challenge nicely. “We only have so much money given the nature of our world,” notes Kerrone, so we have to figure out ways to work with the money we’ve got.”

This elephant in the room was addressed head-on as a part of the workshop on Pricing Model.

Dr. Smith comments, “I think one of the biggest elephants in the room was the money and the numbers because that had always been our pinching point. At this workshop, we got down to brass tacks and stated the fundamental figure regarding the hours that we felt we needed to run the program effectively. The Administrators almost immediately agreed that they could work within that framework and there was a big sigh of relief. I think everyone felt the elephant had been addressed and that we were going to have success and that this was going to work.”



Dr. Mann was confident the Deal Architect team would come up with a workable Pricing Model. “Everything we had talked about up until that point was less than ideal for how to pay Hospitalists. I thought we would be successful as long as we got rid of some of the perverse incentives. You should be paid to show up and do the work you need to do and not be paid for the number of bodies you are responsible for because you might have three patients that could take up your whole day versus 20 patients where you can just be done rounds in an hour or two. I think the simple thing was we know what the volume of work has been and we'll talk together if there's more work and we should just pay more, that's just the way it is.”

Dr. Maskey adds, “There was a trusting atmosphere and conversation, as opposed to the experience with all other contract negotiations, which usually fell apart at this stage.”

Peereboom reflected on how the Deal Architect Team had to approach Rule 4 given the budgetary process and constraints of the British Columbia environment. “We had to figure out a way to get to a place where we both win-win on incentives but the funding model would meet all of the government rules.” She continued, “We really had to think outside the box and explain to the Hospitalists some of our realities related to needing to comply with regulations, along with some of the other funding pressures and difficult decisions we make as Administrators. I think the more we talked and they got to understand our environment and we got to understand their needs, we were able to get to a better place. Sometimes they were difficult conversations that required many meetings.”

The Deal Architect Team ultimately created a Pricing Model with both a fixed and variable component that the Administrators and the Hospitalist manage together. The contract states, “The number of Fixed Hours and Variable Hours are based on:

- The anticipated demand for Hospitalist Services agreed upon by SIHI and Island Health as of the date this Agreement comes into force; and
- The maximum number of hours per year that SIHI and Island Health agree it would take SIHI Members to meet that demand.”

Having a fixed component sent a strong signal to the Hospitalists. First, the Hospitalists had job security and trust that the goal was not to eliminate their jobs but to work within the budget. Second, it gave them the autonomy they desired to manage their own schedule.

Kerrone explains: “The underlying premise is the Hospitalists are the experts, and they know the patient care required. As such, they figure out their own patient load and do their own schedule to manage within the money that we have. It is also based on an annual amount, so there is flexibility throughout the year to manage their total hours; they can ‘save’ some hours in the slower summer months and bank them for the busier winter season.”



The contract also allows the Hospitalists to earn incentives. The first incentive stems from the variable side of the compensation package. For example, Hospitalists can earn incentives if they can optimize scheduling and 'save' Variable Hours through improved allocation of shifts or hours. Hospitalists can also earn incentives when they help improve billing.

Kerrone notes: "We can bill the government for some of the work on a fee for service basis. But in order for us to bill the government, we need the Hospitalists to be quite rigorous at submitting the billing records daily to bill appropriately to show the work that they did. A team also worked with the hospitalists to use technology to streamline the billing process – we would never have been able to work together to develop this technology prior to Vested; there was just not the trust to do it."

The bottom line? When the Hospitalists improve their efficiency and billing, they benefit as they share in the savings; the funds saved are set aside for initiatives the Hospitalists feel can enhance the quality of care.

Kerrone loves the results after the first year. "The Hospitalists have their allocation, they know what it is, they have a budget and they manage it. It just works. And last year they came in under budget. It was awesome."

That level of collaboration and innovation was unheard of and impossible in previous contracts.

### **RULE 5: INSIGHT VERSUS OVERSIGHT GOVERNANCE**

The glue that holds any Vested agreement together is a governance structure in which the parties jointly manage the relationship. In Vested, the mindset shifts from one of oversight to insight. The focus shifts away from managing the supplier to managing the business with the supplier. Also, the governance structure addresses the dynamic nature of the business by addressing both how to manage for today and the future.

In the case of the Island Health-Hospitalist agreement, Janet Grove, the legal counsel for Island Health, shares how the Vested governance mechanisms differ from conventional agreements. "The contract sets the Shared Vision and the Guiding Principles upfront. As such, you see more decisions referred to that are trusted to the governance framework than in a normal contract. In addition, the governance framework and the process for dispute resolution is a much, much more layered process so that is a big difference (from a typical contract). Lastly, there is a recognition that things will evolve, and how you manage the evolution is entrusted to a framework."



The parties jointly developed the mechanisms to promote transparency and jointly work to propel the parties toward their Desired Outcomes. Dr. Smith comments, “We now have a framework on how we're going to distribute the work of getting things done. We have timelines and teams who are responsible, and sometimes there are even smaller subcommittees to get certain projects worked on or done. And so it now is much more organized. It now is answering our needs better for the physician group and also answering the needs of the Administration far better.”

The Island Health – Hospitalist contract follows the Vested best practice design principles.

### **TIERED GOVERNANCE STRUCTURE WITH PROPER CADENCE**

One of the key design principles is a tiered reporting structure to support the management of the Agreement throughout its term (see **Figure 9** next page). The governance structure includes a Vested Operations Team where the focus is on managing day-to-day operations. This team meets daily or weekly based on the business needs at hand.

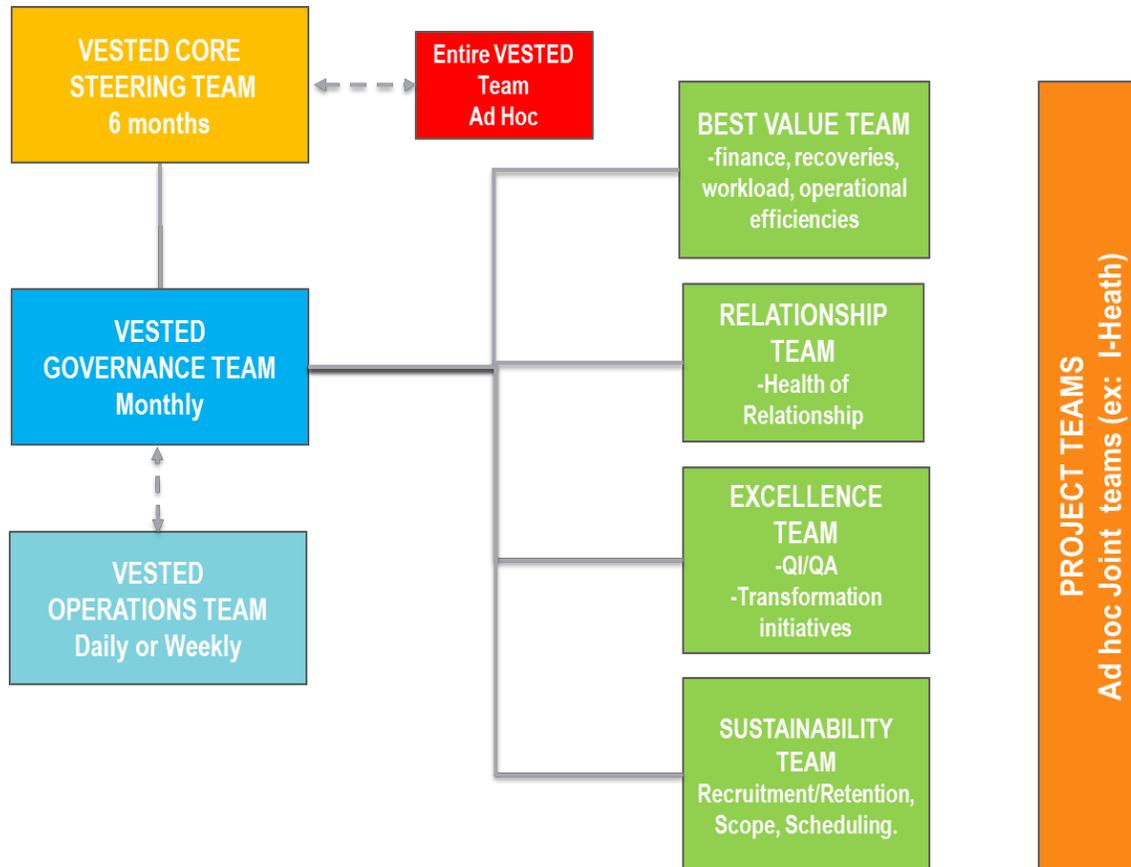
The Operations Team reports up to the Vested Governance Team. The Vested Governance Team actually consists of four teams that focus on various aspects of the relationship.

Finally, the Vested Governance Team reports to the Vested Core Steering Team, which meets every six months.

Specific project teams help implement improvement initiatives designed to help the parties achieve their joint Desired Outcomes.



**Figure 9 – Three-Tier Governance Structure**



While each Governance Tier has a specific focus, all have a common focus to “live the intentions of the Vested shared vision.”

Dr. Smith appreciates the benefits of the new governance structure. “The positive thing about the whole Vested concept is that it’s an ongoing work in progress that you have to manage every day. Most contracts get signed and then you talk to each other in two or three years. Misperceptions and animosity or whatever can grow with that in time. In this contract the two sides are constantly meeting and talking about things which I think it’s like any good marriage or relationship – it’s essential.”

**CLEAR ROLES**

Second, the governance structure applies the best practice of having clear roles that separate relationship management, operations management, and transformation management and financial/contractual management aspects of governance. The chart below<sup>14</sup> outlines the specific roles and responsibilities of the four sub-teams.



At the end of the Core Deal Architect Team workshops, the group had to assign members of the team to provide a core group to begin the process of getting the teams up and running. Courtney Peereboom and Dr. Maskey were again looking at each other as they faced the next hurdle:

- To fully populate these teams with equal numbers of Hospitalists and Administrators
- To set up a schedule
- To get a time and cadence of meetings that could function within the complex schedule of a hospital system

One year later everything was up and running like clockwork. Dr. Maskey recalls. “The Forefront Group was adamant that the Deal Architect Team members would all have to participate to provide continuity. I remember thinking it seemed impossible that we could manage this in addition to all of our usual clinical and administrative responsibilities, as well as the completion of the contract. Many of us were assigned to as many as three teams.”

She noted: “In retrospect, working together to facilitate the quick development and stability of the governance teams also allowed us to build on the momentum, and ‘socialize’ the Vested idea to more of the group. This strengthened the resolve to make this new way of business ‘stick’, as the responsibilities of each team required this collaborative work.”

**Figure 10: Governance Structure Team/Roles**

TEAM	ROLES AND RESPONSIBILITIES
<b>Relationship TEAM</b>	<ul style="list-style-type: none"> <li>• Live the intentions of the Vested Shared Vision.</li> <li>• Responsible for the Delivery of Desired Outcomes per the Requirements Roadmap with a focus on monitoring the health of the relationship</li> </ul>
<b>Excellence TEAM</b>	<ul style="list-style-type: none"> <li>• Live the intentions of the Vested Shared Vision. Responsible for the Delivery of the Desired Outcomes per the Requirements Roadmap with focus on QI/QA, transformational initiatives; continuous improvement and innovation idea triage and tracking</li> </ul>
<b>Sustainability TEAM</b>	<ul style="list-style-type: none"> <li>• Live the intentions of the Vested Shared Vision, and Statement of Intent.</li> <li>• Responsible for the Delivery of the Desired Outcomes per the Requirements Roadmap with focus on recruiting/retention, workload, scheduling</li> </ul>
<b>Best Value TEAM</b>	<ul style="list-style-type: none"> <li>• Live the intentions of the Vested Shared Vision, and Statement of Intent.</li> <li>• Responsible for the Delivery of the Desired Outcomes per the Requirements Roadmap with focus on finance, recoveries, workload model, operational efficiencies</li> </ul>



Dr. Smith sits on two of the committees, the Governance Team and the Best Value Team. He notes that the initial six to eight months of living in the agreement were literally “just trying to get a handle on watching how we were doing.”

For example, he said one of the Best Value initiatives was finding better ways to monitor based on pay periods: “How many physician hours we were using, and what the patient census was doing. Were we under budget or over budget, so that we had a real sense from our ongoing live perspective how we were doing based on the global budget that we have. Before, our statistics were poorly understood by the Hospitalists ourselves, and not understood or accepted from the administrative viewpoint. Now we have a mutual platform for data collection, and how we interpret it and understand it; it continues to develop and morph to try and capture some of the things we were doing that weren't captured before like inpatient hospital consults for various specialist colleagues. It's given us a mutual understanding of how we're doing the scheduling and we've put in some new scheduling. It gives us all reassurance that we know if we follow that pattern we're good; it gives the Administrators the sense that the Hospitalists are following the very sort of regimented guidelines before we use more resources so that they're being used most efficiently.”

He added, “It's also given us an opportunity to talk about any slight changes in the scope of our work practice, which is usually reflected in the ongoing increase of our census. We've done initiatives to improve data collection and analysis.”

Dr. Boylan explains the nature of the Relationship Team, which she has been involved in from the start. “The Relationship Team was formed primarily to continue the incredible change in the relationship that we had. It works with onboarding of any new members to the subcommittees or governance committee, and they work with doing some of the surveys. It monitors anything to do with continuing the relationship.”

Dr. Smith is also pleased with the progress the Relationship Team has made. “We've made so much progress that a couple of people have suggested we collapse the team because the relationship is working so well. But those on the Relationship Team who had been through everything said, ‘Absolutely no!’ The Relationship Team is probably one of the most important teams.” Keeping the relationship strong is a critical path to our continued success.

A key role of all of the teams is to help the parties live into their intentions in practice. Dr. Maskey gives an example of how this works. “When we get stuck and find ourselves starting to slip into old negotiation behaviors, we pull out the Guiding Principles. When we start to look at problems through the broader lens of our intentions, it always helps us get unstuck.” The Hospitalists now know there is a specific place to discuss different aspects



of the contractual relationship and work issues. The observation from those involved in these teams is that, now that everyone knows each other, even difficult conversations can occur safely and are productive.

### PEER-TO-PEER “TWO-IN-A-BOX” TEAMS

Third, the governance teams are designed with “Two-in-a-Box” peer-to-peer involvement - ensuring representation from both the Administrators and Hospitalists are on each team. Dr. Smith says, “The Two-in-a-Box approach continues to encourage that trust and honesty between the two sides. Before we had no one to speak with. Now I have someone that I know fairly well at a really high level in Administration. If I feel I need to make an urgent call or really had some difficult stuff I can phone up my Two-in-a-Box partner and can ask to meet.”

Each of the four governance teams has Two-in-a-Box co-chairs and is augmented by subject matter experts from both the Administration and Hospitalist group to focus on how to best achieve the Desired Outcomes assigned to their team. For example, the Best Value Team is co-chaired by Dr. Tyler Cheek, MD, CCFP and Peereboom, and meets the first Wednesday of every month. Six subject matter experts from within the Administration and Hospitalist group join Dr. Cheek and Peereboom as they work through the budget and the data, and analyze the hours required by the Hospitalists.

Dr. Mann is on the Best Value team and also speaks to the value of using the Two-in-a-Box approach. “The openness of our environment allows us to not have to bring everything to the formal governance meetings so a lot of the issues get resolved earlier on. I think that has tremendously improved the communication. The Vested governance structure is also helping to emphasize the need for better communications in ways outside of the formal governance. For example, the rest of the Hospitalists have started town hall meetings about what is happening.”

Dr. Maskey sits on the Governance, Excellence, Relationship and Sustainability Teams. She echoes these sentiments. “There is always a need to pay attention to the medical work and budgets, but physician health is also an important part of the equation. Recruitment and mentoring, as well as working on improving relationships with other physician groups with whom we interact daily are important as is the commitment to promoting excellence and quality of patient care. Now that we are established, newer members can join and eventually take over the leadership of this work, with a seamless transition. We have a plan for maintaining the continuity of the work and relationships, unlike in the past, where personnel would change and there was a sense that there was no corporate memory of what had been discussed and decided upon.”

A unique aspect of the Island Health – Hospitalists relationship is that the Two-in-a-Box thinking does not stop with the formal governance teams. Remember the informal “buddy



system” that was launched during the initial three-day Alignment workshop? This is still highly encouraged, and new buddy duos have emerged, especially to support the onboarding of new members onto the various teams as personnel has inevitably changed, even in the short period since the contract has been completed. SIHI and the Sustainability Teams are joining together to produce an onboarding package for new members on the Governance Teams, as well as new Hospitalists who are recruited.

### CONTINUITY OF RESOURCES

The Island Health Administrators and the Hospitalists do not differ from any other long-term services contracts – people are likely to change. The contract stipulates that the onboarding of new members of a team must include an introduction to the Vested methodology.

The contract language<sup>15</sup> regarding onboarding follows:

*4.1 Throughout the Term of this Agreement, Island Health and SIHI will work together, acting reasonably, to maintain continuity of their personnel on Teams and Sub Teams. Island Health and SIHI will implement onboarding procedures that:*

- (a) minimize disruptions;*
- (b) eliminate gaps in key positions;*
- (c) maximize governance continuity; and,*
- (d) maintain the integrity and practice of the Vested principles and concepts contained within this Agreement.*

*4.2 (a) Notwithstanding the foregoing, the SIHI and Island Health acknowledge that certain events or circumstances may require that personnel change. The specified onboarding/training requirements for members of the governance teams as it relates to the Agreement will include:*

- (i) Review of the free Orientation Modules, located at [www.vestedway.com](http://www.vestedway.com)*
- (ii) Review of this Agreement;*
- (iii) A meeting and formal review of the relationship with the Governance Team as appropriate; and,*
- (iv) Assignment of a new team member to a buddy/mentor by the Governance Team for a period of three months. The buddy/mentor will be responsible for setting ad-hoc chats/meetings to coach/mentor the new member into the Vested principles.*

*(b) The onboarding requirements will be completed by new team members within a reasonable timeframe as jointly agreed by the parties. Island Health and SIHI recognize additional training may be*



*required related to the specific role the new team member may be assigned in the Governance Structure.*

4.3 (a) *SIHI will provide all SIHI Members orientation to this Agreement including the Vested principles at the point of onboarding.*

*(b) Island Health will ensure key management positions that are directly involved with the Hospitalist Services will receive an orientation, including an overview of the Vested principles at the point of onboarding. Examples of positions are: RJH and VGH Site Director, Directors of Clinical Operations, RJH and VGH Medical Director, Executive Director, and Executive Medical Director.*

### DESIGNING SUSTAINABILITY

A fundamental design principle of a Vested agreement is to create a flexible contract framework designed to flex with changing business needs. The team addressed this head-on by including a Sustainability Team as one of the key governance functions. The Sustainability Team is responsible for the delivery of the Desired Outcomes with a focus on recruiting/retention, workload, scheduling.

Dr. Tiislar is a Hospitalist who sits on the Sustainability Team and is one of the designated Schedulers. Dr. Tiislar shares how the Sustainability Team was put to the test when Canada legalized medical assistance in dying. “We realized at the time of the writing of the contract that the concept of medical assistance in dying was so new there was no way to write it into the contract. The Sustainability Team came up with a pilot project to allow hospitalists to provide and be paid for work associated with this new part of the medical practice.

Dr. Tiislar explains the challenge from a scheduling perspective. “Assisted death support can be very time consuming and takes on average 8 hours per case. When a Hospitalist does this work it can easily take time away from the regular workload of caring for other patients. The pilot allows for Hospitalists who choose to take on this extra work to have a mechanism to bill Island Health for those hours. It has been very refreshing that the Administrators are very supportive in helping us figure out how to work this into our day to day practice and get creative with scheduling.”



### **PART 4: TRANSLATING THE RULES INTO A CONTRACT**

The 12-member team of equal numbers of Hospitalists and Administrators, along with the two lawyers, were the Core Deal Architect Team that ultimately translated the Vested Five Rules into the contract. For almost seven months this team studied on-line modules, and attended the workshops with The Forefront Group, to work through how Island Health and the Hospitalists could get to a win-win contract to achieve the Shared Vision.

Dr. Boylan recalls, “It was the most amazing way of doing a contract that I had ever seen.”

Dr. Mann agrees. “I thought the Vested process was brilliant the way that it was structured. We would all say that the Vested Rules would be fairly easy to define, but they weren't. The words became very powerful depending on how we put them together. I think that the whole process of breaking down each of the Rules into words was probably cathartic and therapeutic for both sides because the task was to co-create how would we live into each of the rules.”

Glenn Gallins (legal counsel for SIHI – the formal group representing the Hospitalists) and Janet Grove (legal counsel for Island Health) were chartered to help the parties translate the Vested Five Rules into a legal contract. Gallins and Grove were relatively fresh faces in the negotiations between the parties and were not mired in the details of “the troubles.” Neither were familiar with the Vested methodology, but both were open-minded to the approach.

Gallins liked what he saw about the Vested methodology. Gallins had not seen such a collaborative approach used in a business context before. But he had seen the idea of focusing on building relationships and fundamental rules for interaction in what he describes as a Collaborative Family Law approach. “In some ways, the Collaborative Family Law approach creates a relationship to resolve or solve problems. One of the fundamental rules is that the lawyers agree that if they can't resolve the problem, they'll both withdraw from the negotiations and they will also agree that they won't act as counsel if the matter goes to litigation. So, in a way, I had seen some of the concepts in parallel.”

Gallins also liked the concept of the Guiding Principles because there was the ability to go back to the Guiding Principles as the Core Team attending the series of workshops worked through each of the content areas of the contract. “I think that the development of the Guiding Principles and the relationship-building was absolutely fundamental. On several occasions, the parties would remind each other they had a duty to follow the Guiding Principles.”

Grove, Managing Partner, Vancouver Office of the Norton Rose Fulbright Canada LLP law firm, was the legal counsel for Island Health and worked with Gallins to create the



actual contract document. Neither Gallins nor Grove attended the three-day Alignment workshop. But she liked the results and how it set up the parties for success.

While Grove was not familiar with the Vested methodology, she was accustomed to drafting collaborative relational contracts. To her, what was similar was that the goal is the relationship over the long term, recognizing there will be ups and downs the parties need to address. “In a long-term relationship such as Island Health and the Hospitalists, it is important to have rules of the road both in terms of what the mutual expectations were at the outset and how you're going to deal with inevitable change. The individuals involved in the agreement will evolve over time as people leave and others retire, and new people come on board. When things evolve, you're going to have disagreements if people don't know the rules of the road.”

What Grove found most different about the Vested methodology was the focus on the formal governance mechanisms. “There were a lot more layers of governance all intended to continue to build consensus and maintain a healthy relationship” Specifically, a large group of people is expressly involved in formal governance structures at all levels. In most contracts, governance is less explicit and is not formally recognized in the contract. For example, you might just have the relationship be the responsibility of the two CEOs or the COOs. The Vested methodology emphasizes governance throughout the organization and allocates formal responsibility under the legal agreement to live up to the formal goals and Guiding Principles of the relationship. This really has the power to have a big impact.”

While Vested was new to both Gallins and Grove, both knew one thing for sure. The final contract had to comply with Canadian law, specifically the law that mandates compliance with an overarching British Columbia Physician Master Agreement between the Doctors of BC and the Province. There are parameters they would need to navigate as they drafted Canada's first Vested agreement for labor services.

Fortunately, the Vested methodology enabled the parties to refocus their relationship to a common ground based on foundational components such as the Shared Vision and Guiding Principles. Grove reflected on the power this had. “There were a number of times that the fact that what we were doing was a Vested process helped refocus everyone back to the Shared Vision or the Guiding Principles as a way to creatively solve how the parties would address what otherwise might be contentious contract clauses, and solve what is otherwise a traditional legal term. That certainly was interesting.”

Approximately one year after the three-day Alignment workshop, the Island Health Administrators and the Hospitalists did what many thought was impossible; get to a win-win agreement. But there was one small glitch. The tax laws had changed, resulting in the need for the Hospitalists to rethink how they and the contract were organized. If the Hospitalists signed the agreement as they had originally set out to do, as a group, they would be negatively affected from a tax perspective.



With all the hard work behind them, the Island Health Administrators and the Hospitalists would not let a technical tax glitch set them back; the parties would simply start “living into the contract” as if it was formally signed, and allow the Hospitalists to work through how they would re-structure given the new tax implications. This confidence allowed the time and space to complete the format and details of the architecture of the contract to be developed, based on the tax advice.

This took many meetings and patience, and it would require a smaller group to ensure that meetings could be scheduled. This was ultimately entrusted to Peereboom and Dr. Maskey, in conjunction with Gallins and Grove. This process went continuously from September 2017 through to conclusion in June 2018.

For Kerrone, the idea made perfect sense, both personally and professionally. “When they told us they couldn’t sign the contract because they needed time to work with their accountants and tax lawyers, it was not an issue at all. As a Chief Financial Officer, I professionally understood where they were coming from. Working under the Vested methodology had taught us to trust the Hospitalists when they said they were working through the issues. So, it was important to us that they take the time they needed to ensure a restructuring to best meet the new tax requirements. So, we didn’t have a contract, but we acted as if we did. We did everything as though we had a contract, including paying out the shared savings into the incentive program as the Hospitalists had achieved the results.”

This required the painstaking work of revising and attending to all of the ‘constraints’ to align with the Health Employers Association of British Columbia (HEABC), Doctors of British Columbia (DOBC) and Ministry of Health (MOH) language, and their concerns with the Incentive portion of the contract. This was all new territory. And the design had to be flexible, so it would function over time and could be easily altered if both parties agreed, and facilitate “evergreening.” Constant respect and attentiveness to considering the interests of the “other,” facilitated this process.

Dr. Maskey recalls how much the Hospitalist group appreciated the patience of the Island Health Administration while the tax concern was attended to and while the Hospitalists formed a new corporate non-profit entity, South Island Hospitalists Incorporated (SIHI), to be in a position in time to sign the contract.

The contract redesign had to ensure that the tax implications were attended to. Ultimately this required the Hospitalists to rethink their own Guardrail, as they had initially been set on a group contract, largely out of fear of individual physicians being vulnerable. Based on the relationship development that had been ongoing after the first Vested workshop, the Hospitalist group was able to envision a contract with Island Health and SIHI as well as with Island Health and individual physicians. This hybrid emerged as the best way to achieve what was functional and agreeable to everyone. Dr. Maskey comments, “By



keeping our primary focus on excellence in patient care, and our relationships, this hybrid emerged. The year it took to develop this final product is really a testament to Vested's ability to help a very fractured relationship move into a mindset of 'What's in it for We.'"

For Peereboom and Dr. Maskey, their roles also required continued attention to continuous feedback cycles, maintaining transparency and communication at each step of the way, while they fostered and modeled the development of deep and supportive relationships between individuals in the groups, largely by example. This has meant both a personal and group metamorphosis. They have often mused over the past year that "the concepts and words in the contract are important, but not as important as the relationship that is the foundation, which needs constant work, communication and attention, and frank (but kind) honesty."

During the six to eight-month period before the contract was finalized and signed, it would have appeared on the surface that "nothing was happening." However, this was an intense period of work as Peereboom, representing the Island Health Executive Team, Dr. Maskey as the chief negotiator for the Hospitalists, Grove and Gallins as the legal counsels, were hammering away at many issues, including the language, structure and appendices, and keeping stakeholders apprised. This ensured that, when the contract was finally presented for approval, everyone was on board, and the contract was accepted with no need for revisions.

The contract, unanimously approved of by the Hospitalist group, was signed on July 1, 2018, retroactive to April 1, 2018. It is a three-year contract, but has a unique "evergreen" clause that allows for continuing one-year renewal options. The contract extension is earned based on an assessment from the governance team that gauges progress against the Requirements Roadmap. Unanimously, the parties point to the fact the Vested process created a "safe environment" that "feels good" for the parties.

Island Health Administrators and the Hospitalists credit the Vested process with getting them unstuck. Dr. Smith notes, "We were in an impossible situation. The Vested methodology gave us the framework and mechanisms to align our interests under a common shared vision. We're much better aligned now with what we're trying to accomplish. Having a good quality win-win contract makes both parties happy. You know the administration feels confident and we feel confident that it has all the pieces that we need."





not micromanage us – gives returns in so many different areas. We can be creative and be efficient. But it is also significantly promotes physician satisfaction which directly affects patient care.”

But having happy physicians is only one aspect. True success comes from delivering on the Shared Vision and Desired Outcomes formalized in the contract. Some of the tangible benefits coming from out of the improved relationship include:

- A stabilized Hospitalist program with reduced turnover
- Improved scheduling, dramatically improving working hours and resulting in the Hospitalists beating the budget target the first year of the agreement, with shared savings generating incentives that were reinvested for the Hospitalists to use on Quality of Care initiatives
- Proactive hiring enabling the Hospitalists to have the manpower they need, reducing physician burnout
- Formalized governance structures enabling collaborative discussions, with the level of interest and participation increasing beyond the original Deal Architect team
- Improved reporting and data accuracy across many aspects of the business (e.g., scheduling, billing)
- Improved communications and transparency
- Streamlined information flow between the Hospitalists and Administrators
- Joint working on initiatives creating improved patient outcomes

As Executive Medical Director for Island Health, Dr. Mann is excited about how the Vested platform is enabling improved patient care. “You know the physicians feel very positive about what they're doing and they take that to their patients. We now also have a much-needed governance infrastructure that creates an environment where we can collaborate on initiatives across the various governance teams. One such initiative is standardizing the treatment for COPD (chronic obstructive pulmonary disease). In the past, patients have gotten different orders from different physicians. The Vested framework has pointed out that collaborating on key initiatives to meet our Desired Outcomes is a priority. Now the Hospitalists are collaborating with other specialists to identify best practices for patients and thereby hopefully reduce length of stay and readmissions. While this example is in the early stages, one thing is for certain...we are monitoring the progress.”

Dr. Mann points to a second success story where occupational therapists, clinical nurse leaders and physician leaders came together and worked on increasing efficiency regarding planning the discharges of patients, and have developed support structures necessary to improve access and flow. This occurs daily on all of the wards where Hospitalists work with the interdisciplinary teams in ‘Structured Team Reports.’



Kerrone believes the parties are just scratching the surface of where they can go. Both sides want to work together and do great work.

And for Dr. Maskey? She is now welcomed by friendly faces when she takes that long walk through the rhododendron forest, which often ends with a cup of coffee or lunch with her buddy Kim Kerrone, where they bounce ideas off each other or just chat about how their daughters are doing. She finds it easy to discuss ongoing challenges and concerns, due to the trusting relationship.

Dr. Maskey recalls at the end of the first three-day workshop she was “not just interested in developing ‘a’ contract, but in developing an excellent contract with excellent relationships that would allow all of us to be leaders in Canada, whether as administrators or Hospitalists.” This became something that she and Peereboom often referred to over the next two years, as they began their work together. When asked today, they offer a resounding “yes” that they have achieved this with their teamwork.



### **PART 6: ADVICE FOR OTHERS**

Island Health and the Hospitalists hope their story has inspired others to think about how using the Vested methodology can help your professional contractual relationships. Dr. Smith encourages organizations struggling with their own labor relationships to be open to the Vested process. “I would highly recommend the Vested process. I think it was a tremendous way for us all to come out with a ‘win,’ even when there seemed to be insurmountable differences. I don't think there could have been a relationship worse than between the Hospitalists and the administration of Island Health before the Vested process. And I don't think there could have been a more mutually beneficial outcome.”

The below summarized the advice that both parties hope will help you in your own journey to transform your troubled relationships into a highly collaborative Vested relationship.

#### **START WITH AN ALIGNMENT WORKSHOP**

Peereboom encourages organizations to do what they did: start with a three-day Alignment workshop. “These first three days were transformational for the relationship and it was fundamental to help us get to where we needed to be.”

Gallins agrees. “The focus on relationship-building in Vested is absolutely brilliant. I can't imagine having been able to negotiate anything in the absence of that preliminary work.”

The Forefront Group's Keith explains the logic. “Many organizations – especially unions – are classically trained to have traditional “us” vs “them” mindsets and approaches for getting to contract. Island Health and the Hospitalists were no exception. A three-day Alignment workshop allows the parties to take a step back and align on the foundation of the relationship without having to think about negotiating the specifics of the agreement. In every case I have seen, the Vested approach has helped organizations get unstuck.”

#### **USE A NEUTRAL THIRD-PARTY FACILITATOR**

Island Health and the Hospitalists also suggest using a neutral third-party. Could Island Health and Hospitalists have gotten to a contract without the help of a neutral third party? There is debate, but all agree it would have been a very contentious, unhappy process and that likely no one would have been satisfied nor happy at the end.

Dr. Slobodian – a Hospitalist watching closely throughout this process but not directly involved – endorses the “critical role played by having an outside third party and a completely different approach to traditional contract negotiations in turning around a situation that seemed, at the time, beyond repair.”



Dr. Smith puts it this way. “I think there would have been no ‘winners.’” His advice to others in the same situation? “There was no way to create those relationships - the trust and the communication, without a third party with significant experience coming in and helping. The Vested process taught us it is not a matter of winning or losing, but rather a matter of working together. Talking to the other side and developing relationships and mutual understanding is critical. The Vested process is a great catalyst to create that and we would not have been able to do that on our own.”

Dr. Slobodian also notes this would not have been possible without a few key people. Those who took the original leap of faith, and those with tenacity who stuck with it, and “carried the torch,” even when many did not think it would work. He is grateful to all who took the risk and became involved, on behalf of Island Health Administrators and Hospitalists.

Grove agrees that using a neutral third-party facilitator has significant advantages for getting to a contract resolution – especially for a severely broken relationship. “The advantage is it creates a safer environment than at the arbitration or a court process. There is also an element of neutrality that is quite helpful because the facilitator can call a spade a spade when people are taking ridiculous positions or extreme positions or unfounded or are not following the Guiding Principles they agreed to.”

### **FOLLOW THE STRUCTURED PROCESS**

Gallins believes the power of Vested is in the structured methodology. The Vested methodology is designed to help companies co-create a highly collaborative win-win agreement. While getting to a win-win agreement may be easy for some, most find it is extremely hard to move from “saying” win-win and partnership to truly creating a win-win agreement. He said:

“Vested shifted the focus by forcing people to work together on something. It started with working on the foundational aspects of the relationship in the initial three-day Alignment workshop. There was a lot of wordsmithing, such as clarifying what is actually meant when we say we will honor a Guiding Principle of Honesty. The co-creation aspect and the focus on negotiating the foundation of the relationship first is brilliant. But the real power is that the Vested methodology threads all the way down to core decisions on how the parties would work (the Five Rules) ultimately into the contract clauses.”

Gallins’ advice? Short and simple: “If you follow the process, you will get a win-win agreement.”



## ACKNOWLEDGMENTS

The University of Tennessee and the authors acknowledge the courage and leadership of the Island Health Administrators and Hospitalists with the courage to look at their relationship through a different lens and following the Vested methodology to help them get unstuck from what had been a contentious and positional approach to negotiating a contract. These people were in the original three-day Alignment Workshop and the \* represents those who went on to the lead the effort as Deal Architect Team members.

<b>Administrators</b>	<b>Hospitalists</b>
<i>Courtney Peereboom*</i>	<i>Dr. Jean Maskey*</i>
<i>Kim Kerrone*</i>	<i>Dr. Ken Smith*</i>
<i>Dr. Manjeet Mann*</i>	<i>Dr. Spencer Cleave*</i>
<i>Elin Bjarnason*</i>	<i>Dr. Tyler Cheek*</i>
<i>Dr. Martin Wale*</i>	<i>Dr. Nick Beatty*</i>
<i>Catherine Mackay</i>	<i>Dr. Maureen Boylan</i>
<i>Dr. Brendan Carr</i>	<i>Dr. Milvi Tiislar</i>
<i>Dr. Jeremy Etherington</i>	<i>Dr. Sharon Ham</i>
<i>Marko Peljhan</i>	<i>Dr. Stephen Mackenzie</i>
<i>Mark Blandford</i>	<i>Dr. Megan Milliken</i>
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**FOR MORE INFORMATION**

*The University of Tennessee* is highly regarded for its Graduate and Executive Education programs. Ranked #1 in the world in supply chain management research, researchers have authored seven books on the Vested business model and its application in strategic sourcing.



We encourage you to read the books on Vested, which can be found at most online book retailers (e.g., Amazon, Barnes and Noble) or at [www.vestedway.com/books](http://www.vestedway.com/books).

For those wanting to dig deeper, UT offers a blend of onsite and online courses including a capstone course where individuals get a chance to put the Vested theory in practice. Course content is designed to align to where you are in your journey ranging from Awareness to Mastery. For additional information, visit the University of Tennessee's website dedicated to the Vested business model at <http://www.vestedway.com/> where you can learn more about our Executive Education courses in the Certified Deal Architect program. You can also visit our research library and download case studies, white papers and resources. For more information, contact [kvitasek@utk.edu](mailto:kvitasek@utk.edu).



\* Prerequisites for *Creating a Vested Agreement* class are:

*Five Rules, Is Vested Right?, Getting Ready, and the Vested 3-Day Executive Education Course*



Be working with a Vested Center of Excellence



## ENDNOTES

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- <sup>1</sup> For more information, see the Island Health website: <https://www.islandhealth.ca/>
- <sup>2</sup> Definition of Hospitalist: In the Canadian Society of Hospital Medicine surveys (CSHM 2008), 64% of respondents were certified family physicians, 21% held general licenses, and 10% held specialist certification.” A hospitalist has been defined as a physician who spends at least 25% of their practice time in the inpatient setting; the Society of Hospital Medicine (SHM, <2009>) has simplified this to “a physician who specializes in the care of hospitalized patients.”
- <sup>3</sup> See “The History of Hospitalist and Their Field” Integrity Locums. Available at <https://ihcl.com/the-history-of-hospitalist-and-their-field/>
- <sup>4</sup> SIHI information available at: <https://opengovca.com/corporation/10030309>
- <sup>5</sup> Note: All of the quotes in this case study are from interviews conducted in August and September 2018.
- <sup>6</sup> See Kate Vitasek, Mike Ledyard, and Karl Manrodt, *Vested Outsourcing: Five Rules That Will Transform Outsourcing*; Second Edition; (New York: Palgrave Macmillan, 2013)
- <sup>7</sup> See the UT/Vested case study “Vested For Success: How Vancouver Coastal Health Harnessed the Potential of Supplier Collaboration.” Available at <http://www.vestedway.com/vedted-library/>
- <sup>8</sup> See <http://www.vestedway.com/3-day-open-enrollment-course/> for details about the 3-Day Open Enrollment Course.
- <sup>9</sup> The [Compatibility and Trust Assessment®](#), is a research-based assessment developed by two university professors [Jerry Ledlow Ph.D.](#) and [Karl Manrodt Ph.D.](#) The CaT evaluates the compatibility and trust levels between a buyer and supplier. It’s also ideal for new relationships and an excellent way to build measurable awareness of compatibility and trust levels.
- <sup>10</sup> For a detailed discussion of Vested and the Five Rules, see Kate Vitasek, Mike Ledyard, and Karl Manrodt, *Vested Outsourcing: Five Rules That Will Transform Outsourcing*; Second Edition; (New York: Palgrave Macmillan, 2013). <http://www.vestedway.com/vedted-outsourcing/>
- <sup>11</sup> From the Vancouver Island Health Authority – South Island Hospitalists Inc. Service Contract signed by all the parties on July 1, 2018, with the effective date made retroactive to April 1, 2018.
- <sup>12</sup> Ibid.
- <sup>13</sup> Ibid. (Note: the University of Tennessee’s Requirements Roadmap tool was modified to meet the unique needs of the Island Health-Hospitalists relationship to focus more on “actions” rather than “success metrics”
- <sup>14</sup> Ibid.
- <sup>15</sup> Ibid.