

July 14, 2023

Part 1 of a Two-Part Series

Costs to Rescue Laguna Honda Hospital Soars. Again.

## LHH's Mismanagement Costs Reaches \$64.1 Million

**New Contracts Totaling \$11.4 Million Raise Questions, Including a \$4.1 Million "Air Traffic Control" Contract Amendment to Triage Incoming Requests for Information From Mayor Breed**

by Patrick Monette-Shaw

Various costs related to Laguna Honda Hospital's mismanagement over the years and LHH's efforts to obtain Federal recertification continue to climb. Having now reached \$64.1 million in costs, expenses are expected to climb significantly higher. LHH's multiple problems can only be described as being a hot mess.

Costs associated with LHH's mismanagement involve at least four major "buckets" of spending: Consultant contracts trying to assist LHH obtain recertification; lost Medi-Cal revenue that had been budgeted to cover LHH's operations; State and Federal fines, penalties, and lawsuit expenses involving substandard care of LHH's patients; and miscellaneous expenses, including neglected repairs to LHH's physical buildings, hiring of crucial additional staff, and professional association fees.

By the time LHH gains its recertification, costs will likely escalate to between \$80 million and \$100 million.

Table 1: Summary of Costs to Rescue Laguna Honda Hospital

Description	Total Amount
1 Consultant Contracts	\$ 30,471,144
2 Lost Medi-Cal Revenue	\$ 22,300,000
3 State and Federal Fines, Penalties, and Lawsuit Expenses	\$ 4,860,171
4 Miscellaneous Expenses	\$ 6,501,490
<b>Total Costs:</b>	<b>\$ 64,132,805</b>

Source: Various public records. As of: **July 12, 2023**

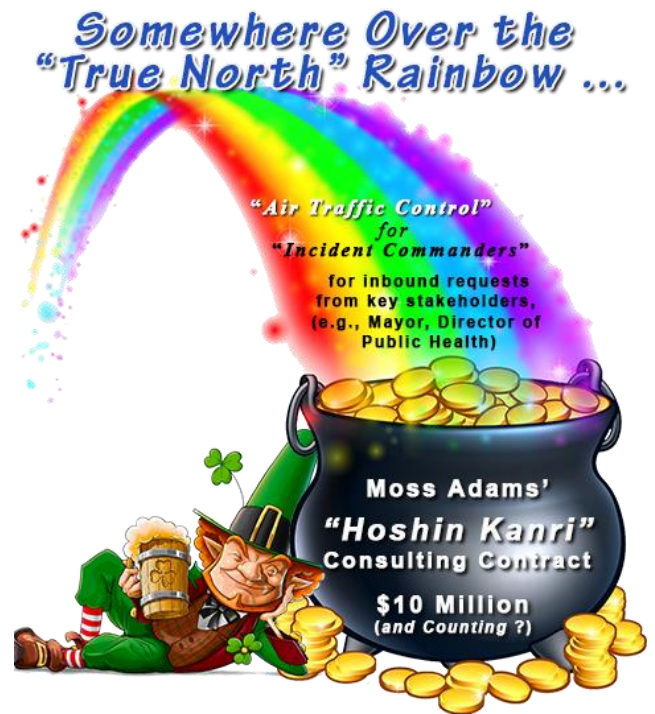
Each of the four main buckets of associated expenses are addressed in this two-part series. Part 1 of this article explores the \$52.7 million between the consulting contracts and lost Medi-Cal revenue. Part 2 addresses the additional \$11.4 million in expenses, which will probably rise before Part 2 is published.

### Consulting Contracts

Within a month of being decertified in April 2022, LHH and the San Francisco Department of Public Health (SFDPH) set out on a spending binge of hiring consulting firms to come in and help LHH straighten out the mismanagement of the hospital and assist with efforts to get LHH recertified by the U.S. Centers for Medicare and Medicaid Services (CMS).

SFDPH initially awarded a combined \$9 million in May 2022 for three consulting firms to help rescue LHH and prevent its closure following its April decertification, as shown in Table 2. The initial \$9 million rapidly ballooned to \$16.3 million.

Two contracts totaling \$11.4 million — the \$7.3 million contract awarded to Health Services Advisory Group (HSAG) in January 2023 and the \$4.1 million contract awarded to Moss Adams approved in 2023 — are problematic, raising questions.



**A Drunken Leprechaun** is only one drunken *cousin-once-removed* from Health Department officials hell bent on spending the public's dime on "air traffic control" systems using "Hoshin Kanri" nonsense to field incoming Mayoral inquiries.

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**Table 2: Consultant Contracts**

Description	Contract Amount	1st Contract Amendment	Total Amount	Contract Term
1 HMA Contract (Contract Amendment: 10/3/2022)	\$ 3,782,365	\$ 2,080,937	\$ 5,863,302	5/9/22 – 6/30/23
2 Tryfacta, Inc. Contract (for as-needed staffing)	\$ 3,500,000		\$ 3,500,000	6/17/22 – 12/17/22
3 HSAG First Contract (Contract Amendment 6/15/2022)	\$ 1,778,247	\$ 5,211,317	\$ 6,989,564	5/9/22 – 12/22/22
<b>Initial Consultants Sub-Total:</b>	<b>\$ 9,060,612</b>	<b>\$ 7,292,254</b>	<b>\$ 16,352,866</b>	
4 HSAG Quality Improvement Expert (QiE) – Second Contract (Awarded November 2022)	\$ 2,685,107		\$ 2,685,107	11/8/22 – 12/31/23
5 HSAG Third Contract (Contract Awarded 1/30/2023)	\$ 7,295,539		\$ 7,295,539	1/1/23 – 12/31/23
6 Moss Adams Contract (LHH Portion Only)	\$ 4,137,632		\$ 4,137,632	12/11/2021 – 12/31/2024
<b>Additional Contracts Sub-Total:</b>	<b>\$ 14,118,278</b>		<b>\$ 14,118,278</b>	
<b>Consultants Total:</b>	<b>\$ 23,178,890</b>	<b>\$ 7,292,254</b>	<b>\$ 30,471,144</b>	

Source: Six San Francisco Department of Public Health contracts. Note: HSAG's three contracts total \$16,970,210. As of: **June 30, 2023**

SFDPH had sought to create the first three contracts — with Health Management Associates (HMA), Health Services Advisory Group (HSAG), and Tryfacta, Inc. — as somewhat open ended, proposing that each of the three contracts could be extended to \$10 million each, with each having flexible terms of up to ten years. But San Francisco’s Board of Supervisors balked. They weren’t willing to allow SFDPH to increase the contracts without additional Board of Supervisors oversight and pre-approval, especially not for ten-year contract terms.

**“ Within a little over a year the contracts have been in effect, they’ve increased to \$30.5 million anyway. ”**

That hasn’t stopped SFDPH. Within a little over a year the contracts have been in effect, they’ve increased to \$30.5 million anyway. It’s thought SFDPH may ask for additional contract amendments in short order, or seek additional new contracts.

Concerns about oddities in the contracts include:

- **Health Management Associates (HMA) Contract** HMA’s initial contract and its first amendment totalling nearly \$5.9 million was to develop a preliminary assessment of factors that led to LHH’s decertification, including performing two separate unofficial “mock surveys” designed to mimic official Federal and State survey inspections to help identify LHH’s deficiencies and lack of compliance with Federal nursing home standards.

The first *mock survey* was conducted in June and July 2022, which revealed 96 deficiencies that could have resulted in actual State citations during an actual survey recertification survey, which would then have prevented LHH from being recertified. [The *Westside Observer* [reported](#) on that first mock survey in March 2023.]

The second mock survey initially planned to be conducted in September 2022 was postponed, apparently indefinitely, and was never conducted. It’s not known if the cancelled second mock survey reduced HMA’s \$5.9 million contract.

**“ HMA’s initial contract and its first amendment totalling nearly \$5.9 million was to develop a preliminary assessment of factors that led to LHH’s decertification. HMA’s contract theoretically ended on June 30, 2023. It’s not yet known whether HMA will seek an additional contract amendment. ”**

It is thought HMA has not reported to, or briefed, either the Board of Supervisors or the San Francisco Health Commission in the first six months of 2023. HMA’s contract theoretically ended on June 30, 2023. Because LHH is so far behind schedule in submitting an application to CMS to become recertified, it’s not yet known whether HMA will seek an additional contract amendment at additional cost through the end of 2023, if the need for HMA’s services has ended, or whether HMA is even still advising LHH.

- **Health Services Advisory Group (HSAG) Contracts** A little over a month after awarding HSGA its first contract for \$1.8 million in May 2022, SFDPH raced to tack on a \$5.2 million amendment by June 15, 2022, pushing HSAG’s first contract to \$10,436 shy of \$7 million.

HSAG’S contract [amendment](#) on June 15, 2022 to its first contract essentially funded using HSAG consultant staff to perform quality improvement tasks and also fill the roles of LHH’s Nursing Home Administrator (NHA) and Assistant Nursing Home Administrator (ANHA) consultants at \$400 per hour, and fund an Infection Preventionist and Discharge Transfer Coach positions at \$325 per hour — in lieu of LHH actually hiring employees to perform those positions at far lower cost. The initial contract and its amendment was for May 9 to December 22, 2022.

HSAG’s third [contract](#) awarded on January 30, 2023 for \$7.3 million essentially extended the first contract that ended in December 2022 to cover the period January 1 through December 31, 2023. The contract justification initially claimed the contract would continue using HSAG consultant staff to perform LHH’s NHA, ANHA, Infection Preventionist, and Discharge Transfer Coach positions. Following questions raised by one of the five Health Commissioners, SFDPH and LHH asserted the third contract was not for a fixed amount, but would only be based on monthly invoices as needed and billed, suggesting the entire \$7.3 million contract might not be used completely.

Initially thought to have been somewhat benign, HSAG’s \$7.3 million contract awarded in January 2023 became problematic in May, raising troubling questions.

However, after LHH had been warned twice not to get any more “*Immediate Jeopardy*” deficiencies and citations that risk LHH’s complete termination of CMS funding and possible complete closure, LHH racked up another “*Immediate Jeopardy*” citation on May 8, 2023 anyway. At that point, LHH’s acting CEO, Roland Pickens, raced to submit a [letter](#) to the U.S. DHHS and CMS on May 14 claiming that LHH would roll out a new “*Consistent Care at the Bedside Initiative*” (CCBI) by “*soliciting*” to hire an additional consultant at a cost of \$7 million (\$1 million monthly for May to December).

Importantly, the CCBI project was rolled out precisely because LHH had admitted in its May 14 letter to DHHS and CMS that LHH recognized “*some LHH staff demonstrate [bedside] practices that will jeopardize recertification*” because of “*instances where some LHH staff are at times unable to consistently and reliably deliver safe, regulatory-compliant, and policy-compliant care at the bedside.*”

Pickens’ May 14 letter specifically stated “[LHH] would solicit and hire additional consultants at a cost of over \$1 million per month to observe and advise frontline staff and management on every floor, in every unit, for each shift” for the new bedside consistent care initiative” — borne out of having received an “*Immediate Jeopardy*” on May 8 and offered as a “*fix*” to show CMS “[LHH] was serious about was making a final push toward [returning to being in] regulatory compliance.”

LHH’s has 13 patient units (wards) and there are three shifts, which suggested there might be 39 consultant “*monitors*” hired to cover the three shifts on each of the 13 units. But Pickens seems to have done an about-face a month and a half later, informing the full Health Commission on June 20 that HSAG would provide one “*monitor*” per unit who have previous “*Director of Nursing*” equivalent job experience who would split their time across the three shifts, saying monitors will observe “... *some days they will work day shift, other days they will work night shift, and other days they will work on evening shift*” (at approximately 0:58:24 on [videotape](#)).

Clearly, this is a major departure from what Pickens claimed to CMS and the U.S. Department of Health and Human Services in his May 14 letter: That LHH would hire consultant monitors for “*every floor, every unit, on each shift.*” So which is it? Monitors on every unit on each shift? Or every unit, but on random shifts?

It’s unclear whether having the CCBI “*monitors*” only working on *random* shifts will help retrain *all* LHH staff who are jeopardizing LHH’s recertification, or if the random monitors will reach *all* staff who aren’t consistently providing regulatory-compliant bedside care.

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In actuality, there is no new consultant and no new \$7 million contract. Instead, a public records request revealed SFDPH and LHH are apparently going to use and repurpose the same \$7.3 million contract HSAG was awarded in January 2023, using HSAG consultants to staff the “CCBP” project.

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**“ SFDPH and LHH are going to use and repurpose the same \$7.3 million contract HSAG was awarded in January 2023. ”**

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There was no mention in either HSAG’s first contract, its amendment, or HSAG’s third contract that either of the two contracts would focus on a “*Consistent Care at the Bedside Initiative*” at a cost of \$1 million per month to improve the quality of care provided to LHH’s residents.

Apparently, dismal efforts demonstrating necessary progress toward returning to being in substantial compliance with Federal regulations required throwing this new \$7 million CCBI program at the problem, hoping that might spur progress.

Reasonable questions about the contract include: Why wasn’t the “CCBP” project identified as being necessary in June 2022, at the outset of implementing corrective actions to help LHH gain recertification? Why did it suddenly become an issue in May 2023 — and only six days *after* LHH had racked up another “*Immediate Jeopardy*” violation on May 8? Alternatively, when HSAG was awarded its third contract in January 2023, why wasn’t the “CCBP” project identified as being necessary then? Was this initiative dreamt up just to spend down the \$7.3 million contract awarded in January 2023 to ensure HSAG would be rewarded with the spending?

It’s also unclear whether any of the funding awarded in January to perform LHH’s NHA, ANHA, Infection Preventionist, and Discharge Transfer Coach positions was ever invoiced to LHH, or whether those funds were just sitting there encumbered but unused, and so were simply repurposed to fund the CCBI project — just to somehow spend down the money.

HSAG’s second \$2.7 million contract was awarded to perform “*Quality Improvement Expert*” (QIE) duties on behalf of LHH that were required as a mandatory provision of CMS’ “*LHH Settlement Agreement.*” that was adopted on November 10, 2022. The QIE produces “*Root Cause Analysis*” (RCA) and corresponding “*Action Plan*” corrective milestone reports following each successive “*90-Day Monitoring Survey*” site inspections. The QIE’s first RCA report clearly and rightfully revealed that LHH had been decertified for running Laguna Honda as if it were an acute-care hospital, rather than as a Skilled Nursing Facility (SNF), and not following CMS regulations applicable to nursing homes.

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**“ HSAG’s second \$2.7 million contract was awarded to perform ‘Quality Improvement Expert’ (QIE) duties on behalf of LHH. The QIE produces ‘Root Cause Analysis’ (RCA) and corresponding ‘Action Plan’ corrective milestone reports following each successive ‘90-Day Monitoring Survey’ site inspections. ”**

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That mismanagement of LHH should never have happened, because LHH has been licensed as a “*distinct-part SNF*” for decades, which SFDPH and its governing body, the San Francisco Health Commission, had to have known about because distinct-part SNF’s receive a significantly higher patient financial reimbursement rate. That has been a major bone of contention for other free-standing SNF’s in San Francisco that receive significantly less Medi-Cal reimbursement for performing essentially the same level of patient care. Distinct-part SNF’s are facilities affiliated with a hospital. LHH is licensed for 11 acute care beds, plus 769 skilled nursing beds, as the Health Commission surely must know. Given those 769 beds, the Health Commission should have known LHH wasn’t following the correct licensing regulations.

The QIE is also required to submit monthly “*Monitoring Reports*” to CMS summarizing LHH’s progress towards resuming to being in substantial compliance with CMS’ nursing home regulations. LHH is paying for the QIE contract, but the QIE reports to CMS, not to LHH or to SFDPH.

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**“ It was thought the QIE was the only contractor responsible for developing and approving the ‘Action Plan’ milestones. That may not be true. ”**

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It was thought that the QIE was the only contractor responsible for developing and approving the “*Action Plan*” milestones. That may not be true.

All told, HSAG has been awarded \$16.9 million in lucrative contracts to date to help LHH gain its CMS recertification.

- **Tryfacta, Inc. Contract** The \$3.5 million contract with Tryfacta is to fill as-needed positions that LHH is unable to fill for staff vacancies. The contract hasn't been particularly controversial.
- **Moss Adams Contract** The Moss Adams contract is the weirdest and most bizarre of LHH's four main consultants. Initially awarded in December 2021, the contract grew to just under \$10 million in approximately one year. It's completely unclear how much of the \$10 million is being spent to assist LHH's recertification efforts.

A third Moss Adams contract amendment that SFDPH signed on January 15, 2023 but which wasn't presented to the Health Commission for approval until April 4 was eventually granted. The amendment involving LHH appears to have been problematic even before it was first discovered in April, because news that the contract had involved LHH since June 2022 had never been shared with members of the public, and reportedly not even shared with members of the Health Commission, either. That contract, and its beleaguered history, raises troubling questions.

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**“The Moss Adams contract is the most bizarre and weirdest of LHH's four main consultants. News that the Moss Adams contract had involved LHH since June 2022 had never been shared with members of the public, and reportedly not shared with the Health Commission, either.”**

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On April 23, 2021 SFDPH released RFP #10-2021 (Request for Proposals) to obtain “*Lean Consulting Services*,” seeking consultant services to support implementation and spread of “*LEAN*” as a management strategy to streamline processes and create a more patient-focused system of care. The RFP was issued a full year *before* Laguna Honda Hospital was decertified in April 2022. The RFP made no mention that the *Lean* consulting services would include or involve LHH.

On December 11, 2021, SFDPH first issued Contract #1000024026 to Moss Adams, LLP for *Lean* consulting work for SFDPH writ large. The initial contract approved by the Health Commission was for a not-to-exceed \$2,147,119 award, but it didn't state that it included consulting for LHH. The gig was initially for a two-year period between December 11, 2021 and December 10, 2023. The initial budget was for “*Hoshin Kanri*,” *Lean* transformation, “*Kaizen*,” and other services, including a *Hoshin* initiative focusing on COVID “*transition*,” a *Hoshin* initiative for “*Mental Health San Francisco*,” and other *Lean* “*coaching*” services.

The initial contract provided no actual scope of work for Laguna Honda Hospital, which was mentioned nowhere throughout the contract. The contract stated *Hoshin* strategy services for LHH “*can be added for an additional cost*.”

Three months after LHH was decertified in April 2022, a first amendment to the Moss Adams contract was awarded on June 10, 2022 increasing the initial \$2.1 million contract by \$2,068,961 to a new not-to-exceed \$4,126,080 total. Included in the \$2 million contract increase was a new *Hoshin* initiative titled “*LHH Transition*,” which was budgeted at \$1,638,967. The scope of work for the LHH component amending the contract stated:

“[to] support Laguna Honda's recertification efforts in the Centers for Medicare and Medicaid Services Provider Participation Program, the goal of our work is to support [LHH's] Incident Command leadership in establishing and maintaining critical processes related to information flow in the Incident Command structure. The specific functions [include] implement, deploy, and facilitate Hoshin strategy deployment, [including with] an overarching ‘air traffic control’ that supports [LHH's] Executive Sponsor and [the two LHH] Incident Commanders in making sure that targets are clearly set and communicated, work is coordinated and well organized among the Incident Command Sections and Branches, risk processes are clearly understood and utilized, communication holes identified and filled, and driving the timely completion of deliverables and milestones, as well as a regular cadence of streamlined reporting to ensure a high functioning system. Included in Hoshin facilitation is an **Executive Advisory** function to serve the Executive Sponsor [LHH's acting CEO,

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**“Included in the \$2 million contract increase was a new *Hoshin* initiative titled ‘LHH Transition,’ which work is ‘to support [LHH's] Incident Command leadership in establishing and maintaining critical processes related to information flow in the Incident Command structure [including with] an overarching “air traffic control” that supports [LHH's] Executive Sponsor and [the two LHH] Incident Commanders’.”**

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Roland Pickens] *in identifying strategic issues and risks and make recommendations for how to mitigate those risks.*”

The “*air traffic control*” process is described elsewhere as meaning establishing critical processes within the Incident Command structure, in particular to handle and triage communication processes for inbound requests for information from key external stakeholders, which was defined as being “*the Mayor’s Office and SFDPH leadership.*”

For readers unfamiliar with the management concepts of “*Lean*,” “*Kaizen*,” “*Hoshin Kanri*,” and “*True North*,” a half-page tutorial, or [primer](#), on the concepts is available on this author’s web site.

On December 20, 2022, SFDPH issued a “*Program Budget Revision*” amendment to the Moss Adams contract in order to reallocate funds within the \$4.2 million amended contract, clarifying that the contract was for \$4,126,080, not \$4,216,080 as had been listed in the first Amendment. The “*Hoshin LHH Initiative*” for Laguna Honda was increased by \$116,565 to a revised total of \$1,755,532.

Then a DPH Contracts [Report](#) weirdly dated May 4, 2023 was presented to the Health Commission’s “*Finance and Planning Committee*” meeting on April 4, 2023 — which is when members of the public first learned the Moss Adams contract had been amended nine months earlier in June 2022 to include supporting the LHH recertification effort.

Page six of the April 2023 Contracts report increased Moss Adams’ contract by \$5,861,213 to a total contract of \$9,987,293 —which is just \$12,707 shy of being a \$10 million contract that typically requires Board of Supervisors approval. It’s not known whether the Board of Supervisors is even aware of this nearly \$10 million contract boondoggle.

The April amendment increasing the Moss Adams total contract to \$9.99 million represents a 365.1 percent change increase over the initial \$2.1 million contract. The *Contracts Report* stated, in part:

*“This contract amendment will make a **substantial addition to service hours in support of Laguna Honda’s recertification efforts** in the Centers for Medicare and Medicaid Services Provider Participation Program. In those efforts, Moss Adams services will support the Incident Command leadership in establishing and maintaining critical processes related to information flow in the Incident Command structure. This will include **streamlined and documented process for Incident Command structure and reporting**; Communication triage process for inbound requests from key external stakeholders (e.g., Mayor’s Office and DPH Leadership.”*

And shockingly, the “Service Description” in the April Contracts Report, and the [second](#) Moss Adams contract amendment both state:

*“The primary outcome of the comprehensive system is remediation of all Plans of Correction (POCs), including the RCA [Root Cause Analysis reports], Action Plan [corrective action “milestones”] and other initiatives, to sustain survey readiness both through recertification and on an ongoing basis.”*

Wait. What? Wasn’t the development of the RCA’s, *Action Plans*, etc. adequately funded with the \$2.7 million contract awarded to HSAG as LHH’s “*Quality Improvement Expert*”? Why does LHH need *two* consulting firms to develop these documents? Does LHH really need to throw another \$4.1

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**“ The ‘*Service Description*’ in the contract amendment states ‘*The primary outcome of the comprehensive system is remediation of all Plans of Correction (POCs), including the RCA [Root Cause Analysis reports], Action Plan [corrective action “milestones”] and other initiatives ... ’***

**Wait. What? Wasn’t the development of the RCA’s, *Action Plans*, etc. adequately funded with the \$2.7 million contract awarded to HSAG as LHH’s ‘*Quality Improvement Expert*’? Why does LHH need *two* consulting firms to develop these documents? ”**

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million contract at Moss Adams to develop work that should be being performed by LHH's QIE?

In addition, Contract Amendment #2 — signed on January 15 but not presented to the Health Commission's subcommittee for three months until April 4 — stated that Moss Adams will assist with "*Leadership development of coaching competency for 4 Nurse Directors and 6 Nurse Managers.*" One problem is that a revised LHH organization chart released on July 12 shows that LHH has at least 13 *Nurse Manager* positions and at least 4 *Nurse Director positions* — plus at least three different *Director of Nursing (DoN)* positions and another five *Nursing Operations Supervisor* positions — so only a small handful of LHH's senior Nursing leadership team are being trained on *Lean* and *Kaizen* "coaching" skills. And there was no mention that Moss Adams will be training LHH's new *Nursing Home Administrator* or its two new *Assistant Nursing Home Administrators*.

No explanation has been offered to date as to why the Health Commission had apparently *not* even been informed about the Moss Adams contract's LHH component before April 2023.

Indeed, during the April 4 *Finance and Planning Committee* meeting, Commissioners Edward Chow and Tessie even Guillermo both complained that the Health Commission and its LHH-Joint Conference Committee (LHH-JCC) had never been told that Moss Adams was assisting with LHH's recertification. The pair of Commissioners asserted on April 4 that it was the first time they had been told *anything* about this particular contract being expanded to include consulting for Laguna Honda Hospital.

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And both Commissioners specifically asked that SFDPH, via LHH's acting CEO, Roland Pickens, schedule making a presentation to the LHH-JCC to discuss what Moss Adams' *Lean* consulting contract for LHH's recertification is doing.

The LHH-JCC has not scheduled an agenda item on the Moss Adams contract at either its April 11, May 9, June 13, or July 11 meetings, so now four LHH-JCC meetings later there's been no opportunity for members of the public to have learned about this contract.

Of the now nearly \$10 million Moss Adams contract, the LHH portion shown in one summary in Amendment #2 indicates the LHH portion is now \$4,137,632, including \$746,130 in travel expenses (from Seattle, WA!). The LHH portion appears to have grown by \$2.5 million — up from \$1,638,967 since June 2022, representing a 152.5 percent change increase. Elsewhere, a different summary claims the LHH portion is only \$3,391,500.

But as discussed below, the \$10 million contract includes \$3.3 million in expenses not apportioned to specifically-named projects, so the actual amount being apportioned to the "*LHH Hoshin Initiative*" may be significantly higher. After all, Amendment #2 added \$5,861,213 to the existing contract, which amendment was pitched in the "*Contracts Report*" as "*making a substantial addition to service hours in support of Laguna Honda's recertification.*"

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**" Of the now nearly \$10 million Moss Adams contract, the LHH portion shown in one summary in Amendment #2 indicates the LHH portion is now \$4.14 million, including \$746,130 in travel expenses (from Seattle, WA!). "**

The Moss Adams contract period was extended in Amendment #2 to being through December 31, 2024. It's not known why the contract is presumed to be needed through 2024.

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### **Additional Moss Adams Contract Oddities**

The rapid growth during the 14 months between December 2021 and January 2023 in the Moss Adams contract merits a closer examination.

Table 3 raises disturbing questions:

**Table 3: Evolution of the Moss Adams “Lean” and “Hoshin Kanri” Consulting Contract**

Project Component	Initial Contract	First Amendment	Revision to Program Budget	Second Amendment	Change 12/1/2021 to 1/15/2023
	12/1/2021	6/10/2022	12/20/2022	1/15/2023	
A. Hoshin Initiative: COVID Transition	\$ 518,660	\$ 518,660	\$ 209,070	\$ 188,070	\$ (330,590)
B. Hoshin Initiative: Mental Health SF	\$ 477,375	\$ 477,375	\$ 477,375	\$ 525,148	\$ 47,773
C. Implement and Deploy	\$ 266,448	\$ 266,448	\$ 185,440	\$ 1,921,740	\$ 1,655,292
D. Improve	\$ 376,020	\$ 376,020	\$ 50,400	\$ 1,135,390	\$ 759,370
E. Enable and Lean Management	\$ 208,320	\$ 208,320	\$ 579,600	\$ 1,135,390	\$ 927,070
F. Hoshin Initiative: LHH Transition		\$ 1,638,967	\$ 1,755,532	\$ 3,391,500	\$ 3,391,500
Travel	\$ 70,248	\$ 70,248	\$ 677,683	\$ 1,668,480	\$ 1,598,232
<b>Subtotal</b>	<b>\$ 1,917,071</b>	<b>\$ 3,764,358</b>	<b>\$ 3,935,100</b>	<b>\$ 9,965,718</b>	<b>\$ 8,048,647</b>
Contingency	\$ 230,048	\$ 451,722	\$ 190,980	\$ 21,575	\$ (208,473)
<b>Total Amount</b>	<b>\$ 2,147,119</b>	<b>\$ 4,216,080</b>	<b>\$ 4,126,080</b>	<b>\$ 9,987,293</b>	<b>\$ 7,840,174</b>

**Note:** Moss Adams or SFPDH miscalculated the Subtotal shown in the “First Amendment” column by \$208,320; Items “A” through “F” actually add up to \$3,556,038, not the miscalculated \$3,764,358 error shown.

**Source:** San Francisco Department of Public Health, successive Moss Adams Contract Amendments. As of: **June 15, 2023**

- The Moss Adams contract doubled in the first seven months between December 2021 and June 2022, and then significantly more than doubled again in the three *weeks* between December 20, 2022 and January 15, 2023.

The \$3.4 million shown in Table 3 for the *LHH Hoshin Initiative* does not include \$746,130 in anticipated travel expenses for the LHH component shown in a different table in Amendment #2 as bringing the LHH subtotal to \$4.1 million.

- Between the *COVID Transition Hoshin Initiative* and *Mental Health SF Hoshin Initiative*, the initial combined \$996,035 was reduced by \$282,817 to just \$713,218 during subsequent contract amendments reallocating funds within the budget.
- Between items “C,” “D,” and “E” — “*Implement and Deploy*,” “*Improve*,” and “*Enable and Lean Management*” — the initial budget of \$996,035 soared by \$3.3 million to a total of \$4,192, 40% of the now \$10 million total contract. Shouldn’t those three components have been itemized for each of the three separate *Hoshin Initiatives* (items “A,” “B,” and “F”)?
- Since the Moss Adams staff apparently performing this consulting gig are headquartered in Seattle, WA, why did the travel budget soar by \$1.6 million, from \$70,248 initially to \$1.7 million?
- The “*Contingency*” amount initially budgeted at \$230,048 dropped by \$208,473 to just \$21,575 between December 1, 2021 and January 15, 2023. Does that mean that over \$200,000 in contingency fees have already been spent?
- Given that the April 4 *Contracts Report* informed the Health Commissioners that the Moss Adams contract was being increased by \$5.9 million mostly to support LHH’s recertification efforts, is it realistic to believe the *LHH Hoshin Initiative* portion of the contract is really only \$4.1 million — or would the LHH portion be realistically and significantly higher if the separate \$4.2 million in the non-itemized “*overhead*” (items “C,” “D,” and “E”) of the budget was accurately apportioned and itemized among each of the three *Hoshin Initiative* projects (items “A,” “B,” and “F”)?

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**“Is it realistic to believe the *LHH Hoshin Initiative* portion of the contract is really only \$4.1 million — or would the LHH portion be realistically and significantly higher if the separate \$4.2 million in the non-itemized ‘overhead’ of the budget was accurately apportioned and itemized among each of the three *Hoshin Initiative* projects?”**

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And if so, how much more might the total Consultant Contracts costs shown in Table 2 of this article increase, to show a more accurate amount of the Moss Adams contract is actually being spent to support LHH obtaining its recertification?

Obviously scheduling a briefing on the Moss Adams contract during a Health Commission LHH-JCC meeting might better educate both the Health Commissioners and members of the public by providing answers to questions raised in this article.



And other pertinent question to ask is: Does Mayor London Breed *really* need an “air traffic control” Hoshin Kanri contract to field her incoming information inquiries to LHH’s “Incident Command” structure and new “Executive Sponsor” (Roland Pickens’ new job title now that LHH has a new CEO, Sandra Simon)?

## Lost Medi-Cal Revenue

As Table 1 above reports, SFDPH acknowledged in its May 12 *Third Quarter Revenue and Expenditures report* for Fiscal Year 2022–2023 (through March 31, 2023) that LHH has a \$22.3 million loss in Medi-Cal revenue, given the halt on new admissions starting in April 2022.

That lost revenue is somewhat strange, since SFDPH has assured San Francisco’s Board of Supervisors repeatedly that Medi-Cal revenue to LHH typically involves approximately \$200 million annually.

Therefore, why SFDPH is only reporting a shortfall of \$22.3 million in lost Medi-Cal revenue seems to be ridiculously under reported. The Fourth Quarter report through June 30, 2023 will become available in August or September to learn whether the total amount of lost Medi-Cal revenue has gone up.

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**“Therefore, why SFDPH is only reporting a shortfall of \$22.3 million in lost Medi-Cal revenue seems to be ridiculously under reported.”**

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Part 2 of this article will explore the State and Federal fines, penalties, and lawsuit expenses, plus the additional miscellaneous expenses, that total approximately \$11.4 million — which will likely increase during the next few weeks.

*Monette-Shaw is a columnist for San Francisco’s Westside Observer newspaper, and a member of the California First Amendment Coalition (FAC) and the ACLU. He operates [stopLHHdownsize.com](http://stopLHHdownsize.com). Contact him at [monette-shaw@westsideobserver.com](mailto:monette-shaw@westsideobserver.com).*