

August 15, 2023

Laguna Honda Hospital Beggars for \$18 Million More for Consultants

The Consultant's Bottomless Piggybank

LHH Awarded Medi-Cal Recertification and Reinstatement on August 16; Medicare Application Will Be Next Submission. So, Why Does It Need Another \$18 Million for Consultants, Which Would Push Potential Expenses to \$82.9 Million?

by Patrick Monette-Shaw

Breaking news received just before the *Westside Observer's* press deadline is that Laguna Honda Hospital submitted an application for reinstatement as a Medi-Cal (Medicaid) provider only with the State of California Department of Public Health (CDPH) on August 11. On August 16, LHH was granted its Medi-Cal recertification.

But to become fully operational, LHH still needs to also submit an application to CMS to become a Medicare provider, which is the program that pays for skilled nursing rehabilitation of patients in LHH's Rehabilitation Center, and patients needing skilled nursing care in a "distinct-part skilled nursing facility."

Unfortunately, before new admissions to LHH are allowed to restart, Laguna Honda faces an almost four-month process (described below) before it can hope to resume full normal operations and become "whole." "Denial of Payment for New Admissions" (DPNA) was halted on January 14, 2022 and all new admissions were effectively halted on April 14, 2022. It's unclear who may have paid for the 67 admissions that did occur between January 14 and April 13, 2022. Apparently, it wasn't Medicare or Medi-Cal who might have picked up the DPNA tab, unless LHH was able to successfully appeal and overturn the DPNA.

Dialing for Dollars

LHH's continuing follies preparing to submit its application to regain full certification appears to have been grimmer than thought. Unsure it was making sufficient progress towards returning to being in substantial compliance with Federal regulations before submitting its applications, LHH may have panicked. It suddenly applied for, and received, emergency permission from San Francisco's Civil Service Commission on June 5, 2023 to spend another \$18 million on consultants to help pull its act together.

That's on top of the \$64.9 million already spent — including \$30.5 million on consultant contracts, \$22.3 million in lost Medi-Cal reimbursement, and a combined \$12 million on other expenses — that the *Westside Observer* reported about in our two-part series ([Part 1](#) and [Part 2](#)).

So, the new \$18 million approved to hire additional consultants would push known expenses to date up to a revised total of \$82.9 million — assuming new consulting contracts may have already been issued since June 5, or will be issued soon.

[**Note:** I have predicted total costs will probably rise to between \$80 million and \$100 million, but didn't expect they would rise so quickly. And there's still a good \$15 million or more expected from additional patient lawsuits and costs of the City Attorney's time and expenses that won't be known for another year or longer.)



Milking It For All It's Worth Consultants hired to assist Laguna Honda Hospital seek Federal re-certification have gotten used to suckling at the teats of City Hall coffers. Not content with just \$30.5 million in milky contracts, they want to milk it for \$18 million more. ***Moolicious, Milked, Moolah!***

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Why Are Additional Consultants Needed?

Despite the \$30.5 million spent to hire the four consultant firms between May 2022 and April 2023 — Health Management Associates (HMA), Health Services Advisory Group (HSAG), Tryfacta Inc., and Moss Adams Consulting reported in July in the *Westside Observer* — and despite the expertise and best efforts of the four consulting firms, they apparently haven't collectively been able to right LHH's ship. LHH's "Titanic"-sized mismanagement appears to have struck at least one gigantic iceberg. Or two icebergs, if you count LHH's staff intransigence.

We've gotten clues about the ongoing problems at LHH from the seven "Monthly Monitoring Reports," the six so-called "Root Cause Analysis" reports, and successive "Action Plan" reports describing the now 700-plus corrective action "milestones" HSAG has been awarded \$16.9 million in contracts to identify plans of correction, and write and produce (across its management consulting contracts and separate "Quality Improvement Expert" (QIE) contract). That \$16.9 million yielded an iceberg of cookie-crumbs into LHH's continuing and massive mismanagement problems, and more of these reports are still being produced before they're released.

"We've gotten clues about the ongoing problems at LHH from at least 16 reports. Chief among the clues are HSAG's repeated mention of the 'lack of critical thinking skills' among LHH staff."

Chief among the clues are HSAG's repeated mention of the "lack of critical thinking skills" among LHH staff. That appears to present a formidable barrier to all of the consultants, because their *highfalutin* recommendations aren't going to work if LHH's staff can't understand and absorb them.

As the *Westside Observer* has previously reported, LHH's staff have had great trouble developing corrective "milestones" remedial actions. From the QIE's first seven "Monthly Monitoring Reports" issued through August 10 for the January to July 2023 timeframe, of 676 "deliverables" staff were charged with developing, 223 — 33%, fully one-third — required revisions and resubmission to the QIE. The QIE noted in its August 10 report that some "deliverables required mitigation plans to address 'barriers' identified during implementation," but the QIE hasn't reported the total number across all 676 deliverables that required subsequent "mitigation."

As we reported previously, common reasons for the revisions included: 1) Lack of specificity with the information provided, 2) Information provided wasn't what had been requested, 3) Information provided wasn't for the time period identified in the milestone, and 4) General inattention to details (documents not dated, lacking a title, or without track changes so revisions could be identified).

Other common reasons for revisions included: 5) Lack of appropriate data analysis to ensure a data-driven approach to activities, and 6) Lack of clarity and details in deliverables that matched the problems identified in the "Action Plan" descriptions.

What all of this had suggested was that LHH staff who had no prior experience working in skilled nursing facilities weren't capable of recognizing the problems and understanding what they had been asked to do to fix problems, and had been providing inappropriate corrective actions that required substantial additional coaching and training.

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Reading between the lines of the reports, and between the ice floes, it sounds like LHH's staff culture has degraded to the point that near-constant handholding and "coaching" are still needed, along with teach-back trainings. This may be the direct result of 19 years of packing LHH with obedient toadies transplanted from SFGH and the San Francisco Health Network (SFHN) beginning in 2004 and earlier, with the then-stated goal of saving SFGH a miserly "\$1.7 million annually" via the misguided and disastrous "Flow Project" — rather than retaining and hiring competent licensed Nursing Home Administrators and managers with demonstrated skills and experience running skilled nursing facilities, which is what LHH has always been.

After all, regular readers may recall that it took HSAG — under its contract to be LHH's "Quality Improvement Expert" — to openly admit in its first "Root Cause Analysis" report submitted to CMS on December 1, 2022 to surprisingly finally (and

courageously) admit that “LHH’s management had been running Laguna Honda Hospital as if it were an acute care hospital,” not as a skilled nursing facility.

That single damning “root cause” HSAG finding must have landed like a newly-sharpened, \$16.9 million *icepick* in the heart of LHH’s acting CEO, Roland Pickens, and LHH’s so-called “governing body” — the San Francisco Health Commission — that had given the green light (minus an iceberg-spotting lighthouse) to the SFGH-to-LHH “Flow Project” nearly 20 years ago in 2004, ice floes be damned.

“Pitch” to Secure \$18 Million for More Consultants

Knowledgeable observers tracking LHH’s re-certification debacle suspect that HMA and HSAG may have advised LHH to hire additional consultants that can work directly with staff to impart the critical thinking skills (disguised as teaching “performance improvement” and “quality improvement”) needed to implement the consultant’s previous *highfalutin* recommendations LHH staff are apparently having difficulty absorbing.

Readers may recall that even before the “Form I” application to the Civil Service Commission was submitted on June 5 seeking authority to issue another \$18 million in consulting contracts, on April 4 LHH’s governing body — the San Francisco Health Commission — had approved a \$4.1 million contract for Moss Adams to perform “Lean Management,” “True North,” “Kaizen,” and “Hoshin Kanri” consulting services to Laguna Honda’s senior management staff and its “incident command structure,” weirdly for an “air traffic control” system.

Then on May 14, LHH’s acting CEO, Roland Pickens, announced to CMS and the U.S. Department of Health and Human Services a new \$7 million-plus contract to perform a “Consistent Care at the Bedside Initiative” (CCBI) by “soliciting” to hire an additional consultant. [Note: It later turned out the CCBI initiative wasn’t for a new contract, or for a new consultant; that funding came by *rearranging chairs on the deck of Titanic* via re-allocating funding from a previously-funded \$7.3 million contract awarded to HSAG on January 30, who just happens to be LHH’s QIE].

So, just two months after announcing the \$4.1 million Moss Adams contract on April 4, and just 17 working days after announcing the \$7 million CCBI initiative on May 14 — for a combined total of \$11.1 million — LHH raced to the Civil Service Commission on June 5, tin cup outstretched as only a con knows how, begging for another \$18 million?

Indeed, in its application seeking Civil Service authorization to issue the additional \$18 million in consulting contracts, LHH all but threatened the Civil Service Commission, saying: “Failure to approve this contract may result in the inability to successfully obtain [LHH’s] recertification and may jeopardize the future of Laguna Honda Hospital’s ability to act as a skilled nursing facility for the most vulnerable residents of San Francisco.” [Cue the *Titanic*’s miniature violins.]

“The first \$30.5 million spent for our consultant contracts hasn’t fixed problems completely. We recommend you spend another \$18 million for additional consultants.” Was that the unspoken or intended message sent and received?

“Invented” Justification

The “[Personal Services Contract Form 1](#)” the San Francisco Department of Public Health pitched on behalf of LHH to the Civil Services Commission on June 5 was assigned as PSC #40941-22/23. It is titled “Specialized Consulting Services for Long Term Care Facilities” for LHH, and contained really dubious rationales begging for almost another \$20 million to throw at the “consultants’ wailing wall,” hoping promises of more LHH “reforms” might prevent LHH’s closure. The proposal claimed additional contracts will be needed through December 2024 — for another full year!

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Responding to Civil Service “*Form I*” section “1-A, *Description of Work*” about the types of services to be contracted out, LHH asserted the potential contracts to be issued will:

- Include improvement topics in the area of providing technical assistance in the area of recertification; and participation as subject matter experts on LHH standing committees;
- Provide consulting services for the Nursing Home Administrator, Director of Nursing, Closure Plan, Infection Prevention, Quality Assurance and Performance Improvement (QAPI), Behavioral Health and serve as a resource for education on nursing home regulations and best practice protocols;
- Develop training curriculum and conduct instructional sessions for as-needed topics as identified by LHH leadership;
- Participate in Leadership and Executive team meetings and provide consulting services to support the coordinated efforts and preparation for CMS reapplication;
- Provide consulting services for the selection and interviewing process for candidates being considered for key leadership positions that are currently being occupied by interim staff;
- Provide consulting services for the development of a transition plan with LHH staff that describes the transition tasks from the selected vendor to LHH staff and assures sustainability post re-certification;
- Provide clinical as-needed consultants for each of the 13 nursing units to assess the current day-to-day staff activities and identify areas of improvement so consistent care is provided that is in alignment with the regulations.

Responding to Civil Service “*Form I*” section “1-B, *Description of Work*” about why the consulting services are necessary and the consequences of denying the \$18 million request, LHH tossed in for good measure: “*The [consultant] services are necessary to complete all the required steps to obtain re-certification of Laguna Honda Hospital, and to establish an ongoing framework to ensure that the improvements that have been made are operationalized and continue post-recertification.*”

In section 3-A, *Description of Required Skills and Expertise*,” LHH claimed “*The contractor must provide a team of consultants with extensive knowledge and experience in regulations, implementation and operation of long term care facilities and in particular experience responding to, and implementing, plans of correction. The team provided will typically consist of individuals with direct clinical experience who also have the ability to navigate in non-clinical settings and respond to various regulators and [hospital] leadership.*”

This is patently ridiculous! LHH managers have been preparing “*Plans of Correction*” responding to State survey inspection deficiencies for at least the past 24 years (since I began working there in 1999), and even before that. If LHH managers don’t know how to write effective “*Plans of Correction*,” they have no business working there! Period.

Asked in section 3-B, *Description of Required Skills and Expertise*,” which, if any, civil service City employee job classification codes normally perform the work the proposed consultants will perform, LHH responded listing job classifications 1803, *Performance Analyst I*; 1805, *Performance Analyst II*; 2591, *Health Program Coordinator 2*; 2593, *Health Program Coordinator 3*; 0923, *Manager II*; 0931, *Manager III*; and 0932, *Manager IV*.

Of interest, none of those job codes typically include individuals with *direct clinical* experience and education, although some of the “*manager*” job classifications may be able to respond to various government inspectors and regulators, and to LHH’s leadership about *non-clinical* issues.

By comparing the “*scope of work*” to be performed promised in the \$18 million PSC application to the scope of work in the actual contracts previously awarded to HSAG and HMA, it’s clear the proposed services under PSC #40941-22/23 mirror almost to a “T” the exact same kinds of services HMA, HSAG, and Moss Adams have been performing all along for LHH, ever since May 2022.

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Other Oddities in the Civil Service “Form 1” Application

The Civil Service “Form 1” asked in question “1-C, *Description of Work*” whether requested consulting services had been provided in the past, and if so, under which previous Personal Services Contract (PSC) number. LHH answered saying that previous PSC #49607–15/16 providing “*complementary services*” focusing on “*other areas*” have been performed through the multiple contracts awarded to HMA and HSAG totaling \$20.15 million awarded beginning on May 9, 2022. PSC #49607–15/16 was titled “*Consulting for Assessment, Evaluation, Planning, Training, Grants, Media, and Tech. Assistance*” which was titled quite differently than providing the \$18 million for consulting services for long-term care facilities under PSC #40941-22/23.

It’s not clear if the Civil Service Commission didn’t understand, or missed it, that the very same kinds of services have, in fact, been provided in the past ... and we’re talking about the very recent past, May 2022.

The consulting services through the Moss Adams contract are being provided under PSC #48902–20/21, and other consulting services by Tryfacta, Inc. are being provided under PSC #44743–21/22 — neither of which PSC’s were mentioned in the PSC #40941-22/23 application seeking additional authority to enter into \$18 million more in consultant contracts for Laguna Honda.

Indeed, part of the Moss Adams contract was to assist with developing and *remediation* of all “*Plans of Correction (POCs)*,” including [contributing to] writing the RCA [Root Cause Analysis reports], and development of the “*Action Plans*” [corrective action “*milestones*”]. So, why does LHH need another \$18 million to continue helping develop “*Plans of Corrections*” that LHH managers should already know how to write? Can anybody say, “*duplication of consultant efforts*”?

When asked in “Form 1” question “1-C, *Description of Work*” whether any contracts eventually awarded under the new PSC #40941-22/23 authorization will eventually need to be renewed beyond December 31, 2024 LHH lamely answered “*Only if the need continues to be present.*” Theoretically, once “*knowledge transfer*” occurs from the consultants to LHH’s own staff to flesh out LHH staff skill sets and is completed, shouldn’t the need for extending consulting contracts eventually come to a grinding halt?

Or is the City’s piggybank for consultants so deep — and LHH’s existing staff so untrained — that LHH will keep finding new reasons to keep shoveling on lucrative consulting contracts *after* December 2024 ... even after LHH obtains full recertification potentially in December 2023? Are SFDPH and LHH *really* anticipating that these contracts will need to be extended into 2025, 2026, and beyond?

The Civil Service “Form 1” asked in section “6-E, *Additional Information*” whether a board or commission had determined (prior to submitting the PSC application) whether contracting out the work outside the Civil Service merit system is the most effective way to provide this service. LHH simply answered “No.”

This portends the San Francisco Health Commission — as LHH’s “*governing body*” — may not have been informed beforehand that LHH was seeking authority from the Civil Service Commission to spend \$18 million more on consulting services, and the Health Commissioners may not even learn about it until LHH submits an actual new contract for Health Commission budgetary approval.

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“ Or is the City’s piggybank for consultants so deep — and LHH’s existing staff so untrained — that LHH will keep shoveling on lucrative consulting contracts after December 2024, after LHH obtains full recertification potentially in December 2023 ... into 2025, 2026, and beyond? ”

Similarly, Civil Service “Form 1” asked in section “6-F, *Additional Information*” whether the proposed work will be completed by a contractor having a current PSC contract with LHH or Department of Public Health. Again, LHH simply answered “No.” [Note: *That turned out to be an outright lie.*]

If any contracts are eventually awarded under the new \$18 million authority, we’ll have to see whether or not the **current** contractors will get lucrative consulting gig extensions, using the new \$18 million. Alternatively, we’ll have to see what the consulting specialty for some new consulting outfit is, and why they were chosen to augment work being performed by HMA and HSAG.

[Update: On September 1, HSAG — then having a “current” contract that was set to expire on December 31, 2023 — was awarded a new \$9.9 million contract for September 1, 2023 to August 31, 2024, funded from the new \$18 million CSC authorization. So, HSAG’s two contracts included a three-month overlap in dates.]

Inching Towards Recertification and New Admissions

Of interest, the Civil Service “Form 1” application described the lengthy process involved in obtaining recertification.

Given a first application to become a Medicaid (Medi-Cal) provider was submitted on August 11, and once LHH submits its second application to become a Medicare provider, it will kick off what is likely to be a four-month process before admissions to LHH can resume outlined in the Civil Service application:

“Laguna Honda Hospital will be seeking reinstatement and execute a new CMS Provider Agreement, which can only occur if it can show [it is] back in substantial compliance with all applicable Medicare [and Medicaid] Conditions of Participation. The reapplication process will include [submitting two] applications [one to the Feds and one to the State], an initial [full extended] survey [inspection], a three-month reasonable assurance period [to ensure corrective actions are being sustained long term], and a second [inspection] survey to ensure that Laguna Honda Hospital remains in substantial compliance.” That will stretch over a probable four-month period before LHH gains full certification and is allowed to resume admitting patients.

To date, LHH has not explicitly discussed this extensive four-month process during open sessions of San Francisco Health Commission’s public meetings. It’s not clear whether the seven-member Health Commission has even been informed that recertification involves a grueling four-month process from the date application forms are submitted.

And during those four months, LHH must stay on its toes and not receive any further “*Immediate Jeopardy*,” or “*Actual Harm*” deficiency citations involving substandard patient care violations.

Although LHH submitted only its Medi-Cal recertification on Friday, August 11, it’s not clear as of Tuesday, August 15 on what date LHH plans to submit its Medicare recertification application. But it will probably be four months from now, perhaps in mid-November at the earliest, before LHH can admit patients with Medi-Cal as their payor source, if — and it’s a big “*if*” — LHH is allowed to even begin admitting only Medi-Cal patients.

The rationale justifying the \$18 million proposed to hire additional consultants essentially amounts to more hollow, empty promises to improve LHH to avoid it being shut down. But why any additional contracts would be needed, or justified, through December 2024 — if LHH passes its recertification — hasn’t been *adequately* explained.

Apparently, to cover all of its bases and perhaps prime the pump, LHH asserted in its Civil Service application that it needs to “*establish an ongoing framework to ensure that the improvements that have been made are operationalized and continue on post-recertification.*”

“ Asked whether the proposed work will be completed by a contractor having a current PSC contract, LHH answered ‘No.’ (That turned out to be an outright lie.)

A current contractor *did* get a lucrative consulting gig extension: HSAG was awarded a new \$9.9 million contract on September 1 funded from the new \$18 million CSC authorization (involving overlapping contract periods).”

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After all, consultants have been on the ground at LHH for 15 months already (starting in May 2022). Why consultants may be needed for an additional 16 months through December 2024 seems to be excessive.

It appears to be more like suckling at the teats of cash-cow City funds, just to fatten the consultant's coffers.

August 16 and November 1 Updates:

News [broke](#) at 1:30 p.m. on Wednesday, August 16 — just before submitting this article to the *Westside Observer* — reporting that “CDPH and the California Department of Health Care Services recertified Laguna Honda Hospital in the Medicaid [Medi-Cal] provider program ‘*effective immediately*.’” [Emphasis added.]

No information was immediately available about the four-month process involving the requirement to undergo two facility inspections separated by the 90-day “*reasonable assurance*” period between inspections. There was also no word immediately about how soon LHH can actually resume admissions of Medi-Cal patients.

[**Note:** As of November 1 LHH's four-month process, beginning with a first facility recertification full inspection hasn't begun. Nor has the 90-day waiting period. So, admissions probably won't resume until March 24, if then.]

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