

Visiting nurses ailing

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SANTA CRUZ — After 48 years of caring for the sick and elderly, the Visiting Nurse Association of Santa Cruz County is in the midst of a turbulent year filled with financial hardship, layoffs, and talk of joining forces with another health-care organization.

"We're at a time when critical decisions need to be made about opportunities for our future," said Chris Macias, VNA vice president for business development.

In the last three months, VNA has:

- Laid off 14 administrators and staff members, including three of its six vice presidents, to save \$600,000 a year. VNA has an annual budget of \$8 million.

- Learned it must pay back about \$580,000 — about 7 percent of its budget — to the federal government for overpayments it re-

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ceived for services last year from April through September.

- Replaced Delorme McKee-Stovall, the organization's chief executive officer of nearly a dozen years who has been on personal leave since late May. She is facing loan repayment lawsuits over a private physical therapy business in which she was a principal. VNA is not involved in any of the lawsuits.

Joan Grewohl has been named interim executive officer, and her former position as

vice president for organizational development was eliminated.

- Considered forming a partnership with Sutter Health and met with the Sacramento-based company to discuss options.

The Santa Cruz County VNA, one of 364 such agencies nationwide, serves Medicare patients and those who can pay through private means. The agency also provides \$60,000 to \$80,000 worth of charity care a year.

Questions about VNA's future come at a

time when the organization is poised for growth. Home care has been one of the fastest growing segments of the health-care field.

In an effort to cut costs, hospital stays have become shorter and some treatments can now be performed at home, increasing the need for home visits by nurses and other health-care workers.

"The indications that I see are that home care will become more critical in the future," agreed Macias.

The growth of the local VNA can be tracked through its financial reports. According to tax documents, VNA had about \$5.6 million in gross receipts for services in 1990. In 1993, it was topping \$9.2 million.

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Downsizing

In determining the layoffs, officials spared nurses and aides, some 200 of whom make an estimated 90,000 home visits each year in Santa Cruz County.

Three vice presidents were laid off June 30 along with 11 other administrators and office workers.

VNA followed a downsizing trend of local and national health care organizations.

To cut costs, Dominican Santa Cruz Hospital laid off 16 people in the 1994-95 fiscal year, which runs from July to June. Another 55 positions that became vacant during that period have been eliminated for this year. Another 16 positions were eliminated last month.

At Watsonville Community Hospital, 33 positions were eliminated earlier this year to save \$2 million. Hospital officials said they needed to prepare for the fewer patients expected as the nation moves toward managed care — a system that would operate like health maintenance organizations.

For VNA, it was time for an annual review. The association was looking to hold down costs because Medicare reimbursements are continually reduced, Macias said.

The agency recorded a \$78,000 deficit during 1993-1994, according to its most recent tax filings. It also carried a deficit of more than \$500,000 from prior years.

Officials said the shortfall is not unusual in their business.

The deficit comes from the agency's workload of Medicare cases. In all, 98 percent of the agency's work is paid for by Medicare, which does not reimburse for all services that VNA performs, said VNA vice president Bob Burnett. Some of the educational programs, for instance, are not funded by the government.

The Mid-Coast VNA Comprehensive Care, Inc., the administrative half of the agency, had a net balance of about \$684,000 after fundraising and being paid by private-pay patients during 1993-94.

Bad estimates

VNA's layoffs came at the same time the organization was conducting its review.

It learned Medicare wanted back about \$580,000 advanced for services that Macias said were not delivered.

The Medicare payment is based

on VNA's estimates of the number of home visits its workers are expected to make in a quarter based on historical data. Medicare then gives VNA advances every two weeks based on these estimates and their own records.

The timing of the Medicare bill and the layoffs was coincidental, said Macias.

"We were already looking at flattening out management," she said. "What it (the repayments) told us was that this was a direction that we definitely needed to proceed in. If anything, it may have accelerated our timeline, but it didn't change anything that was on the table."

The number of patient visits fluctuates, making estimates difficult, Macias said. For example, in April, VNA made 7,444 visits; in May, 7,971; and in June, 7,405.

In the spring of 1994, visits dropped 16 percent below projections. The number climbed back up a few months later, but stayed 8 percent below projections.

"A couple of quarters, the estimates went askew," she said, but she could not provide exact numbers.

In prior periods, adjustments also had been made, but to a much lesser degree — about 2 to 4 percent.

Macias and other VNA administrators are investigating the discrepancy to find an explanation.

An official with Blue Cross of California, which administers the Medicare program, said it is not uncommon for an agency to overestimate its figures and that ongoing adjustments must be made.

"We definitely want to help them," said Jacqueline Anderson, general manager of Medicare and the federal employee program in Woodland Hills. "They are a good provider. They have provided good service for many years."

A leader on leave

McKee-Stovall, who has been VNA's top administrator for nearly a dozen years, has been on a personal leave scheduled to last through August.

Attempts to reach McKee-Stovall and her attorney, Theresa Pfeiffer, were unsuccessful.

McKee-Stovall took leave after being named as a defendant in three lawsuits in Santa Cruz County Superior Court involving a Watsonville physical therapy business.

In January, a suit was filed by Kathy Kram, who reportedly sold her physical therapy business in 1991 for about \$300,000 to a corporation called Lesudo, Inc., owner of Advanced Physical Therapy. McKee-Stovall is named as president of Lesudo in court documents.

She is being sued along with Lesudo associates Cynthia McGinnis, a former VNA chief financial officer, and Jodie Harris, a former VNA director of restorative services.

Lesudo has failed to make payments since Dec. 1, 1994, according to court documents. Kram is seeking \$270,000 in principal plus interest fees and attorney fees.

In the second suit filed in February, Steven and Karen Backinoff seek money they claim they are owed by Lesudo, McKee-Stovall, McGinnis and Harris.

The Backinoffs sold their physical therapy business to Lesudo in January 1993. The defendants failed to make a payment due in September 1993 and thereafter, according to the suit.

The Backinoffs repossessed furniture and equipment from the business and then sold it at a public auction in January. After subtracting the money earned from the sale, Lesudo and the individuals still owe about \$83,500, according to the suit.

In the third suit filed in March, an attorney for Comerica Bank filed a complaint against Lesudo and the same company officials, saying that about \$60,000 in principal was due on a loan.

Joining forces

The county's original home health care agency, VNA is weighing the possibility of forming a partnership with another organization.

Creating an "affiliation" with VNA would allow the non-profit Sutter Health to offer comprehensive services in Santa Cruz County, said Tony Browne, a spokesman for Sutter Health.

Officials have been meeting with Sutter Health, which is opening a maternity and surgery center near Dominican Santa Cruz Hospital early next year.

The Sacramento-based Sutter already is part owner of the management company which operates the Santa Cruz Medical Clinic.

Wayne Boss, president and chief executive officer of the Santa Cruz Medical Clinic, is president of the

VNA board. Several attempts to reach Boss were unsuccessful. Macias said she was asked to speak on his behalf.

Partnerships are not unusual in health care, said Judith Bell, co-director of the West Coast office of Consumer Union, which publishes Consumer Reports. "What the ramifications are for consumers remains unanswered," she said.

If VNA becomes an "affiliate," it would continue to be run by a local board of directors with a possible seat for a Sutter Health representative, Macias said.

Community support

Despite the organization's problems, VNA has continued to serve the community, said Carol Parker, former vice president of operations. She was laid off after a decade with VNA.

"I think it is a good organization," she said. "It served the community well for many years, and I believe it will continue on its mission to serve the community."

Despite the uncertainty of VNA's future, Macias said she looks at this time as offering new opportunities.

"We're coming back to a much stronger connection with patients," she said.

The nurses and home aides have been extremely supportive, she said.

About a year ago, nurses voluntarily declined a 3 percent wage increase out of "deep concern" for the agency, said Beth Shafran, labor representative for the California Nurses Association.

The association, which represents more than 100 non-management nurses, reached a tentative agreement last month with VNA over a two-year contract, she said.

For example, they agreed staff nurses would be a vital part in deciding the type of training that should be offered this year and that nurses would have input in all issues involving patient care.

The pact, however, includes no wage increase. The nurses had proposed receiving the 3 percent owed from last year plus a "reasonable increase," Shafran said.

Instead, the nurses deferred discussions on patient care and salary until October, when the agency's financial state may be clearer. The agency is in the midst of its annual audit.