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An Insider's History

## The Bungled Management of Laguna Honda Hospital

### Did 20 Years of Mismanagement Prompt Federal Intervention?

by Patrick Monette-Shaw

Laguna Honda Hospital's (LHH) leadership problems have had a long "colorful" history. It's helpful to review that history.

Senior managers were moved in, managers who would obediently "go with the flow" — changing the hospital's mission and patient population.

Back in 2003 and 2004, then-Director of Public Health Mitch Katz instituted his disastrous "flow project" to discharge dangerous, robust, and behaviorally challenged younger patients from SFGH into LHH, mixing them in with elderly vulnerable patients, many of whom had dementia's, creating a volatile milieu for both patient populations.

Katz started out by forcing successive changes to LHH's Admissions Policy because he remained angry that LHH's medical staff and hospital administrators had refused to accept and admit dangerous psychiatric patients from SFGH.

Katz then ousted LHH's then Executive Administrator, Larry Funk — an at-will "exempt" employee. Funk was the last LHH CEO to actually hold a Nursing Home Administrator license.

LHH's then-Chief Operating Officer (COO), Robert Christmas, offered himself up to Katz for the CEO position. Katz declined, telling Christmas "you are too nice for the job." Instead, Katz wanted somebody who was **not** so nice.

So, Katz appointed John Kanaley as Funk's replacement in November 2004. Kanaley fit the "not so nice" job description very nicely.

But Katz was interested in more than the "flow project" for behavioral health patients.

Katz aggressively pursued putting in place a management team at LHH who would "go with the flow" — meaning who would "go along to get along" (to keep their jobs).

When news surfaced Funk had been forced out, 415 LHH staff — including nurses, certified nursing assistants, social workers, activity therapists, dietitians, physical therapists and occupational therapists, hospital volunteers, psychologists, and clerical and secretarial employees, among others — signed a petition to the then-president of the Health Commission, Edward Chow, MD urging that Funk be restored immediately to his position as CEO.

Another 32 members of LHH's Medical Services Department of doctors and psychiatrists signed a separate petition to Dr. Katz and the full San Francisco Health Commission, including Dr. Chow, expressing their wholehearted support of Funk, and urging Katz to re-instate Funk as CEO. Within weeks of Kanaley's appointment, a contingent of LHH's high-level senior administrators met with Dr. Katz regarding concerns about Kanaley's appointment and his lack of credentials, experience, and qualifications.



**Roland Pickens** ... has now served nine months as LHH's acting CEO. LHH has had five CEO's in the 18 years since Larry Funk — LHH's last licensed nursing home administrator — was forced out in 2004. The five served an average 3.8 years each.

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Katz reportedly told the contingent it didn't matter, because he wanted somebody who would "kick the [LHH] doctor's asses." That's why Katz's lap dog, not-so-nice Kanaley, was brought on: To kick the doctor's asses, which Kanaley set about doing. It wasn't long before Bob Christmas vanished as COO.

Kanaley's prior job experience was in "facilities management," not hospital administration. He had served for 14 years in facilities management in SFGH's Plant Services Department. He had earned a master's degree in public health in 2001 — just three years before being appointed LHH's executive administrator — authoring a thesis involving evaluation of hazardous waste operations.

Many people believed Kanaley was sent to perform hazardous *employee* removal of LHH's staff. Kanaley had no experience whatsoever running a skilled nursing facility, and certainly no experience or training in running a 1,200-bed nursing home having approximately 1,500 employees.

Flexing their biceps, Katz and Kanaley forced LHH's Medical Director, Dr. Terry Hill, to resign, and eliminated Mary Louise Fleming's position as LHH's Director of Nursing.

Dr. Hill is thought to have been recruited in 1999 for his experience in geriatric medicine by Dr. Maria Rivero, LHH's then-Medical Director. He was a noted researcher with keen knowledge of how data analysis improves the healthcare realm. Hill served five years before being forced out in 2004 for opposing changes to LHH's admission policy after John Kanaley was brought on. Hill is a Fellow of the American College of Physicians (FACP), and a member of the California Association of Long Term Care Medicine — the latter being an organization CMS wants LHH managers to join as LHH works towards becoming recertified.

Soon after, Dr. Paul Isakson became LHH's Medical Director, along with Assistant Medical Director Dr. Tim Skovrinski, but they were eventually pushed out, too, after they continued to oppose Katz's attempts to change LHH's admissions policy.

After Kanaley promoted Hirose to being the sole Director of Nursing in 2006, Hirose engineered a coup by forcing Gayling Gee from being Co-Director of Nursing to being LHH's Chief Operations Officer. Hirose herself was an SFGH management transplant to LHH; Hirose's background had been as a medical/surgical nurse.

Four months after Kanaley promoted Hirose's to being LHH's CEO in July 2009, Ms. Gee spoke out during a Health Commission meeting advocating to save LHH's Adult Day Health Center (ADHC) program, using her First Amendment free-speech rights as a private citizen. Hirose retaliated, telling Ms. Gee on a Friday to get out within 24 hours, and forcing Gee out permanently. Everybody was stunned by Hirose's ruthlessness on behalf of Kanaley simply because Gee had opposed a management decision to close the ADHC.

Gee's ouster was clearly retaliation for having exercised her First Amendment rights during a public meeting. It wasn't the last time that Hirose engaged in retaliatory termination, since she was principally involved in wrongfully terminating Dr. Kerr in 2010.

And so it went, replacing LHH employees little by little with SFGH staff transplants having no skilled nursing facility experience.

As the *Westside Observer* [reported](#) in September 2009, soon after Dr. Derek Kerr and Dr. Mario Rivero — who had had the temerity of writing "The Ja Report: A Job Half Done The Ja Report: A Job Half Done, A Critical Analysis of: 'Evaluation & Assessment of LHH Behavioral Care & Service Access: A Final Report' " — were also pushed out of LHH. Their [Critical Analysis of the Ja Report](#) exposed attempts by Katz and others to severely

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trim LHH's medical staff and replace physicians with registered nurses, social workers, and psychologists, which would have led to adverse health outcomes for LHH's vulnerable patients admitted for medical reasons.

Katz brazenly dismantled LHH's "*Patient Screening Committee*" comprised of physicians and psychiatry staff who reviewed whether individual SFGH patients were safe to admit to LHH.

Former City Attorney Louise Renne had Marc Slavin — her spokesperson while City Attorney — dispatched to LHH to rebrand the hospital's image. Slavin hunted me out on his third day at LHH and told me he was there to stop the negative publicity — including me — about LHH. Slavin essentially served as LHH's shadow CEO, propping up Hirose when not running the entire show. He inserted himself into clinical decisions, which was totally inappropriate.

After Funk was forced out, LHH had a succession of five CEO's, including Kanaley (lasting five years before being felled by a massive heart attack, and died), Hirose (10 years, until the patient sexual abuse scandal surfaced which led to her sacking), Margaret ("Maggie") Rykowski (SFGH's "*Chief Integrity Officer*" who became LHH's acting CEO for one year during a national search to replace Hirose), and Michael Phillips (who lasted for just two years until LHH's two near-fatal drug overdoses in the fall of 2021 sacked him, too), with Roland Pickens becoming LHH's second acting CEO in June 2022.

Phillips had served as CEO of Silver Lake Medical Center, a dual-site hospital and 118-bed LPS Designated Behavioral Health Unit in San Gabriel Valley and a 116-bed acute care hospital in Los Angeles. It's assumed Phillips was brought in after a nationwide search to replace Hirose because he had experience running a facility for behavioral health patients. Katz would have approved of the pick of Phillips to assist his "*flow project*."

After shedding Phillips, Pickens was fingered for the LHH CEO gig. None of Funk's successors during the past 18 years had ever worked in a skilled nursing facility, let alone possessed a Nursing Home Administrator license. It's been 20 years of mismanagement and institutional neglect!

The parade of inept CEO's led to LHH being run — by Pickens' own admission — like an acute care hospital rather than as a skilled nursing facility. Of LHH's 769 licensed beds, only six of the beds are licensed as an acute medical unit. Most LHH patients needing acute medical care are transferred to an external acute-care hospital. LHH's other 763 beds are licensed either for a handful of acute physical medicine rehabilitation beds, physical medicine rehabilitation skilled nursing beds, or skilled nursing beds. [LHH's Acute Medical Unit had an average daily patient census of just 2.51 patients per day in 2020, 2.94 patients daily during 2021, and 3.26 patients on average daily in 2022.] Why Pickens et al. were running LHH like an acute care hospital having only an average daily census of no more than 3.26 patients needing short-term acute care is unknown.

Within the City's Department of Public Health, its San Francisco Health Network (SFHN) — run by CEO, Roland Pickens, who was tapped to be LHH's acting CEO — joined LHH's mismanagement history. SFHN had initially been created as a division to pull together SFDPH's 13 primary care clinics. Separately, SFHN has 10 clinics that provide medical care for San Franciscan youth.

SFHN collaborates with the San Francisco Community Clinics Consortium (SFCCC), a private-sector non-profit organization.

Both SFHN and SFCCC were stood up to serve low-income, uninsured, and medically underserved people to provide comprehensive primary, preventive, and ambulatory care, dental, and mental health services, that admittedly are desperately-needed services.

And therein lies the problem: SFHN was *not* initially created to provide management of LHH.

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As proof of that, when the petitions supporting the return of Larry Funk to being LHH's CEO were presented, they were submitted to Katz and LHH's governing body, the Health Commission. They *weren't* submitted to the SFHN's then-director or CEO, precisely because LHH didn't report to the SFHN as it now unfortunately is wrongly required to do.

As further proof, as late as August 2009 a recruiting [brochure](#) seeking applicants to replace LHH's Medical Director documented that LHH's CEO Reported to Katz, not to SFHN. The brochure stated: "*Reporting to the Public Health Director, the Executive Administrator (CEO) of Laguna Honda Hospital and Rehabilitation Center is responsible for the overall management of the Hospital.*"

Indeed, the brochure clearly stated the Department of Public Health's key services were San Francisco General Hospital, Laguna Honda Hospital and Rehabilitation Center, and 15 primary care health centers. Apparently, each of the three divisions reported directly and independently to Dr. Katz. It was only sometime after 2010 that the San Francisco Health Network for the community clinics was even created — and then went on to subjugate LHH and SFGH under the SFHN.

The SFDPH, SFGH, and SFHN managers who took over running LHH essentially ran LHH into the ground through gross mismanagement. SFHN's long-arm-of-the-law power grab sucked LHH into SFHN's management vortex.

And LHH's actual "*governing body*" — the San Francisco Health Commission — just sat quietly by and idly watched it happen, without intervening.

As one observer puts it: "*Ineptitude of LHH 'go with the flow' administrators brought in from SFGH to mismanage the show, and the 'flow project' of patients, are inseparable: The underlying vision of LHH as a second-rate location (to SFGH) that did not need independent or knowledgeable management ... with LHH staff as servants of the ineptitude.*"

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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).