THE DESTRUCTION OF A HOSPITAL

Winsted Memorial Hospital

(1902-1996)

A Report

by Lance Tapley

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THE DESTRUCTION OF A HOSPITAL

Did the managed-care beast kill Winsted Memorial Hospital?
Or was it incompetence and greed?
An autopsy of a community hospital

by Lance Tapley

Deep in the deciduous forests of northwestern Connecticut there once was an old hospital filled with loving nurses and caring doctors but not many patients.

High on a hill above the Mad River, Winsted Memorial Hospital was treasured by the 11,000 inhabitants of the former mill town of Winsted. The hospital was where many residents had been born, cared for when sick, and had died. And, though it was the smallest hospital in the state, as Winsted's mills had shut down it had become—with over 200 full- and part-time workers at the beginning of 1996—one of the town's largest employers.

Winsted Memorial, which opened its doors in 1902, had originated in a $250 bequest from Adelyn H. Howard, and invalid who had collected donations in a cup at the foot of her bed. Over the years since, the cup had been filled many times. Like other small towns and cities across America, Winsted and neighboring communities had repeatedly supported the hospital—to construct a new building in 1957, an emergency-room facility in 1975, and to build an endowment which by 1996 amounted to $2.8 million.

But in recent times, as bigger hospitals in Torrington, Hartford, Waterbury and Sharon attracted patients from the Winsted area—and as the landscape of the American health-care scene underwent a tectonic shift—Winsted Memorial began to struggle financially. Its response was to try to cut costs by sharing services. In 1994 its board agreed to contract management services from the richer Sharon Hospital, a 30-mile drive away across the hills in the gentrified New York border country.

This arrangement had Sharon Hospital's president, James Sok, with the help of several of his executives, running Winsted Memorial for an annual $250,000 fee, of which he personally got $100,000. Winsted's supplies, pharmaceutical, custodial, and food departments also were taken over by Sharon and the companies with which Sharon contracted for services.

In February, 1996, after nearly two years of joint operations, Winsted's board chairman, Farmington attorney Herbert Isaacson, was quoted in a newspaper article asserting that Winsted Memorial Hospital was "in good shape and doing well under the current management arrangement it has with Sharon Hospital…All things considered, Winsted Memorial is going into 1996 on a very positive note." In the fiscal year that had ended the previous September, the hospital's audited financial statements showed that it had made a profit of $260,000 on an income of $14.6 million. The hospital in November even had given out bonuses to 110 nonunion employees.

But suddenly a beast struck, tearing the hospital to pieces. After a six-month period of turmoil Winsted Memorial was closed and bankrupt, its employees laid off with no severance pay. The townspeople, many of whom had made a stand to keep the hospital open, were left feeling bitter, and some pointed fingers at each other in blame.

The agony of Winsted and its hospital was spattered over Connecticut's newspapers and television stations for much of 1996. It was the first bankruptcy by a hospital in the state's history. The story attracted attention, too, beyond the state, including coverage in *The New York Times*, in part because Winsted's most famous native son, consumer advocate and Green Party presidential candidate Ralph Nader, the nation's chief corporate dragon-slayer, had

thrown his support behind the effort to keep his hometown hospital alive—and had failed to slay the beast attacking Winsted Memorial.

After the battlefield dust had somewhat settled, Nader asked this writer, who had an outsider's perspective and a background in investigative reporting, to write a report to discover what lessons might be drawn from the Winsted case by other small communities nationwide faced with comparable threats to their hospitals. It would be a journalistic coroner's report to establish, if possible, who were the guilty parties that had unleashed the beast that had devoured Winsted Memorial. Nader's journalistic injunction was the same given by the still-unidentified source "Deep Throat" to the famous *Washington Post* Watergate investigative reporters Woodward and Bernstein: "Follow the money."

Where did the money go?

Everyone agrees that the proximate cause of death was lack of money. Winsted Memorial had fang and claw marks all over its fiscal body. But *why* was there a lack of money?

The controversy erupted in April of 1996 when, only weeks after pronouncing the hospital in good financial health, board chairman Isaacson announced to a shocked town that the use of the hospital's emergency room and its beds for overnight stays would have to be terminated—in effect, closing down Winsted's status as a hospital—in order to keep the facility open in a lesser role as a health care provider.

Coincident with Isaacson's accouncement there appeared in town a glossy brochure distributed by the hospital—it was called a "vision plan"—touting the use of the buildings as a "residential care/assisted living center" and "wellness center," and promoting the establishment of a new "ambulatory care" (walk in, walk out) business including day surgery which was envisioned for the outskirts of town. The restructuring plan had already been adopted by the hospital board. The board was considering the possibility that the services proposed to replace the nonprofit hospital might be run for profit. The necessity existed for these drastic changes, according to hospital spokespeople, because it had been estimated that the hospital's deficit for the 1996 fiscal year would be $2.1 million. By the end of March Winsted Memorial claimed it had already lost $500,000. The cause of this fiscal disaster, said Isaacson, was the combination of the state government's 17-percent tax on hospital revenue and the tendency of health maintenance organizations (HMOs) and tight-fisted insurance companies—the components of what has come to be known as the "managed care" revolution—to force patients into shorter stays and into bigger hospitals where the HMOs and insurance companies received large discounts on what they would have to pay for care.

Winsted Memorial was licensed for 73 beds, although it was only staffed for 30. But the average daily census in 1995 had been 18. And the hospital said the census had dropped by 40 percent to an average of 11 a day by the spring of 1996.

Several leading Winstedites, stunned by such a rapid turnaround in the hospital's condition, reacted vigorously, organizing protest meetings against the shutdown which attracted hundreds of angry citizens for throughout the area. Many people didn't know whether to believe the financial numbers they were hearing. Seemingly, the hospital would have had to have prepared its brochure well in advance of the April vision-plan announcement. And to many people the vision plan was seen as a bizarre "we had to destroy the hospital in order to save it" scheme.

"People had disbelief. They had a spirited response to get to the bottom of the situation as well as to save the hospital," observed Charlene LaVoie, the "community lawyer" who was one of the leaders of the fight against the hospital board's proposal. She became a spokesperson of a citizen's group, the Code Blue Committee.

LaVoie, an M.P.A. (Master of Public Administration) as well as a J.D., does work supported by The Shafeek Nader Trust for the Community Interest, a charitable organization established by the Nader family to continue the community activism of Shafeek Nader, Ralph Nader's older brother, who is deceased. The trust also supports a "community technologist." They work out of a downtown office in various causes for the town's betterment.

Faced with such a hostile reaction, the hospital leaders immediately backed off, saying they would delay or modify the implementation of their plan. From Washington, Ralph Nader called for the resignation of board members if they didn't commit themselves to keep the hospital open. Over 10,000 signatures were gathered on petitions out of about 30,000 people in the hospital's service area. They were taken to lawmakers at the State Capitol in Hartford. The petitions urged that more money be reimbursed to Winsted Memorial from the state hospital tax.

The hospital tax has a reimbursement mechanism that shifts revenues from suburban and rural hospitals—say, in Greenwich—which have a preponderance of insured patients to poorer city institutions—say, in Hartford—which have a lot of uninsured patients. The city hospitals get back via an Uncompensated Care Pool more than they pay in, but Winsted only got back 24 cents on each dollar it gave the state last year, even though Winsted's patients are generally not from the upper-income brackets.

Confused spring and summer

Confusion reigned through the spring and summer of 1996 over the fate of Winsted Memorial. In May the Code Blue Committee took on a *pro bono* consultant, Dr. Fred Hyde, a former hospital administrator with three degress—an M.D. and J.D. from Yale and an M.B.A. from Columbia. He called the vision plan "assisted suicide" an raised doubts about the hospital's management with a report that noted that the accounts receivable, the hospital's uncollected bills, had gone from a $2.1 million sum at the end of September, 1995, to $4.8 million by the end of March, 1996. "People who cannot collect their own bills are not capable of managing a project this complex," he said of the board's proposed changes.

Also in May, James Sok, Winsted Memorial's president, announced that the institution was to get payment of $648,000 from the state's Distressed Hospital Fund set up to ease the burden on hospitals hit hardest by the state hospital tax. This was $251,000 more than expected. The Code Blue group believed this development occurred because of public pressure on state government. Sok also said the hospital's state tax bill for 1995 of $624,000 was being deferred. On May 21, the hospital board postponed action until late June on whether to close. These developments seemed promising to townspeople.

But at about this same time Sok announced the continuing bad news that the hospital had accumulated a disastrous $1.6 million loss for the fiscal year to date, including a half million dollars in April. To try to clear up the confusion, Nader, addressing a meeting of 200 people in Winsted on June 4, asked the hospital to release income statements, balance sheets, procurement contracts, and other information, and he asked for an independent financial audit. He also questioned whether Sok had a "conflict of allegiances" between Winsted Memorial and Sharon Hospital. Sok eventually agreed to release some of the information Nader sought, but balked at the independent audit and the release of the procurement contracts and some other documents.

The information released revealed that the financial situation was not entirely rosy at Winsted Memorial around the time the hospital had announced it was. The board knew that the uncollected bills were a big problem. The minutes of a January hospital board meeting had noted that Winsted Memorial had a very high average of outstanding accounts receivable of 108.2 days: "Several Board members related incidents whereby patients were notified of their past-due bills by the collection agency retained by WMH [Winsted Memorial Hospital] without ever receiving prior billing. It was stated that this was a significant problem that was generating much ill will toward WMH." In the March minutes, only a month after announcing everything looked great financially, the board already was discussing the changes it would announce in April.

It was also revealed by the minutes that at the same April meeting at which the board—saying it was recognizing financial disaster—had voted to restructure the hospital, it had also voted unanimously to renew the contract for three years with Sharon Hospital's Sok, the man who had presided over the financial disaster. To many citizens who were protesting the closing, things became fishier and fishier.

In July, Connecticut Attorney General Richard Blumenthal began an investigation of the hospital, Inc., which in early September—after the hospital at long last fixed Sept. 30 as the date it would end in-patient care—announced it wanted to take over Winsted Memorial. The trust asked Attorney General Blumenthal to replace the hospital's board with his own.

"These attempts to block us or slow us down are costing us money. We're in a race against bankruptcy," James Sok told a reporter, referring to his desire to end in-patient care before being forced to.

The final scenes of the drama began when Blumenthal requested the court to appoint a receiver to take over Winsted Memorial because of the hospital board's unwillingness to maintain inpatient beds "as the hospital's charter requires," he asserted. Around this time the *Hartford Courant* in an editorial called the board "incompetent."

The court agreed to appoint as receiver E. Cortright Phillips, a retired banker from Fairfield. Soon after he took over he reported back to the court that the hospital was so short of funds—the loss for the fiscal year ending Sept. 30 he said was $3.7 million—that he had to close it by Oct. 25 and file for bankruptcy. He calculated that $700,000 in liabilities were not covered by available assets.

Charlene LaVoie, reflecting the sentiments of the community trust leaders, felt that by accepting Phillips as the receiver attorney general had betrayed them. She maintained that Phillips, a long-time member of the state hospital regulatory boards, was chummy with Connecticut's hospital establishment—especially, the bigger hospitals that were Winsted's competition—and had once publicly suggested that Winsted Memorial be closed. "He fought tooth and nail not to allow smaller hospitals to survive," claimed Dr. Hyde, the consultant to the keep-the-hospital-open forces, commenting on Phillip's career as a state regulator.

The attorney general made a last-ditch attempt in court on Oct. 24 to prevent the hospital from shutting down. LaVoie and others associated with the trust found his attempt not very aggressive: He did not call Sok to testify; or Dr. Hyde, the trust's consultant; or a consultant from St. Louis who was on hand to testify about the financial viability of small hospitals. Jude Richard Walsh ruled that the Winsted Memorial Hospital be closed by 5 p.m. on

the 25th, agreeing with Phillips that there was no money to keep it open.

Ordering the hospital to file bankruptcy, he refused the community trust's pleas to be allowed to take over the institution, saying the trust didn't have the cash or the business acumen to run it. The trust had garnered more than $600,000 in pledges from members of the community, around $250,000 of them during a fundraising event hosted by TV star Phil Donahue, and unionized employees had agreed to a pay cut. But the trust's resources seemed small compared to a $3.7 million loss, and it did not have a full-fledged financial business plan. It had on paper only about a dozen pages listing possible new services, personnel, and relationships with other institutions.

A hospital board member told the press that "Nader and his group" were responsible for the hospital's demise because, by being so uncompromising, they had brought about a situation in which, now, none of Winsted Memorial's services would be left standing. Phillips, the receiver said the same thing. Although many hospital workers (including the nurses' and technicians' union) had sided with the Code Blue-community trust opposition to the shutdown, now some people left without a job were upset. "A lot of people wanted to go with the board's plan. The newspapers only covered one side," Tom DiMartino, the remaining maintenance man at the closed hospital would later complain.

Financial questions

During this final stage in Winsted Memorial's life, new and disturbing financial information had come to light. At the Oct. 24 hearing, when the attorney general put Sok's chief Financial Officer Daniel Dombal on the stand, Dombal disclosed that a total of $150,000 in bonuses had been paid to him and Sok (50,000 and 100,000 respectively) for the implementation of the hospital's vision plan in advance of its implementation—in advance even of its announcement. This deal had been concluded with the hospital board's executive committee after a board meeting had ended. It had not been reflected in board minutes.

Dombal also testified in court that he owned 3,000 shares of Owen Healthcare, the national company brought in by Sok and him to manage supplies and drugs at Winsted and Sharon Hospitals. Sok later admitted to owning Owen healthcare stock. [*See accompanying interview with Sok.]* These revelations suggested significant possibilities for conflicts of interest.

By this time, too, Charlene LaVoie and her fellow community trust activists had dug deep enough into the monthly (unaudited) financial statements of the hospital to find questionable expenditures, such as large expenses for supplies and services during months when patient use of the hospital was sharply declining. It appeared to them that the hospital administrators might have been doing things that would make the shutdown inevitable. They suspected the accounts receivable backlog may have been allowed to accumulate for the same reason, and they wondered if worse things had been done with the receivables—such as unjustifiable write-offs for "bad debts." They asked: Did Sok want to close Winsted Memorial to eliminate a competitor to Sharon Hospital?

In a report to the court as receiver, Phillips, while saying he found "no instances of financial or managerial mismanagement," nevertheless proposed that Sok, Dombal, and the West Sharon Corporation, the for-profit company associated with Sharon Hospital that actually took in the money for Winsted Memorial's management, pay back the $150,000 in advance bonuses plus another $125,000—to be paid by West Sharon—for

questionable expenses. He also disclosed such irregularities as a $4,300 payment, which did not go out to bid, to a public-relations company, R.J. Sok & Associates, owned by James Sok's brother. It was for work on the vision plan.

Sok and Dombal were willing to accept this negotiated "compromise" payback, Phillips said, in exchange for releases from liability for any wrong-doing for them, the West Sharon Corporation, and Sharon Hospital. Eyes rolled all over Litchfield County at the disclosures about the Sok-Dombal advance bonuses and at the payback agreement. Why were they seeking legal absolution? Sok had to face criticism of his Winsted actions at a meeting of the Sharon Hospital medical staff.

Nader protested vigorously against the releases, asserting that Phillips had not done a thorough investigation. As a consequence, when the bankruptcy trustee, Barbara Hankin, a Westport attorney, took charge of the closed hospital's assets in the late fall, she decided to put the payback proposal on ice until a thorough audit of the hospital's finances could be performed by independent accountants.

As of the summer of 1997, the audit still had not been completed, and Hankin said the "mammoth" job could take "months" more. The auditors had "people to interview," she said. They were in particular looking into the matter of the huge growth in accounts receivable. In July Hankin successfully asked the court to more than double the compensation from $25,000 to $55,000 for the team of New York City accountants to continue investigating this "mismanagement case." Phillip's investigation had reported that the receivables growth simply had resulted from computer problems. He said that eventually during 1996 the payment of bills to the hospital had, with the aid of a collection agency, been brought back into line with hospital-industry standards.

Was it managed care?

All through the controversial year, Sok, Isaacson and other hospital spokespeople had maintained that the crushing financial blow to Winsted Memorial had been dealt by the managed-care forces—insurance companies and HMOs dictating the terms of medical care—in combination with Connecticut's health-care regulatory climate.

"Managed care is now a business-driven national phenomenon," James Sok was quoted as saying in the *Lakeville Journal.* "The companies channel patients to a small group of hospitals with the largest volume of patients. They negotiate very steep discounts with hospitals or won't send patients or accepts the discounts and lets the companies dictate. It's take it or leave it."

Few have suggested that the managed-care tides did not contribute in a significant way to Winsted Memorial's fiscal stranding. This view is almost a common denominator of those who sought to keep the hospital open and those who sought to turn it into something else. The hospital had seen a decline in admissions and had struggled to stay afloat long before the events of 1996. "For 20 years the state told us we were too small to exist. We continued to pull rabbits out of hats, but this time we couldn't"—this was the way Herbert Isaacson looked upon the issue in retrospect. Other hospitals in the state also have seen declining admissions for years.

A number of people in Connecticut who are informed about health-care issues feel that, whatever the particulars about the Winsted hospital's demise, given the present-day climate of health-care finances it was inevitable. It was too small, its competition in the form of other hospitals in the area too stiff, and the managed-care forces too strong. Considering the

contemporary changes in health-care financing, "are there too many hospitals in the state? You bet your life there are," said Cortright Phillips, the Winsted Memorial Hospital receiver who in the spring and summer of 1997 was cleaning up the hospital's affairs for the bankruptcy trustee. "When managed care gets in here [Connecticut] for Medicare patients, there will be half a dozen hospitals in serious trouble." Medicare is the federal program that pays for older people's health care, and some states are turning over its administration to HMOs.

Ralph Cortese, manager of planning and community health for the Connecticut Hospital Associate, which is based in Wallingford, pointed to Winsted's difficulty competing in a managed-care environment because small hospitals "don't have the breadth of services" that attract HMO and insurance-company contracts. And, even if Winsted Memorial Hospital had gotten more contracts (it had some), the discounts demanded by the managed-care companies go up to 40 percent—hard for a small hospital to absorb.

Cortese also thought that the regional dominance of Torrington's Charlotte Hungerford Hospital had hurt Winsted greatly. Charlotte Hungerford insisted that doctors sending patients to the hospital be full members of its staff, which tied them closely to the institution.

"There is no question that what happened at Winsted has in the background the forces of managed care," said Charlene LaVoie. "But there were other factors at work."

Connecticut regulation

Another factor that both sides agree was at work was the state's regulatory environment. The effect of the hospital tax, the Uncompensated Care Pool's return of only 24 cents on the dollar, plus a relatively meager compensating payment from the Distressed Hospital Fund—these were all working against Winsted Memorial. When the hospital closed there was an unpaid tax bill of $512,000.

Phillips, the receiver, said Connecticut's deregulation of hospital rates in 1994 presented a big problem to hospitals such as Winsted. The hospital tax's Robin Hood character didn't create big problems as long as rates were regulated, he said, because a hospital that suffered from it could have its rate adjusted up by the state. Also, under hospital regulation insurance companies could only ask a maximum three-percent discount from the hospitals.

Both Phillips and Ralph Cortese of the Connecticut Hospital Association described the state's "sick tax," as Cortese called the complicated hospital tax scheme, as unfair. Although the state gets matching funds from the federal government amounting to even more than it collects from the hospitals, instead of flowing all of the money to the hospitals via the Uncompensated Care Pool the state government cannot resist keeping in its general fund a large percentage of its total financial harvest.

"But other hospitals in the state suffer from the tax system," said LaVoie, the community laywer-activist. "Yet they are doing okay. They've fought back against the system. How is it that Winsted is the hospital to go under?"

Inadequate response

LaVoie and other critics fault the Winsted Memorial board and administration for a less-than-adequate response to the national and state pressures on the institution. "The hospital failed to respond to what its community needed," said Dr. Fred Hyde, citing as an example that its physical plant was not kept attractive. "It was not a well-kept hospital." But, especially, as out-patient services became more important for hospitals everywhere—since managed care

kept people in hospitals for shorter periods—Winsted Memorial did not keep up, Hyde said. He felt that more "diagnosis, preventive care, restorative care" for the many older heart and stroke patients in the Winsted area, for example, would have been feasible. "Somewhere along the line the hospital deserved to have better leadership," Hyde said. As for Sok's vision plan: "What they had was a brochure."

He also felt the blame for inaction should be more with management than with the board: "I have always felt it was management's job to enable a board to make the best decision." But he said that the Winsted board should have thought twice before "it gave [the hospital] to a close competitor," referring to the Sharon Hospital management.

A highly placed "knowledgeable observer" of the Connecticut health-care scene, who would only consent to be described as such, had this to say about what happened to Winsted Memorial: "I am not sure the management was the best management. They had other priorities. If they had 100 percent vigorously tried to save that hospital, more could have been done." Although she said the Sok management team had done a "pretty good job of reducing costs," the hospital needed to provide more "enticement" for patients. "The patients were voting with their feet. Why?" she also described the vision plan as "a shell."

The defenders of the hospital's actions, such as Herbert Isaacson, the board's chairman, fel the hospital did what it could in the circumstances, which is come up with a plan to transform the hospital into something quite different, although in hindsight Isaacson said Sok "could have come up with other ideas."

But another person knowledgeable about the Winsted controversy, a hospital president who wished to be anonymous, said bluntly: "The board was asleep. These things did not happen overnight. You can't have a part-time administrator."

Mismanagement or worse?

The big, unresolved question of what happened to the accounts receivable will probably have to wait until the bankruptcy trustee's audit is finished before it can be answered. Phillips, the receiver, said there was no receivables problem. In the end "it cost them no money, just cash flow. They didn't write it off." Isaacson said the receivables issue was "a large red herring." In the legal proceedings he testified that there were not unusual write-offs for bad debts—that is, no abandoning of the cahs that accounts receivable bring in. Sok says it is "absolutely untrue" that there was any fire sale of the receivables.

But Hyde, the community trust consultant, thought the receivables problem "seriously compromised the hospital. It was irresponsible. It got to an unmanageable stage." Even if the money was eventually collected, a 124 percent jump in receivables in six months can be a very discouraging development for a business.

An informal review of the hospital's monthly, unaudited financial statements from late 1995 through the end of September, 1996, brings up more questions that it answers. Cumulatively, the allowance for bad debt does not look extraordinary. But for a hospital with a seriously declining number of patients the purchases of supplies and services, oddly, did not decline. Hyde suspects "they pumped up some line items to make [the hospital] look like it was going under."

Strangely, the $150,000 bonus paid to Sok and Dombal does not show up in the line entitled "management fee." A sudden $1 million injection into the cash account in addition to what would be expected shows up in May, 1996. But these anomalies may have simple explanations and can only

definitively be cleared up by an independent audit which examines all the paperwork and questions all the people behind the numbers on the financial statements.

Both Phillips and Isaacson felt that no conflict of interest could exist regarding the Owen Healthcare stock because Owen was a national company with publicly traded stock with Dombal and Sok had the right to own. But LaVoie, the activist lawyer who opposed the hospital closing, felt that regardless of the public status of Owen Healthcare stock the possibility existed in this and perhaps other issues for conflict of interest and other mismanagement charges. She felt these could rise to the level of a breach of fiduciary trust which could occasion a civil suit by people, such as members of the hospital corporation, who could present a case that their corporation had been damaged by Sok and Dombal during their tenure at Winsted Memorial. "Was there any quid pro quo for this stock?" she wondered.

Dr. Hyde said the Owen Healthcare stock ownership by Dombal and Sok had "an unseemly taste to it," although he could not say he was shocked to hear that a hospital administrator might own stock in a contractor company. He believed there should be conflict of interest disclosure statements as a matter of course for hospital executives.

As for the "secret"—as LaVoie described it--$150,000 payment to Sok and Dombal before their vision plan was put into effect, Isaacson defended it because implementing it "would be additional work and a substantial professional risk" for the two executives. When Isaacson was asked why, at the very same time the hospital announced that its finances were so bad that it had to completely restructure itself, his board had acted not only to give the bonuses but also to extend the management contract with Sok and Dombal for another three years, he replied plaintively "If you can tell me who else was going to come in and save us—we had no alternative."

Regarding the $150,000 advance payment, Phillips said: "I disapprove of it, obviously," stressing that he had asked Sok and Dombal to give it back because it "was for future performance and they didn't perform." Phillips characterized the hospital's contract with Sok and Dombal as "loose," but added: "Was it legal? Absolutely."

Phillips said rather cavalierly in an interview that he had picked "out of the air" a dollar figure to compensate the hospital for costs of questionable expenses by the Sharon Hospital team, and from that figure—which was "not a lot more"—he had finally negotiated the $125,000 to be paid back to Winsted Memorial in addition to the $150,000 bonus.

The questionable expenses, he said, included a couple of bonuses paid to Sharon employees which he felt should not have been charged to Winsted Memorial and a charge to Winsted for work done by Sharon's property manager which he disagreed with. In a report to the bankruptcy trustee he also said that some of the accounts receivable management charges to Winsted by Sharon were "inordinate."

A case also could be made for mismanagement in that, by springing the news so suddenly to the community hat the hospital was in dire straits so soon after announcing that everything was fine financially—and thereby creating such turmoil in town—the hospital administration botched any chance of keeping the facility open. The way the situation was handled made it very unlikely that doctors and patients would use Winsted. Throughout the summer the hospital was taking out advertisements in the local newspapers promoting its own demise and replacement.

On July 2, 1996, the in-patient census was reportedly down to two persons.

Conclusions

Where does the money trail lead? Why did Winsted Memorial go bankrupt? Obviously, the hospital suffered greatly from the managed care climate and the particularly bad weather of Connecticut hospital regulation and taxation. But to say that the institution's death was inevitable is to oversimplify.

The hospital's management did virtually nothing for years to confront directly the demands of managed care and the nearby competition. No big offerings of attractive, diversified servies were presented to Winsted's ambulatory care field. Maternity care had been abandoned nearly 20 years previously. A merger with Charlotte Hungerford Hospital close to 10 years ago failed and cost Winsted a great deal of money. In many ways the hospital did not rise to the challenge of the contemporary health-care world. It did not even have a person whose job was to raise funds.

By contrast, in recent years Sharon Hospital—managed by the same team of Sok and Dombal—diversified with a nursing home and home care. And very recently with cardiac rehabilitation and women's health program. Sharon refreshed itself physically with a new building. The late-in-the-game proposals at Winsted for a health and wellness center, ambulatory care, long-term "assisted living," etc., were not really a "vision plan," but just words shouted out in the last hours as the ship rapidly sank. Why had its management not previously done as much for Winsted Memorial Hospital as it had for Sharon? "They decided they didn't want to be in the hospital business," commented Hyde.

A judgement on the question of whether Sok and his team deliberately torpedoed Winsted Memorial to get rid of a competitor to Sharon may have to wait until a complete audit of winsted financial management is made public by the bankruptcy trustee. It may then be possible to see if expenses were unreasonably high in 1996 as the hospital's patient population dwindled; and, especially, to see if the accounts receivable were mismanaged in a drastic way. To "follow the money" completely will require this additional information.

The bonus money given in advance of performance, the matter of the shares of Owen Healthcare—these issues cast another light on Sok and Dombal regardless of their intentions about Winsted Memorial: a suspicion of greed. Inaction and greed, of course, sometimes go together. "It looks like a classic rip-off. Don't do your job and meanwhile shove your hand in the till as hard as you can," said LaVoie. These suspicions are further fueled by Sok's and Dombal's overreaction to this writer interviewing employees at Sharon Hospital: They literally called out the state police. [*See accompanying report*.]

Some critics are not as willing to go as far as LaVoie. "If it's between ignorance and guile, always suspect the former," said Fred Hyde. Even if ignorance is the case, however, negligence can still be strongly argued.

In the realm of negligence, if a corporate board is responsible for management, as it is in legally, why—given the way things were going—didn't the Winsted Memorial Board at some point fire Sok and in various other ways take charge? Why didn't the board, in fact, long ago take steps to prepare Winsted Memorial for the new world of managed care? Why instead did it renew Sok's contract and give him a $100,000 bonus just as the extent of the disaster that had befallen the hospital was required to be made public?

Speaking broadly about nonprofit boards, Cortright Phillips said their members often "don't treat [the institution's money] as their own." He felt that many members of nonprofit boards either don't give much time to them or take them seriously enough. Hyde though that, among reasons why a hospital board could be detached from its responsibility, were, first, the hospital dependence on federal money—Medicare, especially—"which separates fiduciary responsibility from the boards"—and, secondly, a bonding between volunteer boards and CEOs. "You're part of the same group. You have to be protected."

Herbert Isaacson protested that his board's executive committee met six to eight times a month. Yet "we had a management team" to rely on, he admitted. He repeatedly said during an interview, as an excuse, that he felt his board had nowhere to turn except Sok.

Few would deny that boards of directors of nonprofit institutions—and boards of for-profit companies—often defer greatly to management. They often have a cozy social and even financial relationship with management. Attorneys on the Winsted Memorial board, for example, received payments from the hospital for services performed, a time-honored practice for corporations everywhere.

"Whenever boards of trustees slide into a sycophantic mode with a manipulative CEO where the latter's decisions are regularly condoned or approved without the exercise of a time-consuming independence of judgment, the trustees become accustomed to circling the wagons and bonding with the misbehaving managers."Ralph Nader wrote in January, 1997, to the Sharon Hospital's board chairman Donald Dedrick, a letter complaining about Sok which Dedrick did not answer. But it could have also been written about the Winsted Memorial Board.

Just because a hospital is small does not mean that it is doomed; around the country many small hospitals are thriving. The Winsted experience suggests that, in a place where the sharks are circling a too-sleepy or too-compliant board of directors may preside, through inaction, over the sacrifice of their institution. In an era of dramatic change, this would be a lesson that hospital boards around the world might well heed.

Responsibility

As this report was being written, in August of 1997, the Winsted community trust—renamed the Winsted Health Center Foundation, Inc.—had put together an arrangement with Torrington's Charlotte Hungerford Hospital and Hartford's Saint Francis Hospital and Medical Center to turn the former Winsted facility, if the bankruptcy court agrees (which seemed likely), into a healthcare center featuring radiology, a laboratory, ambulatory surgery, a 16-hours-a-day emergency room, cardiac rehabilitation, a women's wellness center, and more.

"Charlotte Hungerford is trying to do now what the [Winsted Memorial] board tried to do in April [1996]," said Cortright Phillips. This comment was echoed by several others interviewed who were unsympathetic to the Code Blue-community trust opposition to the hospital transformation. These people—another Ralph Cortese of the Connecticut Health Association—believed that if the vision plan had been embraced, the community would not have had a hiatus in many health services and many people would not have been put out of work.

To Dr. Hyde, however, the suggestion that the opposition of the Code Blue-community trust people killed the smooth transformation of the hospital into a full service health center is "ridiculous. There was no chance the vision plan would

happen. There was no money, no strategy. There was no plan. It was a fantasy."

In any case, the manner in which the vision plan was handled—appearing so late in the game, and so soon released after a falsely glowing report of the hospital's financial health—probably doomed it.

By that time, the spring of 1996, the hospital was already in very serious financial difficulty and things got steadily worse no matter whose numbers one looks at. The president of the community trust, Richard Michaelsen, a Winsted minister, agreed as he reviewed the controversy that by the fall there wasn't the money to keep it open, a fact the hospital receiver reported, the judge accepted, but Michaelsen himself had strenuously objected to in the confused days of October. With disarming honesty, Michaelsen summed up his present view of the controversy, referring to the hospital's contention that there was no money left to run the facility:

"They were right, but they caused it."

Still, LaVoie believes, the community trust could have pulled it off: "With creativity, with community support, with talented accountants and management and a committed board, it could have been done. We had nothing to lose in giving it a good try, and the community would have gained a lot."

Recommendations

Several citizen or official actions should be considered. These recommendations are being made not so much to affix final responsibility for Winsted Memorial's closing as to collect all the essential information in order for the citizens of the Winsted hospital's service area, of Connecticut, and elsewhere to be able to make intelligent decisions in the future on the viability of their community hospitals or other nonprofits. If we know thoroughly what happened at Winsted Memorial, we will be better equipped to ensure it doesn't happen at another institution.

1. Citizens should monitor the progress of the bankruptcy trustee's "forensic" investigation, as she has called it, into the Winsted Memorial closing. For example, the questions of the accounts receivable, the possible conflict of interest in stock ownership by management, and possible high expenditures when the number of patients are declining are matters that should be examined in her report. She should be requested to make publicly available the documents and records to back up her conclusions. There is no reason to believe that her report will provide anything less, but citizen interest often enhances any report's thoroughness. The bankruptcy is, after all, a public servant.
2. A private lawsuit against the hospital's former board and management by someone who has legal standing could require much to be disclosed through the depositions and production of documents process known as "discovery."
3. Connecticut's Attorney General Blumenthal, has authority—which for a time he began to exercise in 1996—to investigate, as the legal trustee for the state's charitable assets, whether those assets were squandered in this instance. Citizens should request that, at the lease, he should attempt to get to the bottom of the remaining financial questions concerning the hospital's demise.

4. Although this recommendation is made specifically to the citizens of the Sharon area, it should be taken to heart by anyone in the country who is concerned about the public accountability of private, community nonprofit organizations: The Sharon Hospital board should require its management team members to be freely available for the press to interview them in person (including submitting themselves to inquiries on the subject to the Winsted Memorial controversy); hospital financial documents should be promptly prepared and made accessible; and planning for the hospital's future should be an open process. "Stonewalling" that goes to the paranoid point of enlisting the state police to threaten a reporter should not be tolerated, but censured. Sharon Hospital already has retained a high-priced New York City public relations firm; the state police should not be doing its work.

Although legally speaking a community nonprofit hospital may be a private corporation, it still has legal trust responsibilities to the public, and in a philosophic sense it is thoroughly owned by the public. Under no plausible argument should its affairs be kept secret from the public it serves. Yet often nonprofit hospital boards and managements, whose institutions reap the fruits of taxpayer-funded programs such as Medicare and Medicaid, act as if they are publicly accountable. The unaccountability usually is strongest when the board is inbred and the management extraordinarily well paid. What happened at Winsted Memorial Hospital is a lesson in accountability.

SOK ON SOK

By Lance Tapley

Yes, he did own Owen Healthcare stock; but no, he didn't conduct a fire sale of Winsted Memorial Hospital's accounts receivables; yes, the Sharon Hospital provides him with a 1995 Buick automobile; but no, it doesn't provide him with a plane, which is his own; yes, he did not make over $500,000 in Sharon Hospital's last fiscal year, but not the $607,000 reported in the *Litchfield County Times* in July because he returned to the West Sharon Corporation the $100,000 advance "bonus" he received from the Winsted hospital in April of 1996.

These were some of the assertions made in a telephone interview in mid-July by James Sok, president of the Sharon Hospital and former president of the now-defunct Winsted Memorial. This interview was granted after Sok had previously refused several requests for interviews, and the hospital had even complained to the state police about this writer's presence on Sharon Hospital property *[see accompanying reports]*.

Sok also confirmed that his wife works as the part-time community relations director for a hospital subsidiary, the Sharon Health Care Center, a nursing home located across the street. He said her salary was "private," but "nothing out of the ordinary."

Sok said it was "absolutely untrue" that he or Daniel Dombal, his financial officer, who also admitted to owning Owen Health stock, had been involved in any conflict of interest when they gave the contract for pharmaceuticals and supplies to Owen for the two hospitals. The contract is worth about $1 million a year to Owen at Sharon Hospital.

He admitted, however, that he "became an owner of the stock at the time we researched" providers for the hospital. He felt it was acceptable to own publically traded stock, but now has divested himself of common stock "of all publicly traded companies related to health care."

Sok said he had informed the Sharon Hospital board of his stock ownership. Until his interview he hadn't answered the question publicly, however, because of his sour view of the press, which is "always picking up on the darker questions," he said. "I've been barraged with misstatements."

He flatly denied that anything untoward had been done in his mismanagement of the Winsted Memorial Hospital accounts receivables. He was reluctant to discuss the subject because of the on-going investigation of the receivables by the Winsted Memorial in 1996, and if it appeared to the Code Blue community trust critics that certain expenses were high in certain months of the financial statements it was simply because of the "timing" when purchases were made and recorded.

Even though the hospital's receiver, Cortright Phillips, found that some expenses at Winsted hospital were questionable, Sok denied that they were: "We can back up all of those. All

those were legitimate." He agreed to Phillips' demand that the West Sharon Corporation return $125,000 to Winsted Memorial as a settlement of the expenses issues, he said, just "to settle the issue."

Why did he agree to return his $100,000 advance bonus from Winsted Memorial? "That's a good question," he said. "there was public controversy. We wanted to end the public controversy." He justified receiving it (and CFO Dombal received $50,000) because much extra work was required. There was "effort and sweat and political pressure," he said, as they tried to implement their "vision plan" for Winsted Memorial.

Why, when he was the bearer fo the bad news that the hospital would have to end its status as a hospital, did the board reward him so generously with a $100,000 bonus and a three-year contract renewal? "We had accomplished a lot of things," he claimed. There had been a "dramatic change-around" at the Winsted hospital, he said, citing the previous fiscal year's modest profit after a $2.5 million loss the year before.

He said that for a long time Winsted Memorial Hospital had been on "a slippery slope" and that when he had first been hired "our real charge was to reconfigure" the health-care delivery system at Winsted, which is what his vision plan would have done, he said.

He did not see any contradiction in announcing in February, 1996, that the hospital was in good financial shape, and then announcing in April that it had to end its major services. In February, he said, the hospital was reporting its profitable Sept. 30, 1995, fiscal year results, but beginning in October "we were seeing some significant trends": a decline in the number of patients going to Winsted was observed, " the managed care companies were harder to deal with," and emergency-room admissions were down.

"So we said this place is not going to make it." This was concluded, he said, in the February-March period. The vision-plan brochure announcing the proposed changes to the hospital, he said, had not been put together far in advance. To get it done in three weeks was the reason he went to his brother's public-relations agency. "He has a lot of connections in the printing business." It was a "Herculean" effort, he said, but "he pulled it off," speaking of his brother's firm, which got $4,300. A comparable quote he later got for the job, Sok said, was $15,000.

Sok claimed he presented to the Winsted board the possibility that it might want to get different managers to undertake the conversion of the hospital, but they wanted to stick with his team. He scoffed at Ralph Nader's charge that he had wanted to close Winsted Memorial to eliminate a competitor to Sharon Hospital, expressing bitterness toward Nader. "Why didn't Ralph Nader join with me to do something about the [state] hospital tax—to get a change in the formula? He never responded to my letter." (Nader, however, provided a copy of a letter from him to Sok. He also met with Sok in Washington around this time.)

As for Nader's request for public disclosure of the procurement contracts relating to the Winsted hospital, Sok said it was "up the board to release them. Why would they release all that information? This is

confidential business information."

Sok also defended himself against the accusation that he had not done for Winsted what he done for Sharon in the creation of new services. He said he brought in a new obstetrical-gynecological doctor, attracted other providers, and expanded the laboratory services. "But you've got to save the ship before you sail it," he maintained.

Sok was told that several people in Sharon had said that "morale is very poor" at Sharon Hospital—for example, Linda Clark, president of Heritage Health Care, a home health-care agency just up the road from the hospital, used those words. The reasons given include previous staff layoffs at Sharon, plus resentment of his large salary and the $100,000 advance bonus from Winsted. Sok simply referred to his critics as reflecting "changing times in the health-care field."

The Sharon work force was reduced by 70 in 1994. And "he didn't say he'd take a cut, too," complained Dr. Peter Gott, a Sharon Hospital physician, about Sok. To this, Sok replied that only 35 people had been laid off and the other 35 cuts had been effected by attrition or people reassigned to the Sharon Health Care Center or other institutions within the Sharon Hospital corporate system.

In retrospect, Sok said, given the controversy, "I probably would not have gotten involved" with Winsted Memorial Hospital. He blamed the controversy on "an activist group that distorted the facts" and that created "an uproar." He found the Winsted community trust's plans for a health-care center in the old hospital's facilities ironic: "What's happened is exactly what we had planned, except 200 people lost their jobs." (However, the facilities envisioned in Sok's plan would have employed considerably fewer.)

A Personal Report

Ask a Few Questions, They Call Out the State Police

By Lance Tapley

Early on a Sunday morning in June, just as I was waking up, I had a telephone call from a Connecticut state trooper threatening me with "criminal trespass" and "disorderly conduct" if in my research I continued to interview people at the Sharon Hospital.

I had had more pleasant wake-up calls. In years as a newspaper and magazine writer I have trod on the toes of many authorities, public and private, famous and infamous, but I had never before had people I was investigating convince the police to run interference for them. I am more familiar with things going the other way: Sometimes I have had the state police launch an investigation into some of the people I have written about.

David Beare, the state policeman, said the hospital had complained that I had created a "disturbance" by talking to employees, and he wanted to make it clear to me that the Sharon Hospital was "private property," that it was not a public institution. He also said the hospital authorities had claimed I had hesitated to show my identification.

I replied to Officer Beare that I was a free-lance writer; that I didn't have to show any identification although I had never reused to; that no one had told me while I conducted interviews that I couldn't do so; that I hadn't seen "No Trespassing" signs at Sharon Hospital; that everyone had talked to me of his or her own free will; that I had been unflaggingly courteous, this begin the best way to get information from people; that against my better judgment I had shown identification to Chief Financial Officer Daniel Dombal after he had requested it when I asked to see the hospital's available to-the-public-by-law federal tax returns; and, most important, that I didn't think it appropriate for the state police to be protecting private individuals from an inquisitive reporter.

I was not entirely surprised by this phone call. As I was about to leave Sharon at the end of my last trip to Connecticut, Ken Roberts, the hospital's public-relations man, had called me at my motel to tell me the state police had been alerted about me. "If you ask questions you are to be escorted off the grounds," he said. He said that employees had felt "threatened" because I was "very, very persistent in asking questions."

This call came after several days of my poking around the hospital without any attempt to hide what I was doing. In fact, the very first thing I did in several trips to Sharon was to try, unsuccessfully, to interview James Sok, the CEO. Other reporters "work with us," Ken Roberts had said. He asked me to submit questions in writing. Other reporters have agreed to do this, he said. "This is our policy." He added: "We have nothing to hide."

[The hospital later changed its tactics. James Sok agreed to speak with me. This occurred after local newspaper stories

had put him in the hot seat about his large salary. Please see accompanying article.]

The Killing of a Hospital
Winsted Memorial Hospital (WMH) (1902-1996)

Timeline

(from newspaper clippings)

2/96 Hospital president James Sok says 1995 figures "positive." Merger with Sharon Hospital (which he also runs) might be unnecessary. WMH "in good shape," says board chair Herbert Isaacson. (Later, June 10 issue of *Modern Healthcare* reports WMH essentially "broke even" with a $260,000 net income and net patient revenues of $14.6 million in the 1995 fiscal year.)

4/23/96 Hospital board adopts "vision" plan to close emergency room (ER) and in-patient beds within 90 days and create for-profit, off-site ambulatory-care center. Hospital building to become "residential care/assisted living center." Officials say this year's deficits the cause; $2.1 million loss projected.

4/27/96 A hundred people meet at Town Hall to protest hospital plan.

4/28/96 Area pastors urge citizens to contact governor to protest hospital changes.

4/29/96 Several hundred people at selectmen's meeting to protest hospital plan. Petition circulated by Community lawyer Charlene LaVoie. Selectmen pass resolution asking more state aid from Distressed Hospital fund and less taken from hospital by state's Uncompensated Care Pool Tax.

4/30/96 Sok says of hospital "use it or lose it" to area's residents. In statements he suggests that decision is reversible if hospital gets more business. He says he will ask board at its May 21 meeting to delay closing hospital.

5/2/96 Code Blue Committee formed to work for keeping hospital open. LaVoie asks hospital board members supporting shutdown plan to resign.

5/3/96 Code Blue sponsors protest march downtown. Fifty people participate. Fifty people participate. LaVoie says 7,200 signatures have been collected. Meanwhile, Sok shows video on cable TV promoting shutdown plans.

5/7/96 In *Republican-American* interview Ralph Nader says board members should resign if they aren't committed to keeping hospital open. He questions whether Sharon Hospital has been draining Winsted Memorial. He wants to see management contracts between the two hospitals.

5/7/96 Thirty-five Winsted-area residents go to State Capitol with 10,000 names on petition. Governor is unavailable but the group sees Sen. James Fleming and Rep. Philip Prelli, who pledge to work to keep hospital open.

5/11/96 At a meeting of hospital officials and concerned citizens, Code Blue Committee consultant Dr. Fred Hyde says "this is not a plan. This is assisted suicide," of the hospital board's vision plan. He urges management to step aside, notes large uncollected accounts receivable. (In a written report issued in May, he notes A/R have gone from $2.1 million on 9/31/95 to $4.8 million 3/31/96).

5/16/96 Legislation passed the legislature, it is announced, that may help the hospital stay open. It allows one hospital in state to have an ER without acute-care beds as a "demonstration" project. Bill waiting to be signed by governor.

5/16/96 A hundred and fifty people at a meeting hear Dr. Hyde's plans to save WMH, which include taking advantage of new legislation, getting new board and new administration, collecting bills and turning some hospital beds into nursing-home beds.

5/20/96 Hospital to get $648,000 from state's distressed hospital fund, $241,000 more than expected. Also, sok announces, hospital's state tax bill for 1995 of $624,000 is being deferred.

5/21/96 Hospital board postpones action to close WMH until late June. Board chair Isaacson says Dr. Hyde will not be allowed to look at all of hospital's books.

5/22/96 Sok says hospital has $1.6 million loss year-to-date including $550,000 in April.

5/29/96 At a meeting of 150 people, Sok says board regrets shocking citizens. Dr. David Lawrence says doctors are behind the board's plans.

6/4/96 Ralph Nader, addressing a meeting of 200 in Winsted, asks for hospital to release full financial and management information, asks for independent audit, questions if Sok has a "conflict of allegiances" between WMH and Sharon Hospital, and says that Sok told him the previous August that hospital need 14 in-patients a day to break even (Sok now says it is 20).

6/4/96 Gov. John Rowland signs into law bill to allow one hospital in state to apply to have ER without acute-in-patient beds. Meanwhile, Sok reports outstanding bills total $3.1 million.

6/7/97 Consultants hired by hospital are looking at how best to create an ambulatory-care center at a different site from the hospital.

6/10/97 Hospital agrees to release some hospital records Nader requested, but not severance agreement given to the former hospital administrator. Minutes of 1/23/96 board meeting reveal WMH "had a very high average of outstanding accounts receivable of

108.2 days." And, at least since 1994, the board has been concerned about declining patient census, minutes also reveal.

6/21/96 Ralph Nader sends letter to Sok asking him to resign. Board, however, "issued a vote of confidence in Mr. Sok, with one abstention."

7/3/96 Attorney General Richard Blumenthal is investigating hospital. In a letter to hospital attorney, he says nonprofit assets can't be converted to for-profit purposes.

7/4/96 Public relations firm of Mintz & Hoke has been hired to tell hospital side of the story for around $10,000 a month.

7/11/96 Nearby hospitals offer affiliation to WMH. Saint Francis Hospital and Medical Center in Hartford would, at least in the short term, keep in-patient beds open and emergency care. It would invest up to $5 million. Charlotte Hungerford Hospital in Torrington, in conjunction with Hartford Hospital, would essentially adopt the WMH vision plan, though it would keep the ER open at least 3 years. No in-patient beds. It would provide up to $9 million in loans and loan guarantees.

7/18/96 3 area legislators—Fleming, Prelli, and Ferrari—support St. Francis Hospital option. LaVoie already had voiced her support.

7/23/96 Hospital board votes (12 for, 4 against, 2 abstentions) to pursue affiliation with Charlotte Hungerford-Hartford Hospitals. LaVoie says community "betrayed." Legislators and other protest.

7/28/96 *Register Citizen* editorializes: "Hospital directors stand alone."

8/2/96 State Office of Healthcare Access quoted in the *Courant:* "Mergers are happening now, and we expect more. Generally, the hoped-for outcome is to remove excess capacity from the system while maintaining necessary access to services for the population."

8/2/96 LaVoie publically challenges legality of board's latest vote, citing infractions of bylaws.

8/6/96 More than 100 people at meeting vote unanimously to ask board to rescind vote. In a speech at the meeting, Ralph Nader asks board to turn hospital over to another organization being formed, the Winsted Memorial Hospital Community Trust.

8/24/96 After marching in front of Hartford Hospital, 40 protesters march at Winsted hospital to protest affiliation plans.

8/27/96 Hospital board announces plans to end acute in-patient care on 9/30, laying off 62 employees (severance expected to be paid). Sen. Fleming denounces Sok: His "intention all along was to close Winsted Memorial Hospital." On 8/28 he asks for Sok's resignation.

8/30/96 WMH asks state to designate it as the one facility that, under new legislation, may have an ER without acute-in-patient beds.

9/3/96 Newly formed Community Trust announces intention to take over hospital and to ask AG Blumenthal to replace board. Selectmen vote to authorize attorneys to oppose affiliation with Hartford Hospital. Dr. Fred Hyde offers to be Community Trust hospital CEO temporarily for free.

9/4/96 "These attempts to block us or slow us down are costing us money," Sok says. "We're in a race against bankruptcy."

9/10/96 AG Blumenthal asks Superior Court for injunction to prevent acute in-patient services from ending 9/30. Board can't "unilaterally" end its status, he says.

9/13/96 Nurses and technicians at WMH vote 34-10 to support Community Trust and to take 10% pay cut for 3 years if trust takes over.

9/17/96 WMH board votes to close acute in-patient services a week earlier than planned—on 9/23—"to avoid bankruptcy." Also approves affiliation with Hartford Hospital.

9/18/96 Union representing 60 hospital employees files complaint with federal National Labor Relations Board that hospital has negotiated in bad faith regarding planned layoffs.

9/19/96 Superior Court Judge Richard Walsh rejects hospital's move to dismiss AG's injunction request. As a result, hospital agrees to keep acute care open until 9/27 so legal arguments can be heard on 9/24 on injunction request. AG says he wants hospital audit, believes $833,000 available in unrestricted endowment gifts and bequests.

9/24/96 Instead of submitting to injunction hearing, hospital agrees to reopen negotiations with St. Francis and to delay closing acute care until 10/28. Sok calls LaVoie's continuing attacks "unfair."

10/1/96 WMH's merger offer with St. Francis approved by board and forwarded to St. Francis.

10/1/96 Blumenthal orders WMH staff to give depositions and provide hospital records.

10/3/96 St. Francis backs out of negotiations, citing WMH board's excessive new demands and community distrust of board. Hospital auxiliary asks board to resign.

10/4/96 AG Blumenthal asks court to appoint receiver for hospital because of board's unwillingness to maintain acute-care beds "as the hospital's charter requires." (On 10/8 *Courant* calls hospital's board "incompetent,")

10/8/96 E. Cortright Phillips appointed receiver by court. Denounced by LaVoie because, she says, he had publically stated hospital should be closed (he denies). She also denounces Blumenthal for "betrayal" for supporting Phillips. Sok clears out desk.

10/18/96 Phil Donahue in a Winsted telethon raises more than $256,000 in pledges for community trust.

10/22/96 The receiver, Phillips, says hospital must close by 10/25 and file for bankruptcy. He says there is a $700,000 liability not covered by assets. Board votes to close hospital. AG says he will seek legal action to have trust take over hospital.

10/23/96 Hospital board members blame "Nader and his group" for hospital's closing, saying opposition to original hospital plan resulted in facility closing altogether.

10/24/96 Legal hearing on hospital closing reveals $150,000 paid to Sok and CFO Daniel Dombal as bonuses in advance of implementing vision plan.

10/25/96 Judge Richard Walsh rules hospital must close by 5 p.m. It is ordered to file bankruptcy. He rejects the trust's proposal to keep hospital open, saying the trust didn't have cash or business acumen to run hospital. Some nurses blame Code Blue committee for pushing too hard, not being able to accept board's plan. Now, no severance or vacation pay will be paid.

10/28/96 Phillips says Community Trust was wrong in "hollering for continued in-patient care when there *weren't* any in-patients." He says the opponents should have agreed to a combination of out-patient care and ER service.

11/1/96 Charlotte Hungerford Hospital files letter of intent with state regulators for ambulatory care center in Winsted.

11/8/96 Blumenthal reveals Dr. Hyde is being investigated administration of Windham hospital. This, he says, is why he did case that Community trust could take over hospital.

11/13/96 Trust president Richard Michaelson sends letter to Dedrick asking for explanation of questionable financial activities.

11/15/96 WMH files for bankruptcy. Barbara Hankin appointed…[text cut off]

11/19/96 Phillips, receiver, says: "The Nader people are… [text cut off]

12/14/96 At a meeting at Sharon Hospital, some doctors are… [text cut off]…his actions at WMH

12/16/96 Bankruptcy papers filed show assets ($5.46 million) exceed liabilities ($4.57 million) by $890,000. But Phillips says he didn't have enough cash to keep hospital running.

12/18/96 Sok and Dombal agree to repay $150,000 in bonuses and Sharon Hospital $125,000 to WMH for “questionable” expenses in a “compromise” settlement negotiated by Phillips. In exchange, Sok, Dombal, and Sharon Hospital will get releases.

1/2/97 St. Francis Hospital files letter of intent with state regulators to establish a health center at Winsted.

1/6/97 Ralph Nader, in a letter to Sharon Hospital chair Dedrick, presses for answer to financial questions about management of WMH. He also urges settlement with Sok and Dombal be rejected. He says they should not be released from responsibility.

1/24/97 In full-page ads in *Litchfield County Times* and *Lakeville Journal,* Sharon Hospital, Sok and Dombal defend themselves.

3/3/97 The Community Trust announces it is joining with Charlotte Hungerford Hospital to create a new health-care facility in Winsted. Plans include a 16 hour-a-day ER, possibly in the old hospital building. Trust would like to buy the building.