

File No. 110082

Committee Item No. 6

Board Item No. \_\_\_\_\_

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance FULL-Committee Date: May 11, 2011

Board of Supervisors Meeting

Date \_\_\_\_\_

#### Cmte Board

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| <input type="checkbox"/>            | <input type="checkbox"/> | Resolution                                   |
| <input type="checkbox"/>            | <input type="checkbox"/> | Ordinance                                    |
| <input type="checkbox"/>            | <input type="checkbox"/> | Legislative Digest                           |
| <input type="checkbox"/>            | <input type="checkbox"/> | Budget and Legislative Report                |
| <input type="checkbox"/>            | <input type="checkbox"/> | Ethics Form 126                              |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Introduction Form (for hearings)             |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/>            | <input type="checkbox"/> | MOU  |
| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Budget                                 |
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| <input type="checkbox"/>            | <input type="checkbox"/> | Contract/Agreement                           |
| <input type="checkbox"/>            | <input type="checkbox"/> | Award Letter                                 |
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#### OTHER

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Completed by: Victor Young

Date: May 6, 2011

Completed by: Victor Young

Date: \_\_\_\_\_

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.



**Status Report on  
Lyon-Martin Health Services**

**Presentation to  
San Francisco Board of Supervisors  
Budget & Finance Committee  
Supervisor Carmen Chu, Chair  
March 2, 2011**

**LIST OF ORGANIZATIONAL ATTENDEES**

<b>Organization</b>	<b>Attendees</b>
Lyon-Martin Health Services	Lauren Winters, Chair, Lyon Martin Board of Directors  Eric Fimbres, Executive Director  Dawn Harbatkin, MD, Medical Director  Jean Merwin, RN, Consultant
San Francisco Community Clinic Consortium	Ana Valdes, MD, Chair, SFCCC Board of Directors  John Gressman, MSW, MA, President and CEO  Maria Powers, Vice President, Finance, Information and Operations
San Francisco Department of Public Health	Tangerine Brigham, Deputy Director of Health and Director of Healthy San Francisco



# Status Report on Lyon-Martin Health Services

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Presentation to  
San Francisco Board of Supervisors  
Budget & Finance Committee  
Supervisor Carmen Chu, Chair  
March 2, 2011

SAN FRANCISCO  
COMMUNITY CLINIC  
CONSORTIUM

health  
services LYON  
MARTIN



1

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health  
services LYON  
MARTIN

2

## A Community Service and Resource

- Lyon-Martin Health Services provides health care to women and transgender people in a safe environment with sensitivity to sexual and gender identity
- Lyon-Martin served almost 2,500 patients in 2010
  - 42% are queer identified
  - 33% are people of color
  - 17% are homeless or marginally housed
  - 84% live below 200% of the federal poverty level
- Of the 2,500 patients, approximately 1,000 are Healthy San Francisco participants

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## How Did This Happen?

- Lyon-Martin has struggled with fiscal challenges:
  - Cash poor (i.e., cash flow)
  - Payor mix not sufficient to fund clinic operations
  - Expanded services without adequate financial systems to monitor growth
  - Inadequate billing infrastructure and insufficient billing for services provided
  - Reduced fund development activities

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## Who's Responsible?

- Shared responsibility for financial condition of organization
  - Former Executive Director and Executive Management
  - Board of Directors

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## What's the Extent of the Problem?

- \$1 million in debt
  - An additional \$500,000 is needed by March 31, 2011 for the clinic to become financially viable
  - This is above and beyond the \$300,000 that has been raised to date
- No malfeasance
- If additional \$500,000 raised by March 31, 2011, Lyon Martin will not seek bankruptcy

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## What's Happening Now?

- Putting patients first
  - Doors are still open
  - Lyon-Martin clinicians continue to serve patients
- Enhancing Lyon-Martin Board of Directors oversight and governance
- Fundraising from a generous San Francisco community
  - To date \$300,000 has been raised
- Instituting a turnaround plan

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## What's the Turnaround Plan?

- Improved infrastructure and operations – retained experienced consultants in the following areas:
  - Fiscal/accounting
  - Legal
  - Operations
- Hired Turn-around Executive Director
- Retained Turn-around Finance Director and accounting staff

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## What are Components of Plan?

- Increased Level of Transparency
- Compliance with Corrective Action Plan
  - San Francisco Community Clinic Consortium
  - San Francisco Department of Public Health
- Reduction in Clinic Program
- Financial Recovery Plan
- Board Transition Plan

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SAN FRANCISCO  
COMMUNITY CLINIC  
CONSORTIUM

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## **What's SFCCC & Lyon Martin Relationship?**

- Lyon-Martin Health Services is a grantee of and member of the San Francisco Community Clinic Consortium (SFCCC)
- Lyon Martin is a member of SFCCC Board of Directors

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## **What Assistance Has SFCCC Given?**

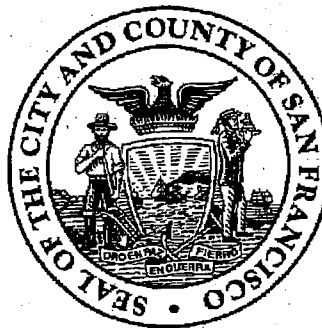
- Lyon-Martin financial systems received technical assistance from SFCCC funded by a private foundation grant
- SFCCC temporarily assigned its fiscal staff to review the fiscal statements and processes of Lyon- Martin
  - Lyon-Martin is current and up-to-date on billing third parties for reimbursable services
- Working with federal Health Resources and Services Administration

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## What Oversight is SFCCC Instituting?

- Placed Lyon-Martin on probationary status
- Corrective action in the following key areas:
  - Financial recovery plan
  - Board recruitment
  - New staff - "Turnaround" Executive Director, Director of Finance and Biller
  - Audit of insurance policies

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## What is CCSF's Investment?

- Through San Francisco Department of Public Health (DPH) a total of \$322,000 in FY 2010-11 for Lyon Martin
  - \$200,000 in behavioral health funds
  - \$122,000 in Healthy San Francisco funds
- Lyon-Martin does not have a direct contract with DPH
  - Lyon-Martin dollars are via subcontractors (San Francisco AIDS Foundation and San Francisco Community Clinic Consortium)

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## What Assistance has DPH Provided?

- To address Lyon-Martin cash flow problems, DPH advanced approximately  $\frac{3}{4}$  of clinic's Healthy San Francisco funds
  - DPH able to advance portion on behavioral health funds
  - DPH has no new money to allocate to Lyon-Martin
- Will undertake review of financial statements with Lyon-Martin and San Francisco Community Clinic Consortium fiscal staff
- Collaborating with Lyon-Martin on identification of clients for any potential transfer to address needed reduction in clinic size

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## **What have been DPH Activities?**

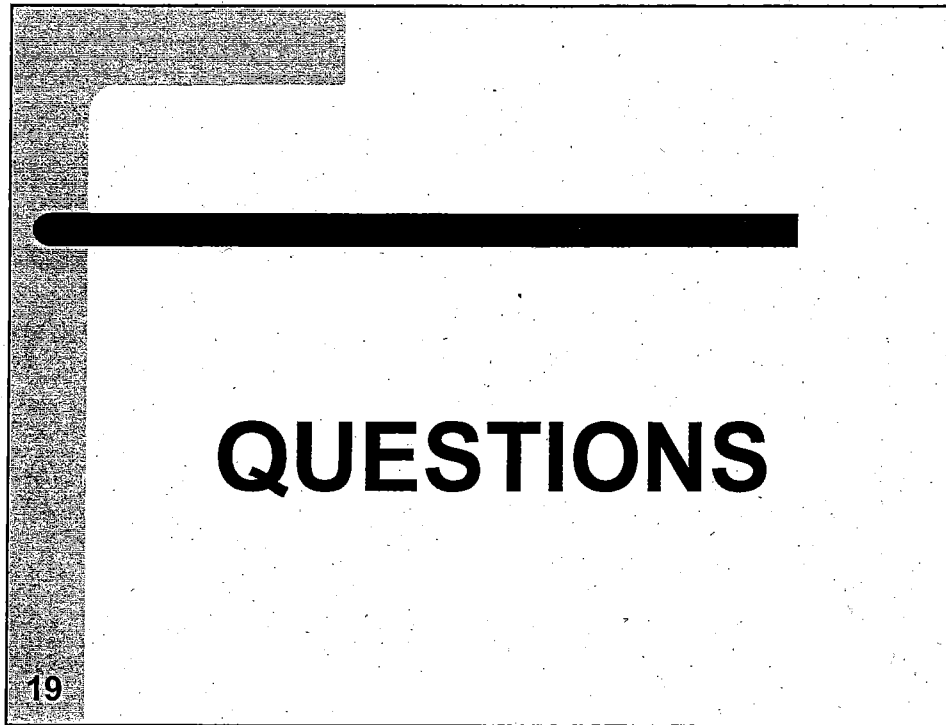
- Instituted a Corrective Action Plan for Lyon-Martin
- Closed Lyon-Martin as a Healthy San Francisco medical home for new participants
- Outlined necessary components for any potential downsizing or significant change in clinic operations

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## **Working Together Toward a Solution**

- Department of Public Health, Lyon-Martin Health Services and San Francisco Community Clinic Consortium meet on a regular basis to discuss:
  - Clinic status
  - Financial outlook
  - Clinic operations
  - Governance
  - Next steps

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February 25, 2011

Ms. Lauren Winter  
Board Chair  
Lyon-Martin Health Services  
1748 Market Street, Suite 201  
San Francisco, CA 94102

Dear Ms. Winter:

As requested, HFS Consultants has evaluated Lyon Martin Health Services ("LMHS") projected budget for 2011. We agreed to provide this analysis to the Board of Directors of LMHS on a pro bono basis to assist you in evaluating options for the future of the organization.

Our analysis was limited to examining documents provided by LMHS management. We relied on the explanations of historical results and assumptions for future results as LMHS provided. Our analysis is not intended, nor will it, ferret out any problems that may exist or arise outside the scope of our evaluation. Nor will our work provide an assessment or opinion as to whether the procedures or operations of LMHS are in fact carried out as they have been described to us.

Actual results may differ significantly from management's projections. Federal, state or local governments may enact regulations that materially affect future operations. There is no assurance that LMHS could make changes to its revenue and cost structure that would be sufficient to meet operating requirements.

We reviewed the detailed assumptions for 2011 operations, cash flow and debt service with LMHS management. We believe that the contract and service revenue and operating expense assumptions are reasonable to conservative while the grant and donation revenue assumptions are slightly aggressive. Individually, each line item is achievable; however, in order to be successful, ALL budgeted line items must be met and there is no margin for less than ideal performance.

Preliminary fiscal year ended December 31, 2010 financial statements show a \$500,000 deficit from operations. The 2011 budget shows a surplus from operations of \$312,000, an \$812,000 turn around in a year. We believe that, while this goal may be achievable, it is an aggressive goal because LMHS has no cash reserves and therefore no flexibility in meeting its cash obligations.

Lyon Martin Health Services  
Evaluation of 2011 Budget  
February 25, 2011

In addition to reviewing the 2011 budget, we assessed LMHS's ability to continue operations beyond the current year by normalizing the 2011 budget for a year of operations at full staff. For 2012, we estimated an operating surplus of approximately \$173,000 and a cash deficit of \$150,000 for the year, assuming continued repayment of debt.

We see significant risks in areas such as the ability to raise funds from foundations and individuals at the projected levels, the ability to sustain an effective billing function and the ability to recruit experienced health center executives for the open positions; however, we also see opportunities to achieve operational efficiencies, enhance billing procedures, improve payor mix to increase service revenues, increase patient collections and restructure debt. Constant and intense effort by management and staff will be required as well as close oversight on the part of the LMHS board.

While the 2011 budget projects an operational surplus, there will not be enough cash generated to fund operations and pay down debt. We also noted that the cash inflows are uneven during the year, which creates the need for cash reserves to allow LMHS to meet its obligations during lower revenue months.

Based on the monthly projected revenues and expenses, LMHS needs an immediate cash infusion of \$500,000 to fund ongoing operations, develop a recovery plan and provide flexibility to address unforeseen external events. Without this infusion, LMHS is projected to run out of cash by May 1<sup>st</sup>. This amount is over and above the fundraising already assumed in the budget.

The information collected from LMHS was not prepared, audited, or appraised by HFS. In addition, any variances in the actual facts provided to HFS may have a material impact on our conclusion. Our analysis is not, and should not, be considered a legal opinion, an independent valuation, or a recommendation to continue or discontinue clinic operations.

Sincerely,

**HFS CONSULTANTS**

Oakland, California



For Immediate Release

Contact: Dawn Harbatkin, M.D.  
Medical Director and Interim Executive Director  
dawn@lyon-martin.org  
415-901-7110

Lyon-Martin External Assessment:  
Clinic Needs to Raise Another \$500,000 by March 31 to Survive and Stabilize

**SAN FRANCISCO-** February 25th, 2011 — A series of external financial assessments culminated Friday in a confirmation that Lyon-Martin Health Services must receive an additional infusion of cash in the amount of \$500,000 by March 31, 2011 to gain viability.

"We are committed to keeping the clinic open, but only if it can be done sustainably," said Lyon-Martin Board Chair Lauren Winter. "Lyon-Martin cannot remain forever dependent on the type of generous outpouring of financial support the clinic has received from the community over the past month."

"With significant changes in the way the clinic is structured and managed, there is a point in 2012 where Lyon-Martin should be in a position to generate sufficient income to cover its expenses and pay down debt," explained Board Treasurer Peter Balon. "An immediate infusion of cash, however, is needed if the clinic is to maintain operations long enough to reach that point."

"We cannot thank the community enough for its support over the past month," said Winter. "Your donations have allowed Lyon-Martin to remain alive long enough to perform this external assessment." Although the community has contributed more than \$300,000 in donations and pledges to date, a substantial portion of those funds were needed to pay employee salaries and otherwise support normal operations during the months of January and February.

The community's donations have also enabled Lyon-Martin to hire several consultants in hopes of turning the clinic around and stabilizing its finances. In addition to financial and legal advisors who have provided services pro bono, Lyon-Martin has retained experts in health center regulation and administration, and it is expected that consultants serving as turnaround Executive Director, Director of Finance, and accounting staff will be in place by the first week of March. The clinic's Director of Finance recently announced her resignation effective March 4.

"We will never be able to stabilize the clinic without bringing in turnaround specialists who have the right expertise," said Medical Director and Interim Executive Director Dawn Harbatkin, M.D. "And we would never have had the funds to retain these people without the amazing financial support the community has provided in recent weeks." Harbatkin, who has served as Interim Executive Director since the departure of former

Executive Director Teri McGinnis in November 2010, is thrilled to be handing over the reins. "What the clinic needs most right now is a turnaround Executive Director who can work full time on running the business of Lyon-Martin. I am excited to get back to focusing on the medical care being provided to the clinic's patients. Things are definitely moving in the right direction."

There remain, however, several potential obstacles to Lyon-Martin's survival.

- If Lyon-Martin does not receive an additional \$500,000 by March 31, the process of winding down the clinic must begin, if a responsible closure is to take place before the clinic runs out of money altogether. Lyon-Martin is hopeful that these funds can be raised through a combination of public and private funding sources.
- Even if these funds are raised immediately, pending federal legislation and budget cuts in this fiscal year and next could result in the loss of critical funding upon which the clinic depends. On February 19, the U.S. House of Representatives passed HR 1, the Continuing Resolution to fund the federal government through September 30, which also prohibits the use of federal funds to implement the Affordable Care Act and eliminates funding for the Family Planning services the Clinic provides. If the Continuing Resolution passed by the Senate and signed by the President retains these spending cuts, the clinic may have no choice but to close.
- Finally, the clinic must significantly improve its performance on collecting funds from self-pay patients. "We have not historically been disciplined in this area, but that is going to have to change," said Harbatkin. Patients not covered under Medi-Care, Medi-Cal, or another government-funded health care program or private insurance will be asked to pay for their visits at the time of treatment, and follow-up invoices will be sent to those who cannot do so. Harbatkin emphasized, "the clinic is committed to providing needed care regardless of ability to pay, but it is not — and cannot be run as — a free clinic."

**Lyon-Martin must raise an additional \$500,000 by March 31, 2011 to stabilize its finances and keep the clinic open.**

"We have no expectation that the community can raise this kind of money all by itself," said Winter. "We are looking to local government to participate as well." Supervisors Scott Weiner, Ross Mirkarimi, and David Campos all have publicly expressed a strong commitment to saving the clinic. **The City and County of San Francisco's Budget and Finance Subcommittee has scheduled a public hearing regarding Lyon-Martin on March 2, 2011 at 4 p.m., San Francisco City Hall Room 250.** "We need to fill the auditorium with community members who are doing their part to save the clinic," said Harbatkin.

Local government has good reason to invest in the future of Lyon-Martin. The Federal Department of Health and Human Services promotes Healthy People 2020, which

provides science-based, 10-year national objectives for promoting health and preventing disease. For the first time in its history, Healthy People 2020 lists as one of its goals: “improving the health, safety, and well-being of lesbian, gay, bisexual, and transgender (LGBT) individuals.” Lyon-Martin Health Services is the only clinic in the United States with a focus specific to Lesbian and Transgender health, serving as a national model for this field of care.

Anyone interested in answering Lyon-Martin’s appeal for emergency funding can take one of the following steps:

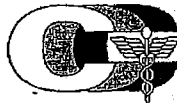
- Attend the March 2 hearing at San Francisco City Hall, Room 250 at 4 p.m. and let your voice be heard
- Donate online at [www.lyon-martin.org](http://www.lyon-martin.org)
- Send a donation via check to 1748 Market Street, Suite 201, San Francisco, CA 94102.
- Make a donation over the phone by calling 415-901-7131

A thermometer tracking the clinic’s fundraising progress can be found on the main page of [www.lyon-martin.org](http://www.lyon-martin.org).

**Lyon-Martin provided care to almost 2,500 patients in 2010.** 42% of these patients are queer identified, 33% of these patients are people of color, 17% are homeless or marginally housed and 84% live below 200% of the federal poverty level.

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# San Francisco Community Clinic Consortium

1550 Bryant Street, Suite 450 • San Francisco, CA 94103 • Phone 415/355-2222 • Fax 415/865-9960 • [www.sfccc.org](http://www.sfccc.org)

March 1, 2011

SENT VIA CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Ms. Lauren Winter  
Chair, Board of Directors  
Lyon-Martin Health Services  
1748 Market Street, Suite 201  
San Francisco, CA 94102

RE: REVISION OF LMHS PROBATIONARY STATUS WITH SFCCC

Dear Ms. Winter:

I am writing on behalf of the Board of Directors of the San Francisco Community Clinic Consortium, to inform you that Lyon-Martin Health Services's (LMHS's) probation status with SFCCC has been revised.

The first five probation items listed below were previously imposed (and are restated here so all probation terms are included in one document). The subsequent items were recently added by the SFCCC Board.

1. Probationary status is imposed, effective immediately and for an initial term of one year.
2. Consistent with federal grant guidelines, LMHS must submit to SFCCC copies of all LMHS Board of Directors and Board Finance Committee meeting minutes, including financial documents reviewed, from July 1, 2010 to present, by February 15, 2011.
3. LMHS must submit to SFCCC copies of all subsequent LMHS Board of Directors and Board Finance Committee meetings minutes, including financial documents reviewed, by the fifteenth of the following month.
4. LMHS must submit to SFCCC copies of CVs/resumes/bio-sketches for all new LMHS Board members and key staff members (e.g., Executive Director, Medical Director, Finance Director, Development Director, Clinic Manager/Operations Director), if any, at least five business days prior to appointment or offer of employment.
5. While on probation, LMHS is ineligible to participate in new SFCCC funding opportunities.
6. LMHS must develop and submit to SFCCC a Financial Recovery Plan that complies with federal HRSA requirements, as outlined in BPHC Policy Information Notice (PIN) 2002-18; available at <http://bphc.hrsa.gov/policy/pin0218.htm>.
7. LMHS must develop and submit to SFCCC a financially viable plan for payment of owed federal and state taxes.
8. LMHS must develop and submit to SFCCC a plan for LMHS Board recruitment that will result in an increase in the LMHS Board to 9 members and replacement of current LMHS Board members within a reasonable timeframe. New LMHS Board members must possess suitable qualifications related to primary care clinic management and/or nonprofit organizational development and operations, and should be vetted with SFCCC through the process outlined in item #4, above.
9. LMHS must develop and submit to SFCCC a plan for LMHS key staff recruitment, including an interim full-time "turnaround" Executive Director, a Director of Finance, and a Biller. These new staff must possess suitable qualifications, and be vetted with SFCCC per item 4, above. Executive Director and Biller new hires already have SFCCC approval. Or, the Director of Finance and/or Biller functions can be done by a qualified consultant.

10. LMHS must cooperate in SFCCC's conducting of an audit of LMHS insurance policies, e.g., to determine adequacy of professional liabilities and Directors and Officers coverage. SFCCC should be listed as a certificate holder or additional insured on such policies, as applicable.
11. LMHS must cooperate in SFCCC's inventorying of equipment purchased by LMHS and/or invoiced to SFCCC under federal grants awarded to SFCCC and subcontracted to LMHS, including identification of any related outstanding vendor payables.
12. LMHS must make payments to SFCCC for 2010-11 AmeriCorps member matching funds and 2010-11 organizational dues, in the amount of \$3,075/month, and payable by 3/31/11, 4/30/11, 5/31/11 and 6/30/11.

Please arrange for review of this letter by the LMHS Board, and **reply to me within one week with a proposed timeline for complying with the new probation terms** (items 6 – 12). While the urgency of these matters require prompt attention, SFCCC is willing to negotiate due dates that are feasible for LMHS to achieve. Please also return to me c/o SFCCC the enclosed Acknowledgement and a copy of the LMHS Board meeting minutes that document this review.

Please feel free to contact me if you need additional information or wish to discuss this matter.

Sincerely,



Ana Valdes, MD  
Chair, SFCCC Board of Directors

Cc: Dawn Harbatkin, MD  
John Gressman  
SFCCC Board of Directors



# San Francisco Department of Public Health Community Behavioral Health Services

CAP Opening Date: January 28, 2011  
Last Updated: March 1, 2011  
Tangerine Bringham 554-2779

## Lyon-Martin – Corrective Action Agreement of FY10\_11 Tracking Report

CP §	Category	Identified Problem	Correction to be Undertaken	Due Date	Action Needed	Status Report – Date and Action Needed
<b>1. Governance</b>						
PC	Agency Operations Oversight	Board adopted resolution to close the Agency. Current board membership below level prescribed by bylaws and inadequately performed its stewardship function.	Recruit board members to comport with bylaws; new members to have understanding of primary care clinic management and/or nonprofit organizational development and operations. Establish finance committee oversight responsibilities and protocols.		Retain a health center consultant to provide assistance to Lyon Martin board and staff	<ul style="list-style-type: none"> <li>January 27: Board rescinded resolution to close Agency to give all parties time to make an appropriate closing plan and address short and long-term financial stability.</li> <li>February 28: Board appoints Eric Fimbres as Turnaround Executive Director</li> </ul>
<b>2. Financial Management</b>						
PC	Financial Management Capacity	Inadequate financial management, budget forecasting capabilities	Cooperate with SFCCC consultant regarding development of budget scenarios		SFCCC provides fiscal consultant to assist Agency in an independent review of Agency's financials (A/P, A/R, payor mix, taxes owed), and provide clarity as to next steps	<ul style="list-style-type: none"> <li>SFCCC fiscal review indicates that Agency is up-to-date on billing for services and other components (A/P, A/R, debt, etc.)</li> <li>Agency retained their own fiscal consultant to review financial infrastructure, systems and statements</li> </ul>
PC	Financial Management Capacity	Medi-Cal billing in arrears for FQHC patients due to mismanaged billing practices	Investigate avenues to retroactively bill these services; cooperate with DPH consultant regarding retroactive billing		SFCCC President and CEO to engage federal Health Resources and Services Administration (HRSA) on behalf of Agency	<ul style="list-style-type: none"> <li>HRSA review took place in early/mid February</li> <li>State Department of Health Care Services unable to authorize retroactive billing for services delivered more than 12 months ago – Federal restriction</li> </ul>
PC	Financial Management Capacity	Failed to deposit payroll taxes resulting in ~\$500K IRS liability	Seek legal counsel/advice on how to proceed with IRS; seek loan or explore other fund development options.		Agency consultant to provide technical assistance	<ul style="list-style-type: none"> <li>Agency has submitted revised State and federal income tax returns</li> <li>Pro bono legal firm of Morrison and Forrester to work with Agency on identification of legal counsel in the area of taxes</li> </ul>

CP §	Category	Identified Problem	Correction to be Undertaken	Due Date	Action Needed	Status Report – Date and Action Needed
<b>3. Financial Recovery</b>						
PC	Financial Recovery	Agency has severe cash flow shortage	DPH had previously advanced Agency funds under its HSF FY2010-11 grant allocation		Provide fiscal consultant through the Consortium to assist Agency to independently review Agency's financials (A/P, A/R, payor mix, taxes owed), and provide clarity as to next steps	<ul style="list-style-type: none"> <li>Agency reports that it raised over \$300K</li> <li>Agency to submit audited financial statements for the two most recent completed budget years</li> <li>Agency to submit monthly cash flow statements</li> <li>Agency to develop plan of correction addressing financial and programmatic actions to address financial recovery; plan to address the current fiscal year, FY2010-11 and FY2011-12</li> <li>Agency to develop fall back plan if fund raising targets are not realized or if financial analysis dictates a restructuring and/or closing of the clinic</li> </ul>
<b>4. Program Operations</b>						
PC	Patient Services	Critical cash flow shortage; Agency cannot afford to serve population that does not generate revenue; staffing levels not sustainable Agency currently has 2,500 patients, approximately 1,000 of whom are HSF participants	Contingent on outcome of financial review, Agency may need to transfer HSF patients to other PC home(s); reduce staffing levels and organizational costs Agency to provide DPH with list of HSF participants in various categories (shadow panel, transgender, HIV status, etc.) to better transition clients should that be necessary		DPH Staff regularly meets with acting Agency director to assess patient mix and staffing levels.	<ul style="list-style-type: none"> <li>Agency still providing health care to patients but restricting the level of future appointments.</li> <li>DPH Director briefed Mayor's Office and members of the Board of Supervisors, and updated Health Commission</li> <li>DPH closed Agency as HSF medical home for new participants</li> <li>DPH outlined necessary components for potential downsizing or closing of clinic (i.e., participant communications, transfer of patients)</li> </ul>





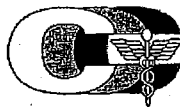
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<b>2. Financial Management</b>						
PC	Financial Management Capacity	Inadequate financial management, budget forecasting capabilities	Cooperate with SFCCC consultant regarding development of budget scenarios		SFCCC provides fiscal consultant to assist Agency in an independent review of Agency's financials (A/P, A/R, payor mix, taxes owed), and provide clarity as to next steps	<ul style="list-style-type: none"> <li>SFCCC fiscal review indicates that Agency is up-to-date on billing for services and other components (A/P, A/R, debt, etc.)</li> <li>Agency retained their own fiscal consultant to review financial infrastructure, systems and statements</li> </ul>
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PC	Financial Recovery	Agency has severe cash flow shortage	DPH had previously advanced Agency funds under its HSF FY2010-11 grant allocation		Provide fiscal consultant through the Consortium to assist Agency to independently review Agency's financials (A/P, A/R, payor mix, taxes owed), and provide clarity as to next steps	<ul style="list-style-type: none"> <li>Agency reports that it raised over \$300K</li> <li>Agency to submit audited financial statements for the two most recent completed budget years</li> <li>Agency to submit monthly cash flow statements</li> <li>Agency to develop plan of correction addressing financial and programmatic actions to address financial recovery; plan to address the current fiscal year, FY2010-11 and FY2011-12</li> <li>Agency to develop fall back plan if fund raising targets are not realized or if financial analysis dictates a restructuring and/or closing of the clinic</li> </ul>
<b>4. Program Operations</b>						
PC	Patient Services	Critical cash flow shortage; Agency cannot afford to serve population that does not generate revenue; staffing levels not sustainable Agency currently has 2,500 patients, approximately 1,000 of whom are HSF participants	Contingent on outcome of financial review, Agency may need to transfer HSF patients to other PC home(s); reduce staffing levels and organizational costs Agency to provide DPH with list of HSF participants in various categories (shadow panel, transgender, HIV status, etc.) to better transition clients should that be necessary		DPH Staff regularly meets with acting Agency director to assess patient mix and staffing levels.	<ul style="list-style-type: none"> <li>Agency still providing health care to patients but restricting the level of future appointments.</li> <li>DPH Director briefed Mayor's Office and members of the Board of Supervisors, and updated Health Commission</li> <li>DPH closed Agency as HSF medical home for new participants</li> <li>DPH outlined necessary components for potential downsizing or closing of clinic (i.e., participant communications, transfer of patients)</li> </ul>



# San Francisco Community Clinic Consortium

1550 Bryant Street, Suite 450 • San Francisco, CA 94103 • Phone 415/355-2222 • Fax 415/865-9960 • [www.sfccc.org](http://www.sfccc.org)

March 1, 2011

SENT VIA CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Ms. Lauren Winter  
Chair, Board of Directors  
Lyon-Martin Health Services  
1748 Market Street, Suite 201  
San Francisco, CA 94102

RE: REVISION OF LMHS PROBATIONARY STATUS WITH SFCCC

Dear Ms. Winter:

I am writing on behalf of the Board of Directors of the San Francisco Community Clinic Consortium, to inform you that Lyon-Martin Health Services's (LMHS's) probation status with SFCCC has been revised.

The first five probation items listed below were previously imposed (and are restated here so all probation terms are included in one document). The subsequent items were recently added by the SFCCC Board.

1. Probationary status is imposed, effective immediately and for an initial term of one year.
2. Consistent with federal grant guidelines, LMHS must submit to SFCCC copies of all LMHS Board of Directors and Board Finance Committee meeting minutes, including financial documents reviewed, from July 1, 2010 to present, by February 15, 2011.
3. LMHS must submit to SFCCC copies of all subsequent LMHS Board of Directors and Board Finance Committee meetings minutes, including financial documents reviewed, by the fifteenth of the following month.
4. LMHS must submit to SFCCC copies of CVs/resumes/bio-sketches for all new LMHS Board members and key staff members (e.g., Executive Director, Medical Director, Finance Director, Development Director, Clinic Manager/Operations Director), if any, at least five business days prior to appointment or offer of employment.
5. While on probation, LMHS is ineligible to participate in new SFCCC funding opportunities.
6. LMHS must develop and submit to SFCCC a Financial Recovery Plan that complies with federal HRSA requirements, as outlined in BPHC Policy Information Notice (PIN) 2002-18; available at <http://bphc.hrsa.gov/policy/pin0218.htm>.
7. LMHS must develop and submit to SFCCC a financially viable plan for payment of owed federal and state taxes.
8. LMHS must develop and submit to SFCCC a plan for LMHS Board recruitment that will result in an increase in the LMHS Board to 9 members and replacement of current LMHS Board members within a reasonable timeframe. New LMHS Board members must possess suitable qualifications related to primary care clinic management and/or nonprofit organizational development and operations, and should be vetted with SFCCC through the process outlined in item #4, above.
9. LMHS must develop and submit to SFCCC a plan for LMHS key staff recruitment, including an interim full-time "turnaround" Executive Director, a Director of Finance, and a Biller. These new staff must possess suitable qualifications, and be vetted with SFCCC per item 4, above. Executive Director and Biller new hires already have SFCCC approval. Or, the Director of Finance and/or Biller functions can be done by a qualified consultant.

10. LMHS must cooperate in SFCCC's conducting of an audit of LMHS insurance policies, e.g., to determine adequacy of professional liabilities and Directors and Officers coverage. SFCCC should be listed as a certificate holder or additional insured on such policies, as applicable.
11. LMHS must cooperate in SFCCC's inventorying of equipment purchased by LMHS and/or invoiced to SFCCC under federal grants awarded to SFCCC and subcontracted to LMHS, including identification of any related outstanding vendor payables.
12. LMHS must make payments to SFCCC for 2010-11 AmeriCorps member matching funds and 2010-11 organizational dues, in the amount of \$3,075/month, and payable by 3/31/11, 4/30/11, 5/31/11 and 6/30/11.

Please arrange for review of this letter by the LMHS Board, and **reply to me within one week with a proposed timeline for complying with the new probation terms** (items 6 -- 12). While the urgency of these matters require prompt attention, SFCCC is willing to negotiate due dates that are feasible for LMHS to achieve. Please also return to me c/o SFCCC the enclosed Acknowledgement and a copy of the LMHS Board meeting minutes that document this review.

Please feel free to contact me if you need additional information or wish to discuss this matter.

Sincerely,



Ana Valdes, MD  
Chair, SFCCC Board of Directors

Cc: Dawn Harbatkin, MD  
John Gressman  
SFCCC Board of Directors