

# PHCD discusses conflicts of interest

## Board members' past, present affiliations could cause tricky scenarios

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Published: Wednesday, December 24, 2008 at 12:22 p.m. Last Modified: Wednesday, December 24, 2008 at 12:25 p.m.

Potential conflicts of interest loom for four new members of the Petaluma Health Care District Board of Directors, who have joined holdover Josephine Thornton on the five-member board.

Three of the new members — Petaluma Valley Hospital manager Fran Adams, retired physician Robert Ostroff and physician Stephen Steady — were selected by voters in the Nov. 4 election, and during the campaign, they frequently criticized the then-existing board, mainly for not focusing more on physician recruitment. And all three of them, along with a new member who was appointed to the board, Kathryn Powell, could have many potential conflicts of interest in board votes due to their previous and present affiliations.

“The health care district board has dealt with conflicts of interest before, but because of the new members' affiliations, interpretations of possible conflicts for some of the new members could be tricky,” said Daymon Doss, CEO of the Petaluma Health Care District.

Greg Moser, an attorney with a specialization in state public-agency laws, prepared a detailed, written summary of potential conflicts of interest for each of the new board members. He discussed these summaries — along with the Brown Act, fiduciary responsibilities and committee participation — at a special training session for board members at Petaluma Valley Hospital's Burns Hall on Dec. 18.

Adams is a full-time employee of St. Joseph Health System of Sonoma County, which operates PVH. Ostroff has emeritus status at the hospital, and is a member of the South Sonoma County Medical Group. He was president of the SSCMG until Nov. 12, when he resigned from the position and stepped down from the group's executive committee.

Steady is a member of the PVH medical staff and is a stock-holding member of the SSCMG, and Powell is the CEO of the Petaluma Health Center.

“Greg Moser gave all of our directors an opportunity to speak directly to him, and to

propose hypothetical situations,” Doss said.

One realistic situation involves possible conflict of interest issues surrounding \$107,100 that the Petaluma Health Care District loaned to the SSCMG in 2006 and 2007. The SSCMG used the loan to pay stipends to 11 physicians, including Ostroff, who received \$22,350 of the \$107,100 that the group was loaned.

These funds provided seed development money that helped SSCMG expand to include more than 70 doctors, and offer 11 new insurance products. As a result of these products, 1,000 people changed their insurance products so that they could utilize doctors in Petaluma.

The money has not been paid back, and Ostroff wrote in a letter to PHCD controller Rick Nadale on July 3 that SSCMG “has no assets and no income and the prospects for either of those facts changing appears to be nil.”

“(Ostroff) indicates that the corporation may approach the district about forgiving the loan, in light of the group’s benefits to the community and the corporation’s lack of assets,” Moser wrote in his report.

“At our next audit (in October), it will be determined whether the loan will be written off, or if it will be moved into the area of collectibles,” Doss said.

No committee appointments were made at the meeting, but they might be made at the board’s half-day retreat on Jan. 24, Doss said. The previous board had committees for asset management, health promotion, hospital stewardship and provider relations, and board members were eligible to participate in the South County Health Collaborative and Community Health Foundation of Greater Petaluma.

“Our bylaws call only for an asset management committee and a health services committee. The new board has discussed possibly having only these two committees, but more frequent full-board meetings — possibly twice per month,” Doss said.

The next board meeting, scheduled for 6:30 p.m. to 9 p.m. on Jan. 14, will focus on strategic planning and establishing a new obstetrics/gynecology practice in Petaluma.

“The board might be prepared to enter into a contract for recruitment of a full-time OB,” Doss said.

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