

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Homer Memorial Hospital
Homer, Louisiana

February 23, 2000



Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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LEGISLATIVE AUDITOR

Daniel G. Kyle, Ph.D., CPA, CFE

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HOMER MEMORIAL HOSPITAL
Homer, Louisiana

Dated December 1, 1999

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

February 23, 2000

Homer Memorial Hospital
Homer, Louisiana

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DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

December 1, 1999

**HONORABLE DAVID AUBREY, MAYOR,
AND BOARD OF SELECTMEN
TOWN OF HOMER**
Homer, Louisiana

We have performed a limited examination of the Homer Memorial Hospital. Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

The accompanying report presents our findings and recommendations as well as responses from management of Homer Memorial Hospital. We will continue to monitor the findings until the hospital resolves them. Copies of this report have been delivered to the hospital, Louisiana Board of Ethics, Claiborne Parish Hospital Service District No. 2, and other authorities as required by state law.

Respectfully submitted,

A handwritten signature in cursive script that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

ESS:GLM:GCA:sev

LEGISLATIVE AUDITOR

HOMER MEMORIAL HOSPITAL
Homer, Louisiana

CONCLUSIONS

The following summarizes the findings that resulted from our visit to the Homer Memorial Hospital on December 1, 1999, to follow-up on various complaints relating to the hospital's medical scholarship program.

The Findings and Recommendations section of this report provides details for these findings. Management's responses are included in Attachment I.

1. The hospital entered into written agreements with medical students that do not comply with state laws.
2. The hospital failed to comply with the Louisiana Governmental Code of Ethics during the administration of the medical scholarship program.
3. The hospital is paying scholarship funds to a physician that has completed medical training.
4. The hospital may have violated state law by not requiring an appropriate pro-rata amount of scholarship repayment from a physician that returned to work at the hospital on a part-time basis.
5. The hospital violated state law by not seeking repayment of scholarship funds timely from a recipient that did not return to work at the hospital.
6. The hospital entered into written agreements with nursing students that do not comply with state laws.
7. The hospital received monies from Claiborne Parish Hospital Service District No. 2 without a written agreement as to how the money was to be used by the hospital.

LEGISLATIVE AUDITOR

HOMER MEMORIAL HOSPITAL Homer, Louisiana

BACKGROUND

Homer Memorial Hospital is owned by the Town of Homer and is administered by a board of directors appointed by the board of selectmen of the Town of Homer. The fiscal operations of the hospital are kept and administered separate from the town; however, the hospital is subject to review by the mayor and board of selectmen.

The hospital entered into written agreements with medical students as a method to recruit physicians to locate a full-time medical practice in Homer. The agreements require the hospital to advance monies, on a monthly basis, to students while furthering their medical education. In return, the students agree to locate a full-time medical practice and use Homer Memorial Hospital as their primary hospital for a specified number of years.

The hospital entered into agreements with seven medical students during the period from July 1, 1991, to February 1, 1995. As of December 1, 1999, \$430,500 has been disbursed under this medical scholarship program. We were informed that of the seven individuals, two are in medical training/school and five have completed their medical education.

Louisiana Revised Statute (R.S.) 46:1101 provides parish hospitals and hospital service districts the authority to establish and administer a medical scholarship program for the purpose of increasing the educational opportunities available to medical students who will practice family medicine in areas where physician care is limited or unavailable. R.S. 46:1102-1112 require the scholarship contracts to incorporate specific terms and provisions, as well as providing specific procedures to be followed by the hospital.

The hospital's administrator and attorney informed us that because these statutes specifically authorize the establishment of medical scholarship programs by parish hospitals and hospital service districts, these statutes do not apply to Homer Memorial Hospital, a municipally-owned hospital. Also, we were informed that the physician agreements were employment contracts and not designed to follow the scholarship provisions required by R.S. 46:1101-1112.

Louisiana Attorney General Opinion No. 00-02 provides that (1) the term "hospital service districts" is defined to include a municipally-owned hospital; (2) the program established by the hospital should conform to the scholarship provisions of R.S. 46:1101-1112; and (3) the physician agreement does not constitute an employment contract, but rather is a contract in furtherance of the medical scholarship program.

The hospital entered into written contracts with nursing students as a method to recruit registered nurses for full-time employment upon completion of their education. The hospital entered into contracts with nineteen nursing students during the period January 1992 to September 1995. As of December 1, 1999, \$108,862 has been disbursed under this nursing

Homer Memorial Hospital
Homer, Louisiana
Background (Concluded)

scholarship program. We were informed that of the nineteen individuals, two are currently in school, twelve completed their education, and five did not graduate.

R.S. 46:1131 provides hospitals and hospital service districts the authority to establish and administer a nursing scholarship program for the purpose of increasing the educational opportunities available to nursing students who will practice nursing in an area of the hospital service district approved by the board. R.S. 46:1132-1141 require the scholarship contracts to incorporate specific terms and provisions, as well as providing specific procedures to be followed by the hospital.

LEGISLATIVE AUDITOR

**HOMER MEMORIAL HOSPITAL
HOMER, LOUISIANA**

METHODOLOGY

The Legislative Auditor received certain information alleging that the hospital violated state laws relating to the administration of the medical scholarship program. We visited the hospital on December 1, 1999, to determine the accuracy of this information.

Our procedures consisted of the following: (1) examining selected hospital records; (2) interviewing certain employees of the hospital; (3) reviewing applicable Louisiana laws, Attorney General opinions, Board of Ethics opinions, and Town of Homer ordinances; (4) making inquiries of other persons to the extent we considered necessary to achieve our purpose; and (5) requesting a legal opinion from the Louisiana Attorney General.

HOMER MEMORIAL HOSPITAL
Homer, Louisiana

FINDINGS AND RECOMMENDATIONS

**Medical Scholarship Agreements
Do Not Comply With State Laws**

The hospital's written agreements do not comply with state laws. Louisiana Revised Statutes (R.S.) 46:1101-1112 provide authority for the hospital to establish and administer a medical scholarship program. Management of the hospital contend that the hospital is a municipally-owned hospital and, therefore, the above mentioned laws do not apply. However, Louisiana Attorney General Opinion No. 00-02 states that even though municipally-owned hospitals are not specifically enumerated in the above provisions, that does not prohibit them from participation in such programs. In addition, the Attorney General opines that the hospital's medical scholarship program should conform to the provisions of R.S. 46:1101-1112.

Hospital procedures and the standard written agreement, used for all seven medical students, deviate significantly from statutory provisions contained in R.S. 46-1101-1112 as follows:

1. R.S. 46:1101 requirements

Medical scholarships awarded are restricted to residents or former residents of the hospital service district or parish.

Deviation

Three of the medical students awarded scholarships were non-residents of Claiborne Parish.

2. R.S. 46:1102 requirements

The number and amount of each scholarship granted cannot exceed the number and amount set forth in the hospital's policy.

Deviation

The hospital does not have a formal policy. The July 8, 1991, minutes reflect a motion was adopted to "Set aside \$5,000 per month to be used to fund up to five medical scholarships, as authorized in R.S. 46:1102." The seven scholarships granted exceed the number authorized (five), and the amount of each scholarship granted is not set forth.

3. R.S. 46:1104 requirements

The hospital board is required to establish the selection process of the recipient that will preclude the appearance of and the possibility of nepotism. In addition, the board is required to notify the dean of the medical school to which the recipient has been admitted or the chief administrator of any internship or residency program.

Homer Memorial Hospital
Homer, Louisiana
Findings and Recommendations (Continued)

· Deviation

We found no evidence of a formal selection process or policy pertaining to nepotism. The board gave the hospital administrator the authority to enter into agreements with medical students. In addition, the hospital administrator informed us that he did not notify the dean of the medical school or the chief administrator of internship or residency programs.

4. R.S. 46:1105 requirements

Scholarship funds awarded are required to be issued to the dean of the medical school or to the chief administrator of the internship or residency program.

Deviation

Scholarship funds are not paid to the dean of the medical school or to the chief administrator of the internship or residency program. Scholarship funds are paid directly to the student on a monthly basis.

5. R.S. 46:1106 requirements

The form of the contract must be approved by the Louisiana Attorney General and a copy transmitted to the respective medical school.

Deviation

The hospital agreement was not submitted to the Louisiana Attorney General for approval. In addition, we were informed that copies of the agreements were not transmitted to the medical school.

6. R.S. 46:1107 requirements

The recipient is required to remain in the parish or district, as the case may be, for a period of three years as consideration for the medical scholarship awarded.

Deviation

The hospital's agreements provide that upon completing eight years as a medical practitioner and using Homer Memorial Hospital as his/her primary hospital, the entire indebtedness will be excused and forgiven.

The hospital should strictly adhere to the medical scholarship statutory provisions contained in R.S. 46:1101-1112.

**Failure to Comply With Louisiana
Governmental Code of Ethics**

The hospital failed to comply with the Louisiana Governmental Code of Ethics during the administration of the medical scholarship program. R.S. 46:1113(B) prohibits an appointed

Homer Memorial Hospital
Homer, Louisiana
Findings and Recommendations (Continued)

member of the board or any member of his immediate family from being in any way interested in a transaction which is under the supervision or jurisdiction of the board. Also, R.S. 46:1112(B)(1) prohibits a board member from participating in any transaction involving the board and in which an immediate family member has a substantial economic interest. In addition, pursuant to R.S. 46:1112(D) and the Board of Ethics advisory opinion, an appointed member of a board cannot recuse himself from such participation.

Three of the seven medical students that entered into scholarship agreements with the hospital are immediate family members of board member and Chief of Staff Dr. D.K. Haynes. At December 1, 1999, the three family members combined have received monies totaling \$224,500, or approximately 52% of the total funds disbursed under the scholarship program. The hospital is currently paying \$1,000 monthly to two of the family members under the terms of their agreements. A summary of the scholarships awarded to the family members as of December 1, 1999, is as follows:

1. John Haynes (son of D.K. Haynes) has received funds totaling \$72,500.
Scholarship term: July 1991 to June 1998 (seven years)
2. Scott Haynes (son of D.K. Haynes) has received funds totaling \$76,000.
Scholarship term: August 1993 to July 2000 (seven years)
3. Maria Haynes (Scott Haynes' spouse and daughter-in-law of D.K. Haynes) has received funds totaling \$76,000.
Scholarship term: August 1993 to July 2000 (seven years)

We were informed that Dr. D.K. Haynes joined the board in October 1992 and served until 1994. Therefore, he was a hospital board member when Scott Haynes and Maria Haynes were awarded their scholarships. Although he was not on the board when his other son, John Haynes, was awarded his scholarship, he was a board member during the period when hospital funds were being paid to him. On the date of our visit, December 1, 1999, Dr. D.K. Haynes was a hospital board member and scholarship funds were currently being paid to Scott Haynes and Maria Haynes.

In addition, minutes reflect Dr. D.K. Haynes' presence at the July 22, 1999, board and executive committee meetings when two issues were brought before the board, discussed in executive session, voted on, and approved that involved family members John Haynes and Maria Haynes. The issues were (1) John Haynes' repayment of 50% of the scholarship funds he received with the remaining 50% to be forgiven based upon his part-time work arrangement with the hospital; and (2) whether to continue honoring Maria Haynes' agreement/contract. The hospital's attorney informed us that Dr. D.K. Haynes was not allowed to participate and vote on these matters involving his children and relatives.

Homer Memorial Hospital
Homer, Louisiana
Findings and Recommendations (Continued)

The hospital received an advisory opinion dated November 16, 1999, from the Louisiana Board of Ethics, regarding the monthly payments disbursed to Scott Haynes while his father is a member of the hospital's board of directors. The Louisiana Board of Ethics concluded that either Dr. D.K. Haynes must resign his position on the board or Scott Haynes must discontinue his receipt of the monthly benefits. The Town of Homer adopted ordinance number 839 on December 6, 1999, which reduced the hospital board from 17 members to nine members. Effective January 1, 2000, Dr. D.K. Haynes is no longer a hospital board member.

The Town of Homer should request an ethics ruling as to the proper disposition of this matter. The hospital should develop written policies and procedures to ensure that ethics violations do not occur in the future.

**Scholarship Funds Paid After
Completion of Medical Training**

The hospital is paying scholarship funds to a physician that has completed medical training. Attorney General Opinion No. 00-02 provides that payments to students after completion of their medical training is contrary to the statutory provisions and would be subject to constitutional challenge under Article VII, Section 14 of the Louisiana Constitution of 1974.

Maria Haynes finished her medical training on July 31, 1998, and continues to receive hospital funds on a monthly basis. The hospital board approved honoring the terms of the seven-year agreement by continuing paying her \$1,000 per month. We contacted LSU-Shreveport Medical School and confirmed that Maria Haynes completed her medical training (pediatrics) on July 31, 1998, joined the medical staff on September 29, 1998, and resigned on November 5, 1999. We were informed that Maria Haynes notified the hospital of her intentions to relocate to Homer to practice in July 2000, in accordance with her agreement.

The hospital paid Maria Haynes \$60,000 over the five-year period beginning August 1993 to the completion of her medical training in July 1998. Subsequently, from August 1998, through the date of our visit, December 1, 1999, Maria Haynes received an additional \$16,000 of hospital funds. Also, the hospital intends on paying Maria Haynes an additional \$8,000 during the period December 1999 to July 2000.

The hospital should immediately discontinue scholarship payments to Maria Haynes and seek repayment of scholarship funds paid to her after completion of her medical training.

Homer Memorial Hospital

Homer, Louisiana

Findings and Recommendations (Continued)

**Scholarship Repayment Amount
May Not Comply With State Law**

The hospital may have violated state law by not requiring an appropriate pro-rata amount of scholarship repayment from a physician that returned to work at the hospital on a part-time basis. R.S. 46:1108 requires that a recipient who fails to comply fully with any condition pursuant to the medical scholarship provisions must remit to the board that amount which bears the same ratio to the aggregate of the amount of the scholarship awarded as the number of months that the recipient failed to comply with this condition bears to the number of months he was obligated to comply. The hospital's physician agreement states, "If student fails or refuses to conduct a full-time medical practice utilizing Homer Memorial Hospital as their primary hospital for the entire eight-year period of time, the hospital may declare all sums due and immediately payable." In addition, Article VII, Section 14 of the Louisiana Constitution of 1974 provides that the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person.

The hospital entered into a scholarship agreement with John Haynes, for the period July 1991 to June 1998, which provided him funds totaling \$72,500. We were informed that John Haynes completed his medical training (Obstetrics and Gynecology) and is employed in Shreveport; however, he comes to Homer Memorial Hospital every other Tuesday morning to see patients. This part-time arrangement results in approximately 10% (one day worked over ten-day work period) of his time being devoted to services provided at Homer Memorial Hospital. However, the July 22, 1999, board minutes reflect approval for John Haynes to pay back only 50% (\$36,250) of his outstanding scholarship debt, with the remaining 50% (\$36,250) to be forgiven based on the part-time work he will do at the hospital.

The hospital should require that John Haynes pay back 90% (100% [full-time basis] minus 10% [part-time basis worked]), or \$65,250, of the total scholarship funds advanced to him, because this is proportionate to the time he is not providing services at the hospital.

**Scholarship Funds Not Repaid
Violates State Law**

The hospital violated state law by not seeking repayment of scholarship funds timely from a recipient that did not return to work at the hospital. R.S. 46:1108 requires the recipient who fails to return to the hospital upon completion of medical training to begin repayment within one year after completion of medical training.

Homer Memorial Hospital

Homer, Louisiana

Findings and Recommendations (Continued)

We were informed that Shannon Spigener, who received \$68,000 in scholarship funds, is practicing medicine elsewhere and has not begun repayment. She notified the hospital in March 1997, of her intentions not to return to the hospital to practice medicine. In addition, she *completed her medical training in June 1997. The hospital filed a lawsuit for repayment on December 15, 1998, which is more than one year from the time she finished medical training.* We were informed that negotiations between the hospital and Shannon Spigener are ongoing.

The hospital should aggressively seek repayment of all scholarship funds advanced. Failure to do so would constitute a violation of Article VII, Section 14 of the Louisiana Constitution of 1974.

**Nursing Scholarship Contracts
Do Not Comply With State Laws**

The hospital's contracts with nursing students do not comply with state laws. R.S. 46:1131-1141 provide authority for the hospital to establish and administer a nursing scholarship program.

The hospital's nursing contracts were patterned after the medical scholarship provisions of R.S. 46:1101-1112 rather than the nursing scholarship provisions of R.S. 46:1131-1141. Therefore, hospital procedures and the standard written contract, used for all nineteen nursing students, deviates significantly from statutory provisions contained in R.S. 1131-1141 as follows:

1. R.S. 46:1131 requirements

Nursing scholarships awarded are restricted to residents or former residents of the parish. In addition, the nursing student must attend a nursing school located in the State of Louisiana.

Deviation

The hospital awarded nursing scholarships to three non-residents of Claiborne Parish. In addition, ten nursing students attended nursing schools outside the State of Louisiana.

2. R.S. 46:1132 requirements

The number and amount of each nursing scholarship granted cannot exceed the number and amount set forth in the hospital's policy.

Deviation

The hospital does not have a formal nursing scholarship policy.

Homer Memorial Hospital

Homer, Louisiana

Findings and Recommendations (Continued)

3. R.S. 46:1134 requirements

The board is required to establish the selection process of the recipient that will preclude the appearance of and the possibility of nepotism.

Deviation

There is no formal selection process or policy pertaining to nepotism.

4. R.S. 46:1136 requirements

The form of the contract must be approved by the Louisiana Attorney General.

Deviation

The hospital contract was not submitted to the Louisiana Attorney General for approval.

5. R.S. 46:1137 requirements

For each \$1,000 of scholarship monies received, the recipient is obligated to practice as a full-time nurse for a period of six months up to a total not to exceed thirty-six months (3 years) of full-time work, as consideration for the nursing scholarship awarded.

Deviation

Nursing contracts reflect various employment terms, eight of which exceed three years.

6. R.S. 46:1138 requirements

If the recipient fails to return to the hospital upon completion of nursing training, repayment of the scholarship is to be completed within four years.

Deviation

There are six contracts where collection efforts have extended beyond four years.

7. R.S. 46:1140 requirements

The scholarship will be considered paid in full when full-time registered nurse positions are not available at the hospital within twelve months of completion of training.

Deviation:

Full-time registered nurse positions were not available at the hospital for three nursing students upon completion of their training. The three nursing scholarships, totaling \$19,037, were forgiven; however, the hospital made the employment decision only at the time of student's graduation, rather than continuing to monitor their employment status up to one year later. The hospital's director of nursing informed us that she was not aware of the twelve-month provision. In addition, the nursing contract is silent with regard to this provision.

The hospital should strictly adhere to the nursing scholarship statutory provisions contained in R.S. 46:1131-1141.

Homer Memorial Hospital
Homer, Louisiana
Findings and Recommendations (Concluded)

Written Agreement Needed

The hospital received monies from Claiborne Parish Hospital Service District No. 2 without a written agreement as to how the money was to be used by the hospital. Article VII, Section 14(A) of the Louisiana Constitution of 1974 provides that the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation. However, Article VII, Section 14(C) provides the following with respect to cooperative endeavors: "For a public purpose, the state and its political subdivisions or political corporations may engage in cooperative endeavors with each other, with the United States or its agencies, or with any public or private association, corporation, or individual." The following are requirements for a valid cooperative endeavor agreement:

1. There must be a legal obligation or duty upon which the agreement is founded.
2. The purpose of the agreement must be public in nature.
3. The public benefit must be proportionate to the cost.

Claiborne Parish Hospital Service District No. 2 assessed a 11.16 mills property tax for the purpose of constructing, improving, maintaining and/or operating hospital facilities in the district. This property tax was assessed for a period of ten years beginning in 1989 and ending in 1998. Property taxes collected during the period December 1998 through June 1999 (last year of the tax) totaled \$388,248. Property taxes were collected by the Claiborne Parish Sheriff's office and remitted directly to the Homer Memorial Hospital. There was no written cooperative endeavor agreement between Hospital Service District No. 2 and the hospital that authorized the Claiborne Parish Sheriff to remit the tax collections directly to the hospital or that provided how the money was to be used by the hospital.

For future receipts of monies from Hospital Service District No. 2, the hospital should enter into a cooperative endeavor agreement that specifies how the money is to be used by the hospital.

Attachment I

Management's Responses



Office of the Mayor
HOMER, LOUISIANA

DAVID J. AUBREY
MAYOR

400 EAST MAIN
HOMER, LA 71040
(318) 927-1312
(318) 927-3555
Fax 927-3399

February 10, 2000

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
State of Louisiana
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: HOMER MEMORIAL HOSPITAL REPORT

Dear Dr. Kyle:

Please accept this as the formal response to the report issued in connection with the recently performed limited examination of Homer Memorial Hospital. As you are aware, the Homer Memorial Hospital is a municipally owned hospital; hence, I am charged with submitting the response to same, in my capacity as Mayor of the Town of Homer.

In the exit conference with Mr. McCrory of your office, we were asked to submit responses to the various findings and recommendations presented to us in the preliminary report. First, let me say that the Town of Homer will abide by and comply with all applicable laws of the State of Louisiana, particularly those set forth in the Ethics Code. For a matter of record, many of the decisions cited in this report go back many years to the early 1990's and have no reflection on existing officials of the Town of Homer, nor Homer Memorial Hospital. Let me also assure you that at no point did any person or persons knowingly act in contravention of any ethics statute. With all of that said, I turn now to the specific findings and recommendations contained in the preliminary report.

MEDICAL SCHOLARSHIP AGREEMENTS DO NOT COMPLY WITH STATE LAWS

This issue involved our recruitment of doctors to serve Claiborne Parish. This recruitment program was commenced in 1991 and administered by then-administrator, Mr. Larry Jordan. As you may be aware, Mr. Jordan is on administrative leave from the hospital, as of January 1, 2000. Specifically, your auditors have pointed out that the recruitment program implemented in 1991 did not comply with La. R.S. 46:1101-1112. We agree with this finding, and it is for that reason that this program was discontinued by an unanimous vote of the Board of Directors of the Homer Memorial Hospital at its November, 1999 Board meeting. Furthermore, the Board determined that should any future contracts be offered, these would be written in strict compliance with Louisiana's medical scholarship statutes.

FAILURE TO COMPLY WITH LOUISIANA GOVERNMENTAL CODE OF ETHICS

This issue involves whether a sitting board member may also have a family member receiving benefits pursuant to the previously discussed program. In short, we entirely agree with the findings of your

report that, in order to avoid even the appearance of conflict, the board member should either resign his post or the family member discontinue receipt of benefits. In this particular situation, the former was chosen. In January 1, 2000, upon my recommendation, the Board of Selectmen appointed a new board. This apparent conflict of interest was resolved then, in that no present board member, or any immediate member of the family of any board member, presently receives any benefits pursuant to the medical program. Further, we have instructed the Hospital attorney to draft a letter to the Board of Ethics to confirm their previous statement that this would remedy the apparent conflict of interest. We hope to hear from the Board of Ethics soon on this issue.

SCHOLARSHIP FUNDS PAID AFTER COMPLETION OF MEDICAL TRAINING

This issue involved the payment of benefits under the program subsequent to the student having completed medical school. As such, this issue relates to the first issue, which is noncompliance of La. R.S. 46:1101-1112. Again, the Hospital stresses its desire to comply with all applicable state laws; and again, all future medical contracts will be in full compliance with the scholarship guidelines. Along those lines, the Homer Memorial Hospital Board will appoint a select committee to review the discontinuation of benefit payments to all persons that have completed their medical training. In close consultation with the Hospital's general counsel, the committee will render a report to the Board, after having investigated the matter thoroughly, and therein make its recommendation to how to proceed. As you can appreciate, there are numerous legal issues involved which must carefully be considered before the Hospital unilaterally terminates any contract previously entered into between it and perspective physicians. We expect this committee, board, and the town to conclude its work within 120 days.

SCHOLARSHIP REPAYMENT AMOUNT MAY NOT COMPLY WITH STATE LAW

This issue involved a negotiated repayment of scholarship benefits by a physician who did not return to Claiborne Parish to work full time, as required in the medical contract. As you are aware, the Hospital pays benefits to medical students in hopes that the medical student will be enticed into returning to Claiborne Parish to practice medicine for a set period of time. In the event that the medical student opts not to return to Claiborne Parish, this student is required to pay back all benefits received, plus interest. In this particular situation, however, neither occurred. Specifically, although the student did not return to Claiborne Parish to practice full time, this doctor practices in Claiborne Parish on the average of one day every two weeks. He also comes to Claiborne Parish as often as is necessary for his patients' cure and treatment. For that reason, and given this relationship is financially beneficial to the Homer Memorial Hospital, the board agreed to forgive one-half of his total debt in favor of a one-time payment of \$35,000.00. This compromise was entered into by the Board and this doctor with the full understanding that the precise situation involved here was not contemplated at the time the contract was entered into. For this reason, the board felt that it was in the best interest of all concerned that the proposal be accepted.

Your recommendation is that the Hospital require the doctor to pay back ninety percent, as opposed to fifty percent, of the benefits advanced. Once again, this recommendation raises various legal issues, not the least of which is whether the hospital may breach a settlement and compromise agreement reached with this particular doctor. Again, the Hospital's general counsel is considering this question and will report to the investigative committee, which will in turn report to the Board and officials of the Town of Homer within the time frame referenced above.

SCHOLARSHIP FUNDS NOT REPAYED VIOLATES STATE LAW

This issue involved whether the Hospital should aggressively seek repayment of all benefits advanced, either to nurses or physicians. The Hospital's general counsel has reported that all such

repayments are being aggressively pursued. The particular issue raised in your report involves a physician who opted not to return to Claiborne Parish to practice. After numerous attempts were made to negotiate a settlement with this physician, to no avail, the Hospital had no alternative but to file suit to collect this debt. To date, the attorney representing this physician has aggressively fought the case in court, denying that any debt is owed. The Hospital's general counsel has informed the Board that the matter is ready for trial and he has requested that a trial date in this matter be set as quickly as possible. We anticipate a favorable ruling in this particular case and assure you that this and all other collections will be aggressively pursued by the board and its general counsel.

NURSING SCHOLARSHIPS CONTRACTS DO NOT COMPLY WITH STATE LAWS

This issue involved the nursing recruitment program in place at the Homer Memorial Hospital. Once again, we entirely agree with your finding and recommendation that all future nursing contracts should comply with La. R.S. 46:1131-1141. For that reason, this program was also suspended at the November, 1999 Board meeting. Please be assured that this recommendation will be strictly enforced and followed, as was directed by the Homer Memorial Hospital Board in November of 1999.

WRITTEN AGREEMENT NEEDED WITH HOSPITAL SERVICE DISTRICT #2


This issue involved accounting for all tax revenues paid to the Homer Memorial Hospital through Hospital Service District No. 2. We concur with this finding and recommendation. As indicated to Mr. McCrery, the tax of the Hospital Service District No. 2, lapsed in 1999. Hence, this tax is not being collected, nor are there any initiatives being discussed to put this tax on any future ballots. However, should any future tax of this variety be passed, a cooperative endeavor agreement between the taxing authority and the Town of Homer will be executed and all monies accounted for to that taxing entity.

CONCLUSION

We have made some very positive strides at Homer Memorial Hospital under the new administration of the Town of Homer. We have a new "acting" administrator, a reduced and focused Board of Directors, more internal controls in place to monitor compliance with state statutes, and a dedicated staff who is interested in advancing health care in Homer and Claiborne Parish. There are and have been many challenges which must be overcome; yet we will do so successfully. Please know that it is our intent to maintain compliance of all state laws and statutes.

If you have any further questions, please do not hesitate to contact me.

Sincerely,



David J. Aubrey
Mayor

xc: Board of Aldermen
Mr. James McClung
Attorney James Colvin