



## V.I. GOVERNMENT HOSPITAL AND HEALTH FACILITIES CORPORATION

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### **TESTIMONY OF DR. JERRY R. SMITH, PT, DPT, MHA, ATC**

**Chairman, Virgin Islands Government Hospitals and Health Facilities Corporation (VIGHHFC)**

**Before the Committee on Health, Hospitals & Human Services**

**36th Legislature of the U.S. Virgin Islands**

**March 24, 2026**

Good afternoon, Honorable Senator Ray Fonseca, Chairman of the Committee on Health, Hospitals & Human Services, Vice-Chair Frederick, distinguished committee members, other Senators of the 36th Legislature, and the listening and viewing audience.

My name is Dr. Jerry Smith, and I am honored to serve as Chairman of the Virgin Islands Government Hospitals and Health Facilities Corporation (VIGHHFC). It is a privilege to appear before this esteemed body to provide an update on the progress of our territorial healthcare system, with a specific focus on administrative integration, operational performance, and financial sustainability.

I would also like to acknowledge the ongoing efforts of our executive leadership, including CEO Darlene Baptiste and her team, as well as the dedicated staff across both districts, who continue to deliver care under challenging circumstances. My testimony today builds upon those operational updates and focuses on the broader system-level strategy, structural transformation, and the work that is actively underway to strengthen healthcare delivery across the Territory.

### **Purpose of System Integration**

At the outset, I would like to respectfully clarify a point of terminology that is often used when discussing this initiative. Although many in the community use the term “merger,” what is currently being undertaken is not a merger of our hospitals. Marco Mariani, writing in the European Journal of Public Health, defines a hospital merger as a combination of previously independent hospitals formed either through the dissolution of one hospital and its absorption by another, or the creation of a new hospital from the dissolution of the

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participating hospitals (Mariani, 2006). Similarly, Tamara Hayford of the United States Congressional Budget Office defines a hospital merger as the consolidation of two facilities into a single legal entity where one entity relinquishes its facility licenses and becomes a satellite or campus of the license-retaining facility (Hayford, 2011). What is being done here does not meet those definitions.

Quite conversely, both the Schneider Regional Medical Center and the Governor Juan F. Luis Hospital and Medical Center will remain separately licensed facilities. Importantly, however, neither of these facilities has ever been a separate legal entity. Both facilities are instrumentalities of the Virgin Islands Government Hospitals and Health Facilities Corporation. From the initial separation from the Department of Health, created by Act No. 6012 in 1994, the legislative intent was to create decentralized operational control over health facilities while still maintaining the benefits of a territory-wide healthcare policy structure (Virgin Islands Legislature, 1994). Arguably, that balance has never been fully achieved.

Historically, our hospitals have operated with separate administrative structures, financial systems, supply chains, and operational priorities. While both institutions have worked diligently to serve their respective communities, this fragmented structure has resulted in duplication of effort, inconsistent processes, inefficiencies in resource utilization, and an overall system that is more costly and less effective than it could be. Research on integrated delivery systems has shown that fragmented healthcare structures often lead to higher administrative costs, inconsistent care delivery, and reduced operational efficiency (Shortell et al., 1993).

The term that more appropriately describes the actions of the VIGHHFC Board is **health system integration**. Health system integration refers to the alignment of leadership, governance, financing, workforce, service delivery, and information systems across healthcare organizations with the goal of improving health outcomes, efficiency, and sustainability (World Health Organization, 2007; Piquer-Martinez et al., 2024). This effort is about building a coordinated, efficient, and sustainable territorial health system that better serves the people of the Virgin Islands—one that can deliver high-quality care consistently, manage its resources responsibly, and adapt to the evolving healthcare needs of our population.

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The strategy now is to transition toward a shared services model, where critical administrative and operational functions—including finance, human resources, supply chain, information technology, and revenue cycle—are aligned across the system. This alignment is intended to reduce redundancy, improve coordination, strengthen purchasing power, standardize workflows, and ultimately allow a greater proportion of resources to be directed toward direct patient care. Integrated health systems and shared services models have been shown to reduce administrative duplication and improve financial and operational performance when properly implemented (Porter & Teisberg, 2006; Shortell et al., 1993).

For the residents of the Virgin Islands, this means shorter wait times, more reliable services, better staffing stability, improved access to specialty care, and a healthcare system that is financially stable enough to continue serving this community for decades to come.

This transformation is grounded in the principle of **systemness**—a shift from facility-based decision-making to a model where decisions are made based on what is best for the Territory as a whole. It is about creating one system of care, supported by aligned leadership, standardized processes, unified accountability, and a shared commitment to improving outcomes for all residents of the Virgin Islands (World Health Organization, 2007).

### **Progress to Date and Current State of the System**

We have now moved beyond phase one planning and are actively engaged in implementation across multiple areas. The focus at this stage is to establish the leadership structures, operational frameworks, and external partnerships necessary to support a coordinated territorial health system, while maintaining continuity of care and operational stability.

A critical component of this effort is the strengthening of system-level leadership. The historical model of decentralized administration limited the Corporation's ability to achieve consistency in financial management, operational execution, and strategic alignment. To address this, a centralized leadership structure has been established and several senior system-level leadership positions are expected to be discussed and considered at

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tomorrow's VIGHHFC meeting. These roles are designed to bring alignment across finance, operations, human resources, quality, and infrastructure, ensuring that policies are implemented consistently and that performance expectations are uniform across both districts. Leadership alignment is a core component of successful integrated health systems and is necessary to ensure accountability and consistent performance across facilities (Shortell et al., 1993).

With respect to financial leadership, the recruitment of a system Chief Financial Officer remains a top priority. Two highly qualified final candidates have been interviewed, and the selection process is currently underway with a decision expected in a matter of days. This role is foundational to the success of the integration effort. A system CFO will be responsible for implementing unified financial controls, improving cash flow management, standardizing budgeting and reporting processes, strengthening revenue cycle performance, and enhancing fiscal transparency. Just as importantly, this position will provide leadership with the system-wide visibility necessary to make informed, data-driven decisions. Financial integration and centralized financial oversight are widely recognized as key components of improving the financial sustainability of public health systems (Porter & Teisberg, 2006).

In parallel, we have achieved a significant milestone through the completion of the Request for Proposals process for strategic planning services. The RFP has been successfully advertised and is now closed, with seven proposals received. A procurement committee has been assembled and is actively engaged in a structured evaluation process. This step is critical to securing a strategic partner with expertise to support operational redesign, financial performance improvement, and the implementation of shared services. The work to follow will be highly operational and execution-focused, with an emphasis on delivering measurable improvements in efficiency, cost management, and overall system performance.

At the same time, early steps have already been taken to align key administrative functions across the system. Efforts are underway to standardize financial reporting, improve coordination in procurement and supply chain operations, and align human resource policies and workforce practices. For the first time in the history of the Corporation, there is now one Territorial Human Resources Manual rather than two separate district manuals. Previously, differences between district policies created inconsistencies in employment

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practices. The new unified manual establishes consistent policies and expectations across the entire system. Standardization of administrative policies is a foundational step in transitioning from fragmented organizations to integrated systems (World Health Organization, 2007).

It is important to recognize that this progress is occurring within a system that continues to face significant operational and financial challenges. Prolonged emergency department wait times remain a concern, largely driven by throughput constraints and limitations in patient flow. Workforce shortages and retention challenges continue to impact both clinical and non-clinical operations, placing strain on existing staff and limiting capacity. Aging infrastructure and deferred maintenance needs affect the reliability and efficiency of our facilities. Supply chain inefficiencies and financial constraints impact the availability of critical resources. Additionally, revenue cycle challenges, including delays in billing, collections, and reimbursement, continue to affect cash flow and overall financial stability.

These challenges are deeply interconnected. Constraints in capacity affect patient flow, which in turn impacts emergency department congestion and patient experience. Operational inefficiencies contribute to financial strain, and financial strain further limits the system's ability to invest in improvements. Addressing these issues requires a coordinated, system-wide approach that aligns leadership, resources, and strategy across the entire healthcare system (Porter & Teisberg, 2006).

### **Strategic Direction and System Transformation**

The direction of the organization is clear and intentional. We are transitioning from a fragmented model of care delivery to a coordinated territorial health system defined by centralized leadership, unified operational strategies, standardized processes, and integrated planning.

This transformation will allow for more effective allocation of resources, improved coordination of care, and stronger alignment between operational performance and financial management. Decision-making will be guided by system-wide priorities rather than individual facility considerations, ensuring that resources are deployed in a way that maximizes impact for the Territory as a whole.

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It is important to emphasize that administrative integration is not only an operational strategy, but also a financial sustainability strategy. The current structure, with duplicated administrative systems and inconsistent processes, is more expensive to operate than a coordinated system. Integration allows the Territory to reduce administrative duplication, improve purchasing power, strengthen financial controls, and improve revenue collection. Over time, these changes are expected to reduce operating losses and improve the financial stability of the healthcare system (Porter & Teisberg, 2006; Shortell et al., 1993).

Importantly, this transformation extends beyond administrative efficiency. It is fundamentally about improving the quality of care delivered to our residents. By strengthening coordination across facilities, enhancing access to services, stabilizing the workforce, and improving operational reliability, we are building a system that is better equipped to meet both current and future healthcare needs (World Health Organization, 2007).

This includes the ability to respond to public health challenges, expand services where needed, and create a more patient-centered experience across all points of care. The goal is a system that is not only financially sustainable, but also clinically effective, operationally efficient, and resilient over time.

### **Governance, Accountability, and Legislative Partnership**

The role of the Board throughout this process is to provide strategic oversight, ensure fiscal responsibility, establish policy direction, and maintain accountability to the people of the Virgin Islands.

We recognize that meaningful transformation requires transparency, measurable progress, and strong collaboration with the Legislature. We are committed to ensuring that this process remains open, data-driven, and aligned with the priorities of this body and the needs of our community.

This includes providing regular updates, establishing performance benchmarks, and ensuring that improvements in operations, financial performance, and patient care are clearly demonstrated and sustained over time.



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This work cannot be accomplished by the Corporation alone. It requires continued partnership with the Legislature, the Administration, our employees, and the community. We look forward to continuing that partnership as we build a stronger healthcare system for the people of the Virgin Islands.

### **Closing**

In closing, I want to emphasize that the work of administrative integration is actively underway and progressing. Key leadership positions are being established, the RFP process has been completed and is now in the evaluation phase, and foundational steps are being taken to align operations across the Territory.

This is complex work, but it is necessary work. It requires discipline, coordination, and sustained commitment from leadership, staff, and stakeholders at every level.

The people of the Virgin Islands deserve a healthcare system that is not only functional, but strong, coordinated, and built for the future. That is the work we are committed to doing.

I appreciate the opportunity to provide this update and welcome any questions from the Committee.

**Thank you.**

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