



Board of Directors

*“Your Health is our **First** Priority”*

June 7, 2023

**Testimony before the V.I. Legislature
Committee on Health, Hospitals and Human Services**

Honorable Ray Fonseca, presiding

St. Thomas East End Medical Center Corporation (STEEMCC)

Presentation by STEEMCCC Board Chairperson, Karl Callwod

Honorable Senators and staff, Good Morning.

My name is Karl Callwood, newly elected chairperson of the Board of the St. Thomas East End Medical Center Corporation. I took the gavel on March 18, 2023. On March 1, 2023, STEEMCC began its Fiscal Year 2024.

Thank you, Senator Fonseca and Committee Members for reorganizing your schedule to meet with us. What I have to report to you regarding the financial situation of STEEMCC is not good. I want to stress as we move forward today, that our fiscal woes have not affected the quality of care received by each patient seen. It is neither my intent as Chair, nor the Board's, to see our negative post-COVID numbers impact our patients.

Thus we reached out to this body to lay our cards on the table and seek whatever assistance you can provide to help stabilize our system.

Federally Qualified Health Centers, such as ours, nationally reduce emergency hospital visits by 26-35% according to the National Institutes of Health and backed up by a UCLA study.



Patients who used Community Health Centers as their usual source of care for three or more years had **lower odds of high emergency department use.**

UCLA study published in the *Journal of Evaluation in Clinical Practice*, February 2023.



Our Board is made up of 13 St. Thomas-St. John district residents, all of them unpaid volunteers. 51% of our Board membership must be customers of STEEMCC. The remainder are recruited from the service area community based on their skills and ability to contribute their time. It has been difficult over the years to recruit new

Board Members. The Health Resource Services Administration, our governing body, allows us to amend our By-Laws to have up to 25 Board Members. And maybe this is an area where community members with needed skill sets can help - by volunteering as a STEEMCC Board Member.

The Board has one employee - the Executive Director. That employee is charged with running a medical center. All of STEEMCC's employees work for and are hired/fired by the Executive Director. Among its responsibilities, the Board conducts oversight, approves policies and hears final employee appeals. The Board is prohibited from involving itself in the day-to-day management of the Center. We receive reports at monthly Board and Committee meetings. [I am circulating a copy of our By-laws, Employee Handbook and Financial Policy Handbook and Corrective Action Plan]

As you will hear from our new Chief Financial Officer, Mr. Steven Mayers, in 2019, the year before COVID hit, STEEMCC had over \$1 million in reserve. Coming out of COVID, we find ourselves over \$3 million dollars in deficit! Today our monthly payroll costs are practically double the amount we earn each period. It is unsustainable.

Five years ago, projections for the future appeared to show opportunities for expansion and growth to better serve the community. No one could have predicted the impacts of COVID nor estimate how long the pandemic would last. We entered a world of ambiguity and uncertainty that has thrown our pre-Covid plans into chaos.

As we began to emerge from COVID, our rapidly declining financial picture started becoming apparent. Federal subsidies did not cover the totality of expenses accrued between 2019 and now. Board orders and actions to stem the rising tide of debt had little effect. While COVID did have a definitive impact, it seems that other internal issues and decisions may have also contributed to the increase in our costs.

At the beginning of this calendar year, Governor Albert Bryan facilitated a three month advance in our allotments. That action kept STEEMCC operational through the end of our Fiscal Year in February, but we were only able to pay basic payroll costs. When I took the Chair it became apparent to me that much more drastic and creative actions would have to be taken to halt our downward spiral.

In this first quarter of my Administration I have ordered a top-down review of the Organization and its policies on both the Board and Medical Center sides. I have asked for local and federal assistance in conducting the proper investigations and audits to obtain answers. A formal letter has been written to the Inspector General asking for a full forensic audit. We need to understand what occurred in order to achieve permanent fixes.

At the same time, we cannot wait on the past to rectify today's problems.

A number of our vendors and suppliers have already cut us off.

- Our translation service has been cut. Translation is a mandated service.
- The company that supplies all of our medical inventory cut us. We cannot order from them until we pay. If we cannot order from them, we do not have supplies. Without supplies we cannot see patients.
- The company that does our pap smears for us is no longer willing to send us the kits because we have not paid them. Women's health is a major priority for us. We cannot stop doing pap smears.
- Our mobile phone service has been cut, so there are no phones for our drivers, facilities personnel and on-call staff. We managed to get a phone for the on-call staff so that is covered, but the rest no longer have phones.
- The company that provides all of our cleaning supplies stopped supplying us. We had no toilet paper, no paper towels, etc.
- The company that provides our high-volume industrial copier/scanner cut us off. We are now only able to print from the small, non-commercial printers in the center. This is a huge issue because we cannot print requested patient medical records, which can be quite voluminous. This is a huge issue because we absolutely cannot hold people's records hostage.

- Our Electronic Health Records company has threatened to cut us off. If they do that we cannot send prescriptions and we cannot bill.
- Our employee health insurance provider has notified us that they will pull coverage.

So, what are we doing to help ourselves?

I have notified all appropriate local and federal agencies of our situation. This includes Government House (with an in-person meeting with Governor Albert Bryan), the Office of Management and Budget, the Governor's Policy Advisor, the Commissioner of Health and her team, the Health Resources and Services Administration (HRSA) Region 2 Director and now this Committee. We have given them full access to our books and activities.

We formed an Ad Hoc Corrective Action Team (CAT) consisting of myself, Finance Committee Chairperson Francia Brin, Interim Executive Director Dr. Tess G. Richards, CFO Mayers and a past Executive Director, Wilbur Smith as Special Advisor to the Board. Its main function is to create and oversee a Corrective Action Plan (CAP). This plan was created, approved by the Board, circulated to our federal and local partners and put into effect.

Stage 1 achieved some cost savings through the elimination of top-heavy Administration posts and the dismissal of employees hired under expired COVID grants but who were still on payroll. We also put in place significant austerity measures while seeking financial assistance from the Governor and grant resources. With intense cooperative work by all parties, we've been awarded \$2.28 million from the Rescue Act which, managed carefully, was projected to see us through to October 2023. We have yet to actually receive those funds in hand.

Unfortunately, we have been notified that the \$2.28 million will not be received in one lump sum. We are to receive \$500,000 per quarter, meaning that these funds,

intended to make payroll and pay vendors now, will not be fully usable until September of 2024. This means that late fees, fines and penalties accruing during that year and a quarter will further increase our debt.

Stage 2 has to address continued financial drains on the Center. It involves reduction of our rental square footage, renegotiation or termination of contracts and our land lease, some pay down of our mounting debts and payroll reduction through non-critical staff layoffs. The CAT will monitor progress and make adjustments and changes over time to keep STEEMCC in line with the intentions of the CAP and report monthly to the Board. The CAT is to dissolve when a stable financial and operational process has been restored. It's authority must be renewed semi-annually.

What I need to stress is that we need to reorganize for long-term stability. Locating lump sums may eventually bring us to a net-zero position. But this is not a sustainable or consistent source of income.

To generate additional income we need to add more medical providers, which is a nation-wide problem, not just a local one. We are continually trying to recruit but the act of proper recruitment costs money we do not have. The salaries we offer often do not adequately compensate interested mainland providers for certain realities of life in the Virgin Islands.

We need to do things to support provider recruitment AND retention.

As a result of our communications with Federal Officials we are now receiving a lot of daily and weekly HRSA technical assistance and training. This includes revenue cycle management training and the operation of our 340B Program. When fully spun up, the 340B program will provide discount prescription drugs to our patients and hopefully generate additional revenue.

STEEMCC has a Foundation which has been essentially dormant since shortly after its creation in 2016. I have asked that the STEEMCC Foundation be reactivated so that we can fund raise locally and nationally. In our recent meeting with Senator Fonseca and Taetia Phillips-Dorsett, the Governor's Policy Advisor, the Senator spoke of the

need for more leadership collaboration between STEEMCC and the public health services to better coordinate needs and asks for the entire health care system.

I concur with the Senator's assessment and hope that we can pull together some sort of overarching Health Action Team. In considering financial options for STEEMCC, I have come up with a wide range of ideas over the past two months. At an appropriate time in the very near future, I'd like to share these ideas with the Committee and key members of the Health Community.

Right now, I would like to concentrate on today's hard reality and let STEEMCC's CFO, Mr. Steven Mayers give you the hard numbers behind my state.

Thank you Senators, for affording us this time.

Sincerely,

A handwritten signature in black ink, appearing to read 'Karl Callwood', with a stylized flourish extending to the right.

Karl Callwood
Chair, Board of Directors
St. Thomas East End Medical Center Corporation (STEEMCC)