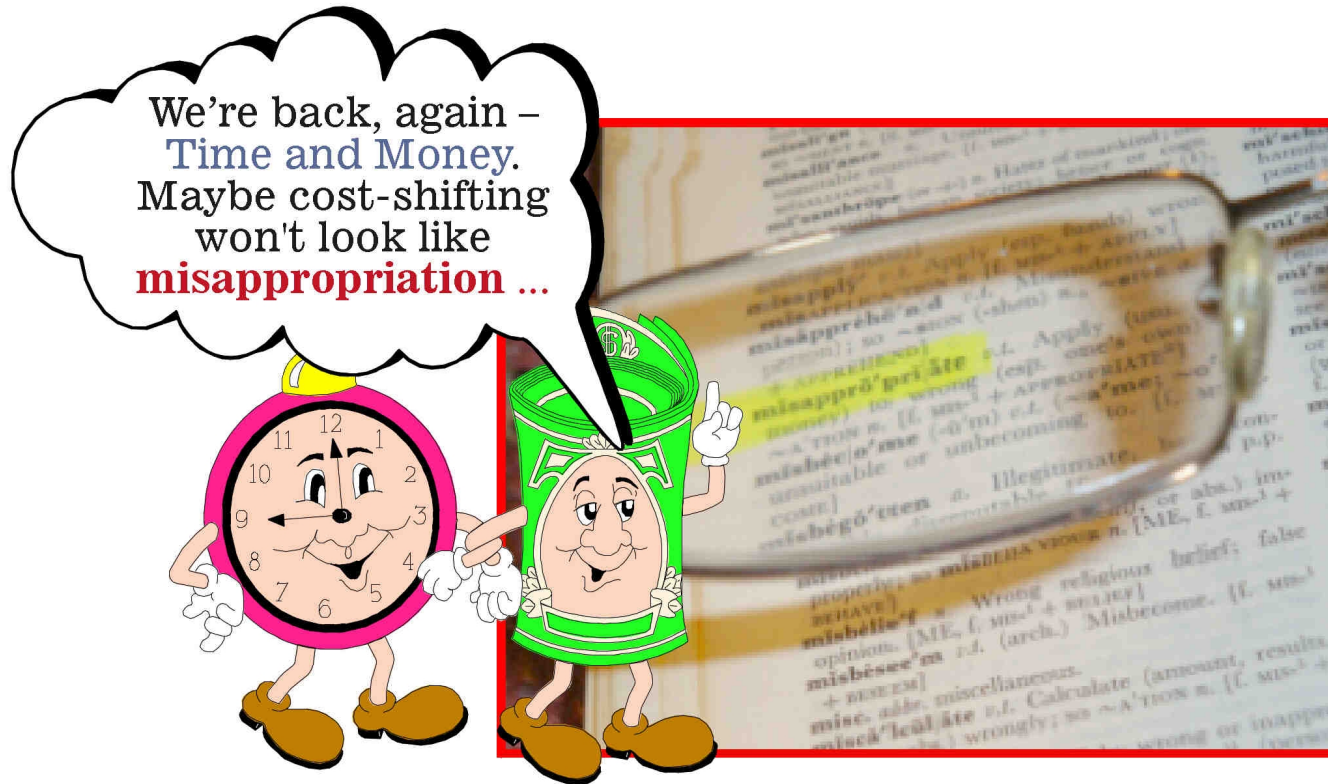


Laguna Honda Hospital's Patient Gift Fund:

Are Charitable Contributions Intended for Patients, Being Cost-Shifted to Pay for Hospital Operating Costs?



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Figure 1: Total Gift Fund Expenses

- A **marked rise** in Patient Gift Fund expenses began in July 2005, and continued in 2008 and again in 2009.
- At the same time, the Gift Fund cash balances dropped each year (see Figure 2).
- The main cause was **Cost-Shifting** of hospital operational expenses to the Patient Gift Fund.

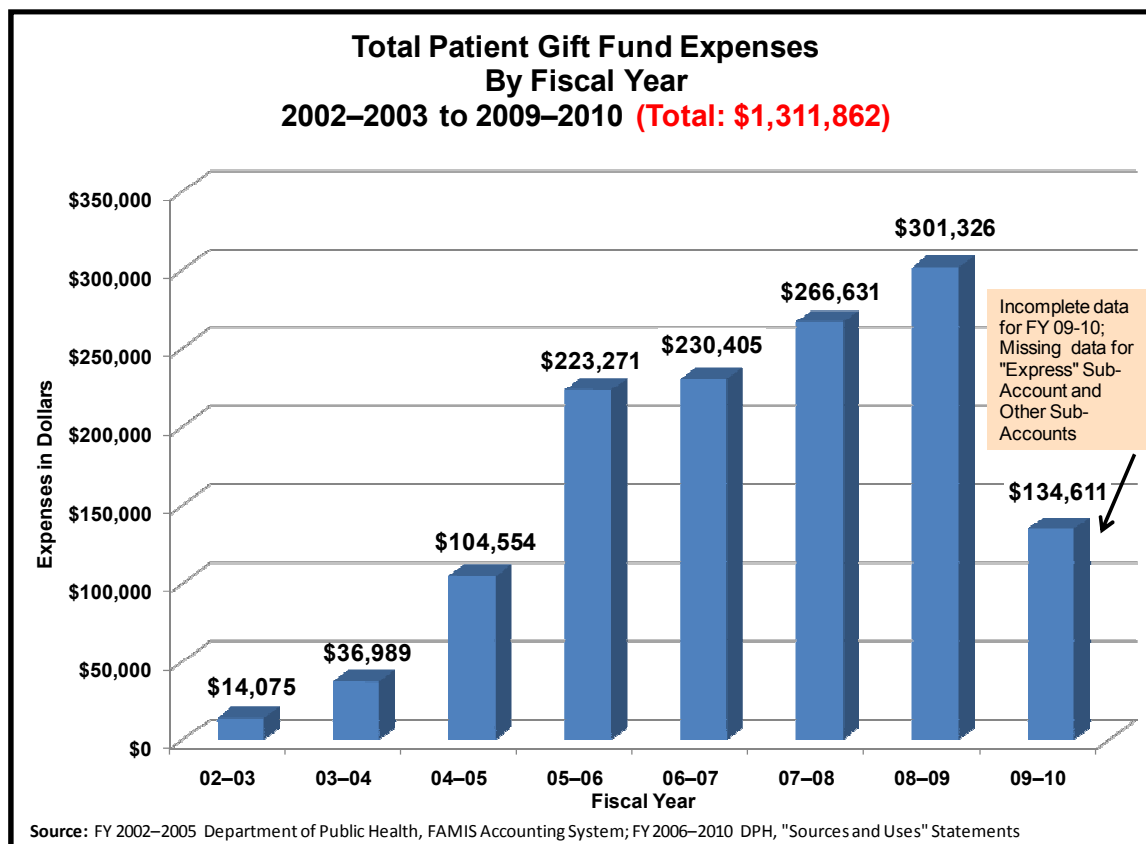


Figure 2: Cash Balance by Fiscal Year End

- The cash balance in the Patient Gift Fund was steadily drained.
- The public records obtained **did not account for the loss of \$745,000** from the gift fund assets between December 2004 and 2005; this occurred **within the first eight months** of John Kanaley's starting date as LHH's Executive Administrator.
- The **inverse relationship** between Figures 1 and 2 is striking.

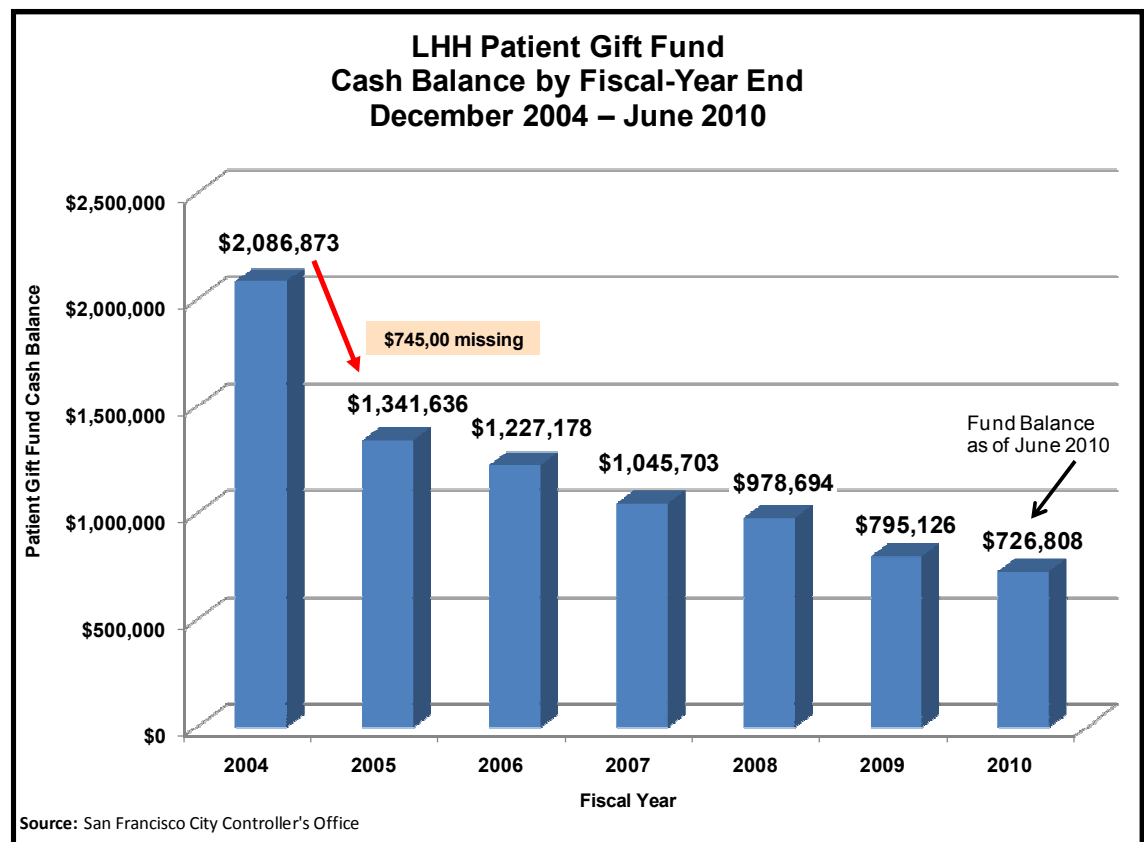


Figure 3: Staff Amenities — Summary

- Starting in July 2005, staff perquisites (“perks”) became routine and **averaged \$6,000 per year**.
- They rose exponentially in 2009 **after Mivic Hirose became LHH’s Executive Administrator**, as shown in Figures 3 and 4.

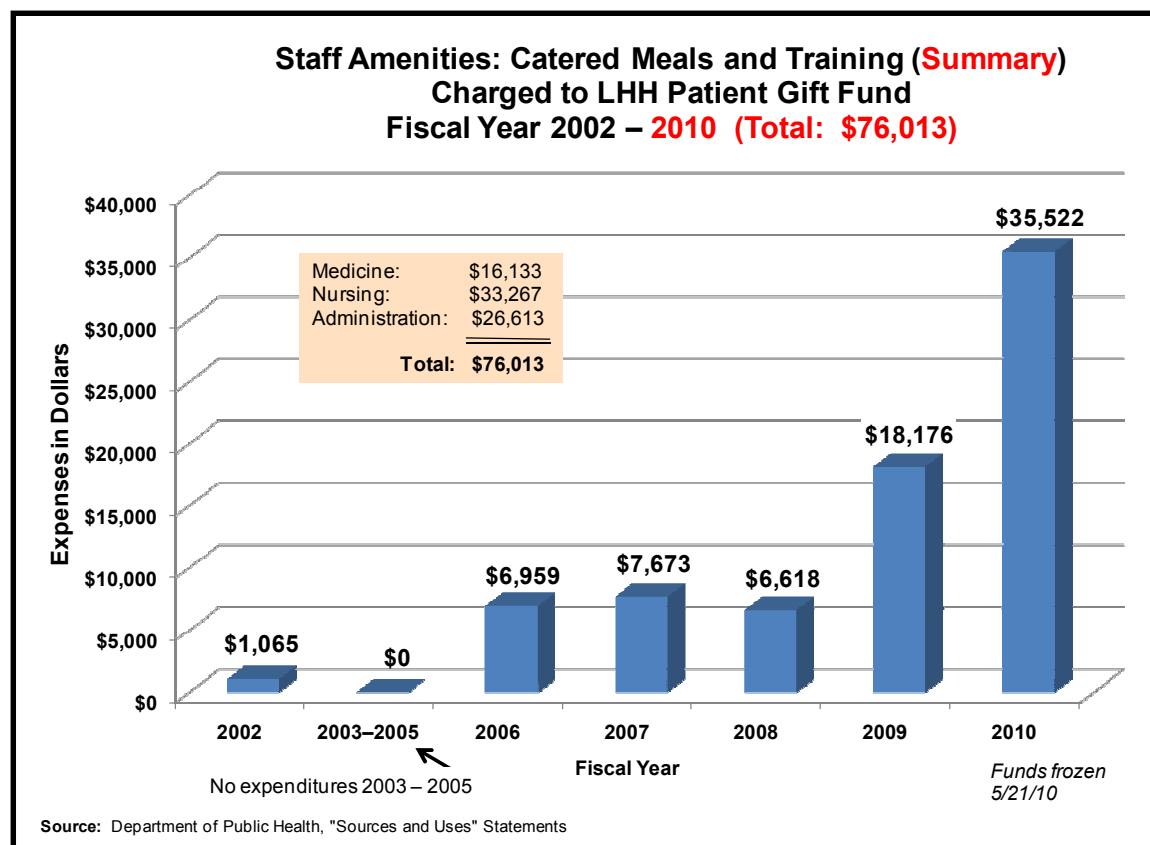


Figure 4: Staff Amenities — Details

- The staff perks were paid by the Patient Gift Fund **through newly created “staff sub-accounts”** named “Administration Education”(HLADMI), “Nursing Education” (HLNURS), and “Physician Education” (HLMEDI).
- The **Nursing Education sub-account** accounted for **60.6%** of the increased spending in 2009 (shown in Figure 3), and **40.4%** of the increased spending in 2010.

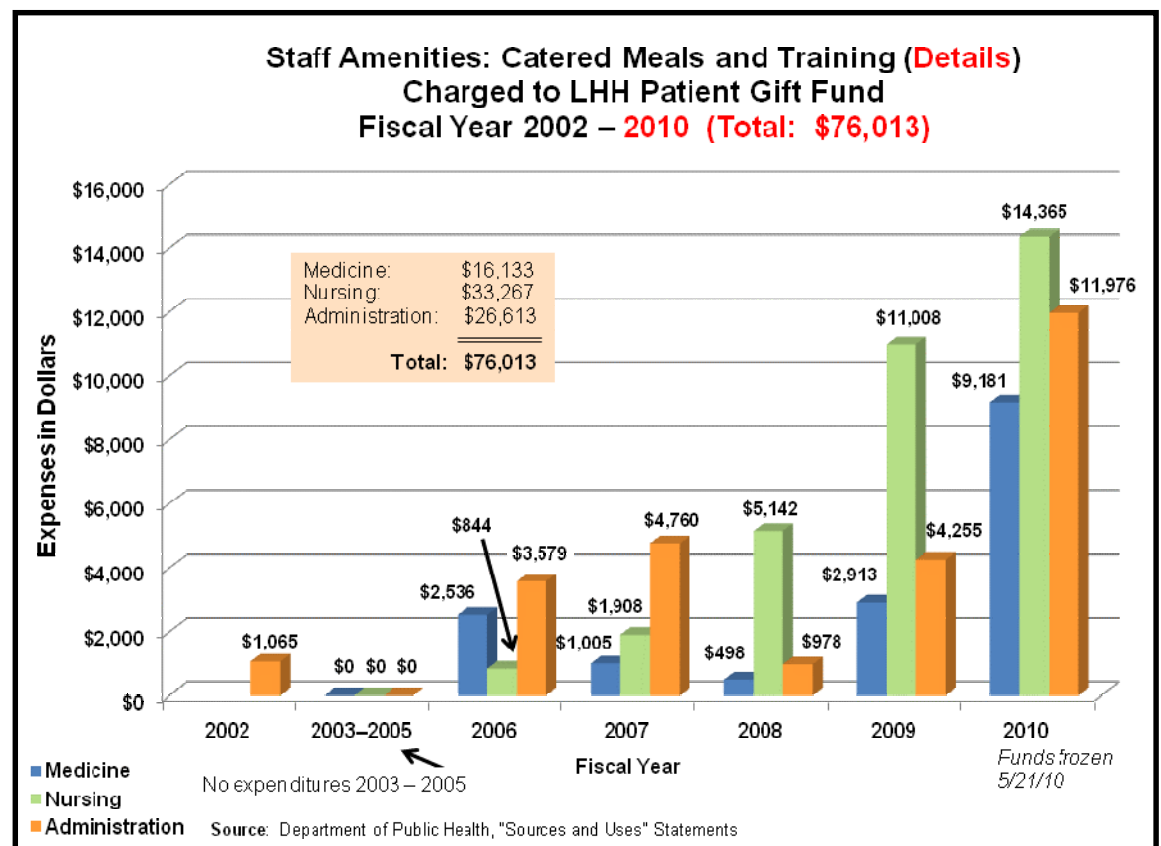


Table 1: Staff Perquisites Charged to Patient Gift Fund

- Although **some of the funds** spent from these staff accounts had been specifically donated for staff development, **most were not**, as Table 1 illustrates.
- Legitimate expenditures of educational grants to Nursing's HLNSEL account, and those to Medicine's HLPHEP and HLPEDP accounts were not included in the analysis, nor are they challenged.

Staff Education Sub-Accounts	Actual Amount Spent	Amount Covered by Grants	Questionable Expenditures
Administration Education (HLADMI)	\$26,613	\$0	\$26,613
Nursing Education (NINURS)	\$33,267	\$2,112	\$31,155
Physician Education (HLMEDI)	\$16,133	\$4,951	\$11,182
Total:	\$76,013	\$7,063	\$68,950

Figure 5: Patient Activities and Amenities

- From 2001 to 2007, the Patient Gift Fund expended an **average of \$17,392 per year** for extra patient activities and amenities.
- Gift Fund expenses for patient activities and amenities **surged to \$94,570 per year** in 2008.
- These patient amenity expenses **skyrocketed to \$118,252** in 2009; **this suggests massive cost-shifting**, since by 2008. LHH's patient census had plummeted by 20%.

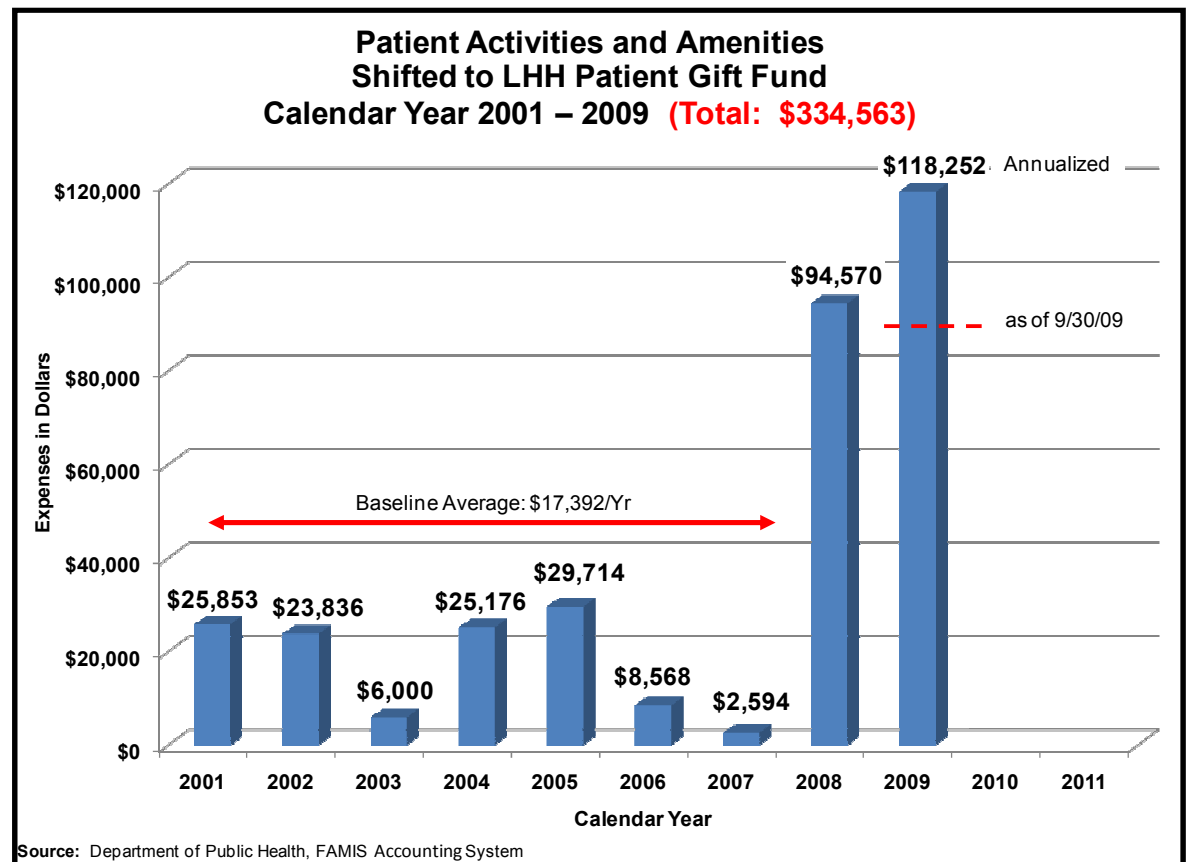


Figure 6: Patient Transportation Costs

- Recreational bus trips and specialized patient transportation services paid from the Patient Gift Fund averaged **\$4,168 per year** from 2001 through 2004.
- In 2005 they surged to **\$39,646**, and in 2008 they climbed to **\$65,848**.
- The patient transportation costs were **shifted from** the hospital's Activity Therapy Department budget, and **onto** the Patient Gift Fund, draining **\$197,342** from the fund.

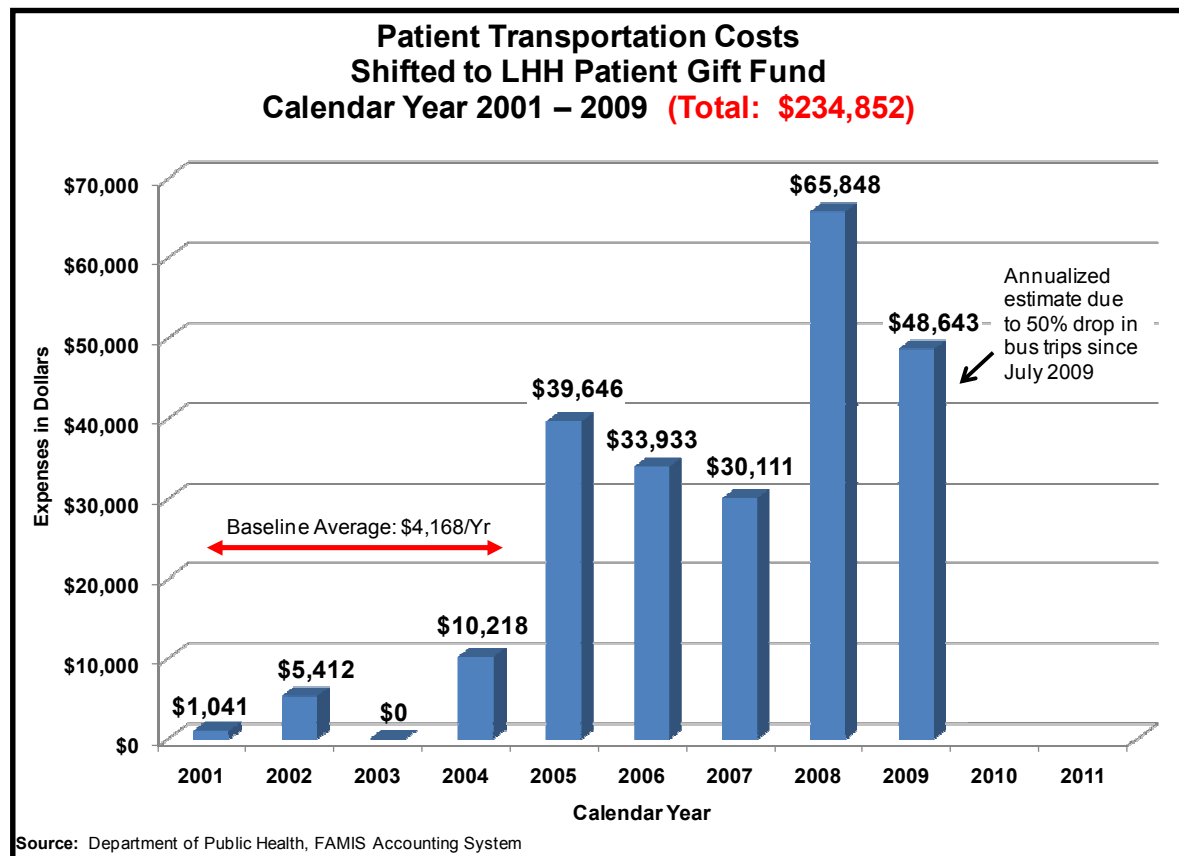


Figure 7: Dietary Department Catering Costs

- Cost shifting of LHH's Dietary Department catering services to the Patient Gift Fund total **\$175,162**.
- The catering costs were **not** charged to the Patient Gift Fund prior to November 2004:

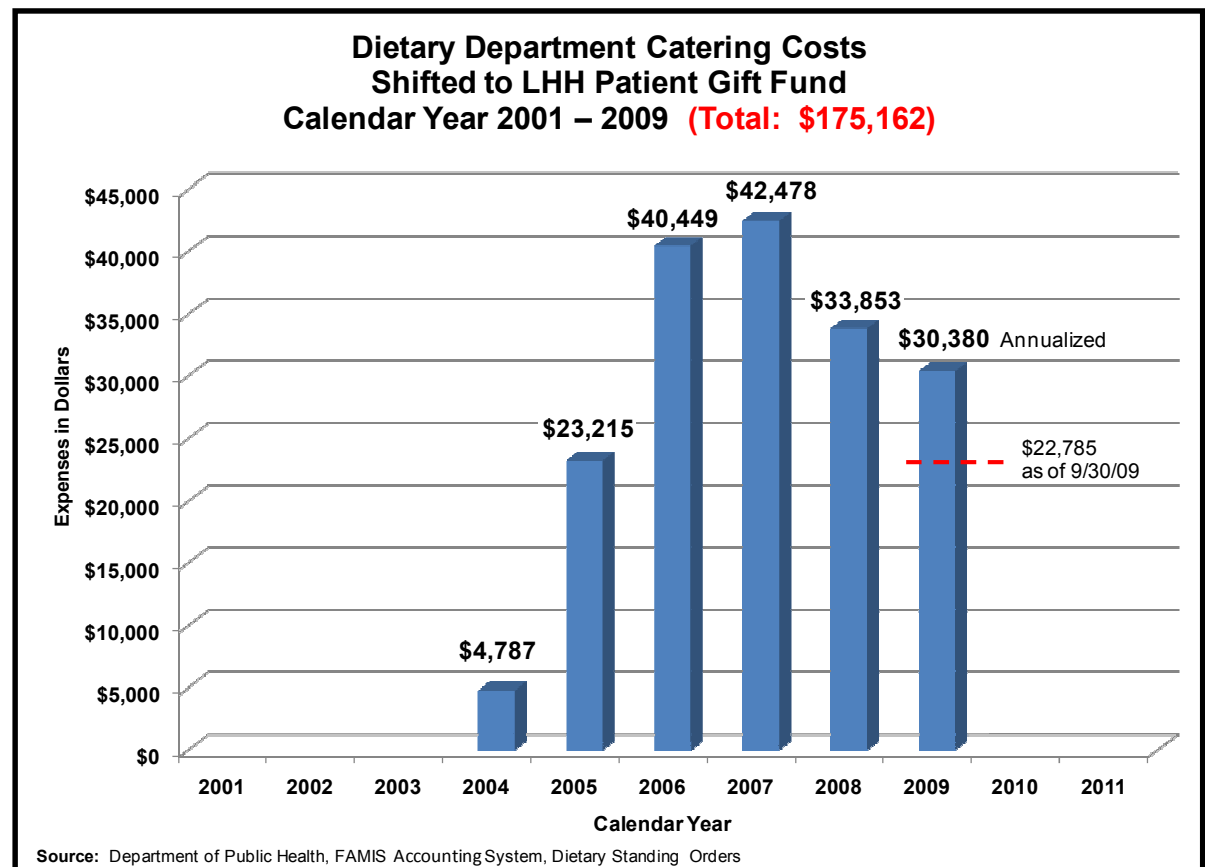


Table 2: Cost Shifting From “Operations Budget” to Patient Gift Fund

- A **marked rise** in Patient Gift Fund expenses occurred in July 2005, again in 2008, and yet again in 2009.
- At the same time, the Gift Fund cash balances dropped each year (see Figures 1 and 2).
- The main cause was **Cost-Shifting** of hospital operational expenses onto the Patient Gift Fund.
- Cost shifting may account for **\$576,663** of the depleted Patient Gift Fund balances.
- Between the **\$576,663** in cost-shifted expenses and the unexplained **\$745,00** went missing in 2005, the gift fund **has been depleted by at least \$1.3 million.**

Category of Expenses	Actual Expenditure Amount	Net Overspending Above Baseline Amount (Cost Shifting)
Dietary Department Catering Costs	\$175,162	\$175,162
Patient Activities and Amenities	\$334,563	\$178,039
Patient Transportation Costs	\$234,852	\$197,342
Subtotal	\$744,577	\$550,543
Other Miscellaneous Costs	\$35,692	\$26,120
Total	\$780,269	\$576,663

Figure 8: Combined Costs

- Although **not included in the two cost-shifting reports** doctors Kerr and Rivero submitted to the Health Commission, the Civil Grand Jury, and the City's Whistleblower Program on August 20 and September 1, respectively, the **combined costs** for these four areas of spending account for **\$785,068** since 2001, without correcting for "baseline" annual averages prior to 2004.
- The **spikes** in 2005 and 2008 are notable.

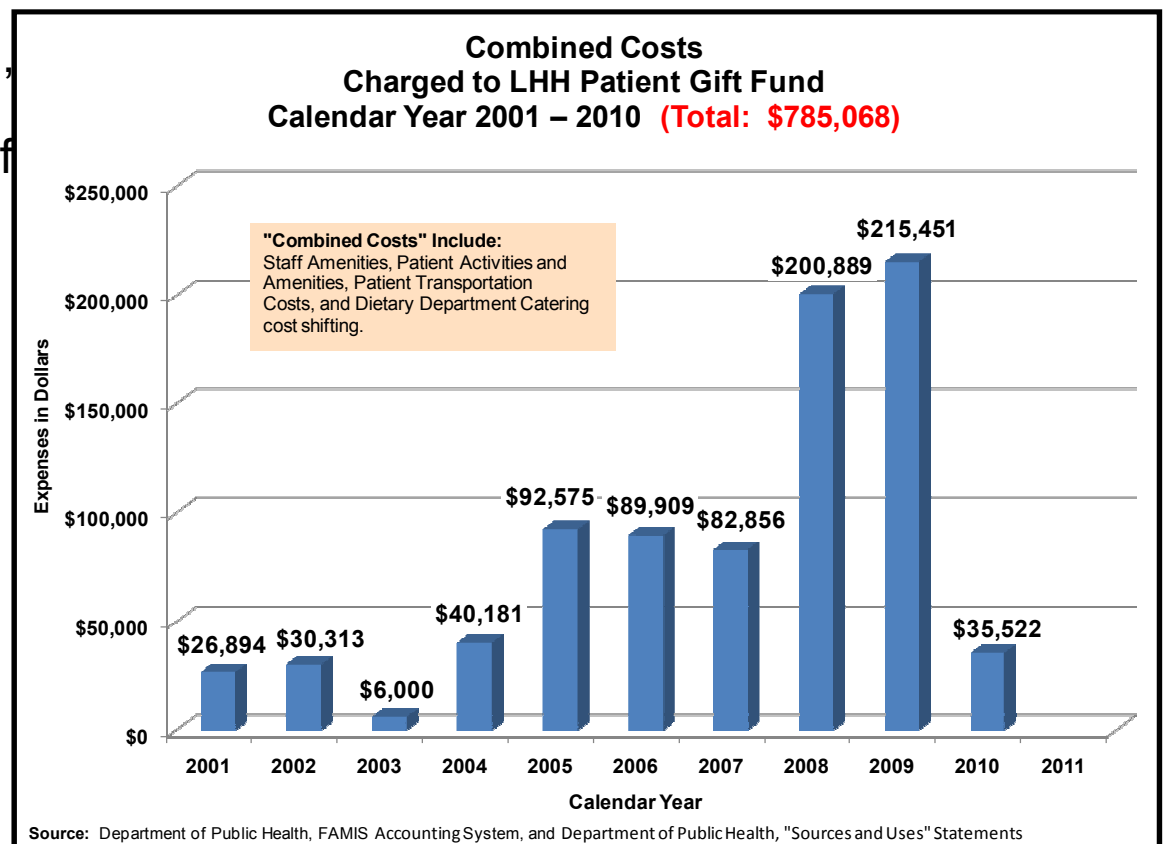


Figure 9: Volunteers Inc.'s Donations to LHH Since FY 2004–2005 Have Dropped

- Although **also not included in the two cost-shifting reports** doctors Kerr and Rivero submitted to the Health Commission, the Civil Grand Jury, and the City's Whistleblower Program on August 20 and September 1, respectively, the **combined donations** from private donations to the Patient Gift Fund and grants to LHH from Volunteers Inc. plummeted sharply in FY 2007–2008 — at the **same time cost-shifting went up** dramatically.
- The combined giving in FY 08–09 has shrunk below giving in FY 04–05.

