

Expense cost-shifting, missing funds deplete Laguna Honda Hospital's gift fund by \$1.3 million

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Why does "cost-shifting" feel like it should be spelled "misappropriate"?



And when will Mivic Hirose, LHH's Executive Administrator, (second row), explain possible cost-shifting onto the patient gift fund?

Expense cost-shifting from Laguna Honda Hospital's operating budget and missing funds may have depleted the hospital's patient gift fund by \$1.3 million.

As this Examiner reported last Saturday, Deputy City Controller Monique Zmuda may need to recuse herself from involvement in yet another ongoing and incomplete "review" of expenditures from LHH's patient gift fund, due to a potential conflict of interest, considering data former LHH doctors Maria Rivero and Derek Kerr have uncovered suggesting massive cost shifting from the hospital's operating budget to the patient gift fund.

This is the second such "review" the City Controller's Office has performed on the gift fund.

But oddly, the Controller's Office has not indicated why if its first review had found that everything was pretty much OK, they suddenly need to perform a second "review."

The very fact that a second review was ordered may indicate that the first "review" was inadequate, or flawed, as observers have suspected all along.

By now performing a second "review," the Controller has lost credibility by having to re-review potentially sloppy work first performed.

Both "reviews" by the City Controller's Office have been in the complete absence of any meaningful, independent audit.

After reviewing over 1,300 pages of public records they requested regarding uses of the patient gift fund, the two doctors have submitted two reports to San Francisco's Health Commission, the Civil Grand Jury, and the Whistleblower Program administered by the city Controller's Office.

Doctor Kerr's and Review's two new reports focus on the cost shifting of funds charged to the LHH patient gift fund for staff amenities, patient activities and amenities, patient transportation costs, and LHH's dietary department catering costs that appear to have been cost-shifted from the hospital's operating budget.

They document why these costs are typically charged to hospital operating budgets, given Federal and State regulations governing skilled nursing facilities.

Their report notes that \$745,000 “went missing” from the gift fund’s cash balance between FY 2004 and FY 2005 within eight months after John Kanaley became LHH’s Executive Administrator in November 2004.

Kerr and Rivero further document that a minimum of \$576,663 appears to have been cost-shifted between 2005 and 2010, with noticeable spikes occurring in cost-shifted expenses in 2005, 2008, and 2009.

The spikes in 2009 and 2010 occurred after Mivic Hirose became Executive Administrator in 2009 following Kanaley’s untimely death.

In addition, this Examiner has added two slides to the slide show accompanying this article, illustrating that the combined costs for these four categories of spending accounted for \$785,068 between 2001 and 2010.

The final slide in the slide show illustrates that contributions to the patient gift fund from private donors, and donations made by Volunteers Inc. to LHH, sank in FY 08–09 below giving levels in FY 04-05.

Proposition C passed by voters in 2003 is quite clear: The City Controller has the authority to hire an outside, independent auditor, and should do so, given Zmuda’s potential conflict of interest.

Zmuda’s so-called “review” of LHH’s patient gift fund must address the cost-shifting concerns raised by Kerr and Rivero.

Better yet, an outside independent auditor should review the cost-shifting expenses, since an outside auditor will not have a vested interest in whitewashing audit results.

As I indicated on Saturday, KGO TV’s reporter Dan Ashley may need to pull his public service announcement off the air, since he prematurely claims that the “money went back to the patients” so they could receive basic comforts, as a result of Dan Noyes’ May 20 “I-Team” broadcast.

No such restitution of the missing funds has occurred, which Ashley would have known had he reviewed the 1,300 pages of records Kerr and Rivero have examined closely.

Mr. Ashley may need to go a step further by creating a new public service announcement offering a retraction of his premature announcement, since Drs. Kerr’s and Rivero’s research has documented massive cost-shifting of operating expenses onto the patient gift fund, for which restitution has also not occurred.

Drs. Kerr’s and Rivero’s two reports to the Health Commission are now available on www.stopLHHdownsize.com, as is a PDF file of the slide show accompanying this article.

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