

Coast Hospital Board of Directors & CEO Bryan Ballard:

Whose Interests Do They Serve?

by Enrique Sanicky

The elephant in the operating room not being included in discussions of Coast District Hospital's financial difficulties is Hospital Administration - the Board of Directors and CEO Bryan Ballard - and their mismanagement of our hospital. I believe they have good and honest intentions, but the bottom line results have been the same for the last four years. They have mismanaged our hospital's finances and put our hospital on a course of financial ruin. That is the bottom line after all is said here.

The following concerns are just the tip of the iceberg. Some of them may seem "nit picking" on my part but they reflect the lack of community involvement and a tremendous arrogance and lack of community awareness on the part of the board and the CEO.

Here are just a handful of questions, and comments that have been asked and in some cases were not honestly addressed by the board. The board appears to be hiding behind the Brown Act which governs rules and regulations of financial disclosures. The Brown Act is good if appropriately utilized. However, the numbers that the Hospital is disclosing under the Brown Act need to be accurate, complete, and disclosed in a clear and "timely manner" to the community. However, the board, for at least the past four years, has been playing shell games with numbers such as the cost of the recent expansion/remodeling project. Without honest and complete disclosure, the Brown Act quickly becomes the Brown Bag over the head of the community. The board and the CEO need to know that we are not as stupid as they may think. They need to hear the voice of the community. For the first time, they heard the community when Measure R did not pass.

Disclosures demanded by the Community:

1) Total disclosure of the total cost to the community for the "completely free medical services" given to the board, the CEO and their families, plus their expenses incurred on their credit cards, and other expenses paid by our hospital. The Brown Act calls for these disclosures.

What are they? Whose interest is administration serving?

2) Total disclosure of the CEO's total packages, not just his "rumored" salary at \$150K/year and benefits (or is it more?), his bonuses every year, his "golden parachute" in case he gets dismissed/removed/fired or the hospital goes bankrupt, A copy of any special insurance coverage for Mr. Ballard or for any board member paid by our hospital, plus his perks, plus credit card expenses paid by our hospital.

Our hospital is going broke and we are paying for all these expenses to persons who are not performing. They have a record of four consecutive years losing *\$1,100,000 each year* with complete impunity. What services are we paying for? Is there a performance plan in place for the CEO and board? Is there an incentive for them to get us out of the red? What happens to the CEO if he fails, like he has over the last four years? How many more years of failure is he allowed to have? What happens if our hospital goes bankrupt? Business plans are simply basic Business 101 practice in the real world.

Now please correct me, I may be wrong. Are we here in this world or does the hospital operate on some other plane full of infinite money and no accountability to the community?

Maybe a "zero" salary position will save the hospital hundreds of thousand of dollars a year. Can we cut this expense item before the ambulance or prenatal services are eliminated? Whose interest are they serving?

3) Total compensation for our local nurses compared to the total cost for visiting nurses that CEO and the board brings in from other states and communities. I understand the hospital pays Traveling Nurses for the air fairs, \$160/night hotel rooms while traveling, car rentals in town, meals, paid housing while in Fort Bragg, and I do not know what else. We are entitled to have a full accounting and disclosure of all these expenses.

Then, we are entitled to a cost comparison for the cost of local nurses. The practice of bringing in outside nurses has caused many competent local practicing nurses to go over the hill to work at other hospitals that compensate them more than our local hospital. At the same time, they have to pay for their own accommodations elsewhere, impacting their families here for several days a month. Please do not brown bag us. All we want is the total cost of traveling nurses versus local nurses. Who's interest are they serving?

4) What was the total cost of the renovation and new outpatient building versus the original bid price? Please don't tell me again, like one of the board did while sitting next to the CEO at the July 19 public meeting meeting. She told me, "This is not an issue because the expense is covered by a bond." This conversation is on tape for the record. It is a fine point that I am emphasizing here in order to show how some of the board has brown bagged the subject, trying to deflect and move on to the next subject.

Does the board and CEO think we are stupid? Guess who pays for this bond? It was unwittingly disclosed at the financial meeting on July 26 that the bond money has been drained to zero! Has the community been told this? It would have been prudent to inform the community even months before the bond money ran out and that the hospital was in trouble. When did we run out of bond money? What did we get for that money? How much more work is undone? So when the board member informed me during the July 19 meeting that the new building will be covered by the bond, she obviously misled me with her statement: "This is not an issue because the building is covered by a bond."

Not an issue? Hall!

Now for the breaking news to the community:

At the July 26 financial committee meeting the board listed an obscure line item: Item #9 read: "ACTION: Draw Against Board Designated Funds for Project I."

Let me translate. After direct and pointed questioning, we discovered that this meant they are borrowing \$500,000 from our bankrupt hospital (\$1,100,00 in the hole so far) to pay for the building and renovation fiasco. In the May '19 board meeting we were told that "the funding of the new buildings is not an issue because the funding is covered by a bond." But the Board also said that they estimate there's \$2 million more worth of work yet to be done before the expansion project is complete. That would mean an over run of between \$2 and \$3 million! And the \$500,000 will leave something like \$2 million worth of work still to go.

The board, sitting comfortably close to our CEO, as noted on tape, and local TV, said how the new building project is actually being funded. This is misleading the public. They are playing a shell game and the board's arrogance is appalling and insulting to the community.

This kind of vague agenda description could be a Brown Act violation. Maybe, in order to get to the bottom-line real numbers, we need to file a complaint with the DA.

Expansion Project's Original Bid Versus Final Cost

Do not give us red herrings like you did in the May 26 meeting when Board member Don Tucker stated that the cost of gravel was higher on the coast than the inland cost of gravel. That's no explanation. Please, no more brown bags.

We are not stupid. The board and CEO need to wake up and get the information out to the community. They must stop hiding behind their copy machines like they do now. Currently, anyone from the community who wants any info has to pay for the copies. This is an outrage. Don't you understand yet that this - distrust and suspicion of hospital administration - is one of the major reasons Measure R did not pass? The community wants to know and has a right to know where the money is going!!

Explain to the community, come with humility, ask for forgiveness. Do not come with arrogance as you have in the past. Give us the information that we need so we can make an informed decision. Who's interest are they serving?

5) Total Hospice donations to the hospital:

Your own numbers published in the Fort Bragg Advocate two weeks ago show "zero income" under Hospice Donations. Yet, at the May 19 meeting, a nice older lady, stated that she donated to the hospital hospice fund every year. She asked why her donation was not noted under Hospice Donations. She appropriately asked the right question to the right man with all the numbers, our Chief Financial Officer, Jacob Lewis, who was sitting right in front of us. Her question was quickly deflected and with arrogance, she got brown bagged and told that she had to attend another meeting to get that data. The board's arrogance is appalling and insulting to the community.

I request, in respect for this nice, elderly lady, who cares for our community, and the hospital, like we all do:

a) An apology first from our CEO and CFO, who were present, and from some of the board members who attended the May 19 meeting. It is unconscionable that you would treat a little elderly lady, a senior citizen in our community, with such disrespect. I do trust you have the numbers somewhere. What a way to treat the community whom you propose to be serving. If you can do that much damage in ten minutes of community input, I shudder to think of the damage you could do if you actually had an open forum for an hour or two of community input. Who's interest are they serving?

6) The board and CEO not only alienated part of the community, but they have also managed to alienate a large part of the medical and professional staff in our community.

In a specific case, they - the board and CEO - have alienated 100% of the doctors who voted to "start the process *now*" to apply for Critical Access Hospital (CAH) status (a three page application to Sacramento which allows Medicare to cover more health care bills). This application that does not commit the hospital to anything except to get the ball rolling now on a process that is likely to take a year to process.

Our CEO Ballard is on record stating that he is 100% against even *starting* this three-page process. This man has no vision! We need vision and open mindedness to look at other alternative other than just service cuts and raising prices at our hospital. *That* is what the CEO and board are supposed to do.

The board and CEO's own numbers shows that CAH status will provide the hospital with a \$1.4 million in additional income. By their own math, this could solve the Hospital's financial problems this year - if it was implemented quickly. For the first time in four years, the hospital could end up with a surplus of \$300,000. (\$1.4 million income minus the \$1.1 million they're now in the red = \$300,000 to the good.)

With this surplus, there would be no need to cut prenatal, ambulance, staff, or any other cuts of any kind. It looks like "just what the doctor ordered" (no pun intended). I am sure this is not a silver bullet, but it is certainly a more productive option to consider before immediately jumping to drastic cuts in staff and services and could have been begun months ago when it was first proposed.

To the CEO and some board members: Please do not brown bag the community with the "swing bed" issue either. You already have tried to brown bag the "swing beds" with your own medical staff - and it did not work. As you know, your own medical staff pointed out to you that our hospital now has swing beds.

If Hospital administration does not have a "vision" beyond cuts and raising prices at our hospital, and cannot take the time to simply fill out a three-page application that would save this hospital, maybe we need to get people who will do this for our hospital. Again, in the May 19 meeting, your own medical staff voted 100% to move forward on the CAH issue.

Board members and CEO: It is now public information that you have a mutiny in your hospital. 100% of the medical staff is behind the CAH application, but the CEO and some of the board is "100% _% against" it. Whose interests are they serving?

7) The conference room that these meetings are held in are the size of a large living room - and not even that large. This alone speaks to and very clearly represents one of the elephants that no one wants to talk about in this hospital.

Beside the total of ten minutes for community input in the July 19 meeting, there is not even sufficient room to accommodate the community's participation in these discussions. No wonder the community does not get involved and the board and CEO have been allowed to run this hospital to minus \$1,100,000 per year over the last four years. Whose interest are they serving?

8) I am quite sure that many Coast residents have other questions about costs that the hospital administration has not disclosed. The services that we provide free to people from outside the county - no one has yet got those numbers. Why are we subsidizing out of the county services? I am sure those numbers are somewhere in the hospital's books, but that is not important to board. The community does not know them and is hard to get the info out. Maybe the Brown Act or the Public Records Act can help us to dig up these numbers and give them to the community without paying for copies from your copy machine. I am sure that if you really open your meetings and your minds to the community you will have many more questions that need to be answered before we move on to large service cuts and raising prices.

Whose interest are they serving?

Suggested Solutions

(...but by no means all. Please help us add to it.)

In my humble opinion, the CEO and the whole board should be investigated by an impartial, state auditor with several community participants on a task force, to get to the

bottom of these numbers. The CEO and board should be put on hiatus with no access to our hospital data until the auditors finish their work. I think it is called auditing by the Brown Act. We need full disclosure to the community about what has been going on the last four years. Yes,, the audit should go back 4 or 5 years.

Just looking from the outside, what we have here is a simple conflict of interest inside the board-and CEO. Having them police themselves is like the fox in charge of the chicken coop. No wonder we can't find the real numbers. Mr. Ballard, don't brown bag us with your insurance audits from MediCal, Blue Cross, etc. You know these are just superficial audits and they are not interested in building and construction costs, or benefits to the board, etc. We need to go below the iceberg and see how big it is.

I feel that before they cut anything, the community needs to have the real financials disclosed. The Board and CEO are now in a rush to cut services. The Hospital has been bleeding at rates in the vicinity of \$1.1 million a year for four years and now there is a rush? These are the same people that got us into this pickle.

The questions I have for the community:

Do we trust the CEO and board to make these cuts? (They already demonstrated their mismanagement for the last four years. Do we trust them with fixing this?

My humble opinion as only one community person is: I do not think so.

If we go ahead with the cuts now like the CEO and board seem to want, we will get the community all bothered and talking about the cuts instead of about the mismanagement, the elephant in the middle of our hospital, very much like Measure R did three months ago. Measure R was just another red herring from the CEO and the board.

The community should be loud about this: NO cuts by this board and CEO. Let's get the facts first and then make rational decisions.

I feel that we should as a minimum:

1) Apply for CAH status now. (This alone may solve the whole problem). Willits did it and they are very successful. I do trust our medical community who is 100% behind applying for CAH approval. (I understand that late last week the Board finally and reluctantly decided to apply for CAH status under pressure.)

2) Get an outside impartial auditor to dig deep into the financials to give the community the real numbers that currently seem to be illusive.

3) After the real numbers are disclosed, we might find that there is some fat (or misuse or misplaced monies) by the board and CEO that may be trimmed and given back to the community. These monies could then be allocated for prenatal, ambulance, and/or other services as needed by the community.

4) Let's look for outside help and/or mergers in parallel with looking at CAH without debating the issue for 18 months. I am not proposing here to give the autonomy of the hospital to outsiders, but we better make sure we get some locals who care about our local community hospital.

5) After an honest, open, fair, caring assessment and disclosure, I know the community will help the hospital if the hospital needs help.

We need a "Healthy, Caring Hospital" for our community. That is not what we have today. The medical community is saying the same thing, but the board and CEO have failed to serve the general community.

We need to take this elephant out for a walk - with care, because we do care. I believe that in their hearts, the elephant means well. But, the elephant needs to move on. It has done enough damage here.

PS. At the July 26 Board of Directors meeting, Mr. Ballard pompously announced (on closed circuit TV) like a carnival barker, "You heard it here first! At a future date we will hold a series of Finance 101 workshops for the community."

This shows Mr. Ballard's arrogance yet again. We don't need classes - we need honest disclosure.

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