EXCERPT / SUMMARY

The following excerpt/summary of the full report, "The Destruction of a Hospital," is offered to newspapers as a feature or op-ed piece. It includes a sidebar, "A Personal Report."

Fever, Cold Sweats for Sharon Hospital CEO?

by Lance Tapley

How much trouble can a hospital president get into before he's considered unhealthy for his institution?

The board of directors and the medical staff of Sharon Hospital must be asking themselves this question this year about James Sok, their controversial administrator. Sok was already in plenty of trouble from last year when he presided over the well-publicized, drawn-out agony of the first hospital in Connecticut to go bankrupt, Winsted Memorial, of which he was also the CEO.

After months of refusing to answer the question publicly, Sok admitted recently to buying Owen Healthcare stock at the time he researched new providers of supplies and pharmaceuticals for the two hospitals. Owen got the contract, worth about $1 million a year at Sharon Hospital. Sok's chief financial officer, Daniel Dombal, had already admitted his ownership of Owen stock during court testimony.

Sok says he has since divested himself of "all publicly traded companies related to health care." Critics of his tenure at the Winsted hospital see his stock ownership as a conflict of interest and have threatened legal action on breach-of-fiduciary-responsibility grounds. Large numbers of the 30,000 people in the area formerly served by Winsted Memorial are upset at losing their 94-year-old, 200-employee hospital, which closed last October.

Meanwhile, an investigation into Sok's handling of the Winsted hospital's finances has deepened. This summer the bankruptcy trustee, Barbara Hankin, a Westport attorney, got permission from the federal bankruptcy court to more than double the amount--from $25,000 to

$55,000--she is paying special New York City "forensic" accountants to scrutinize the defunct hospital's books in what she described to the judge as a mismanagement case.

Her accountants are looking into whether Sok and Dombal (who also did double-duty at Winsted) pumped up expenses and didn't collect bills in order to put the Winsted institution out of business. Consumer advocate Ralph Nader, a native of the former mill town of Winsted, has charged that Sok may have wanted to torpedo a competitor for the benefit of Sharon Hospital.

This spring Sok also suffered from revelations in Litchfield County newspapers that his salary greatly exceeded the norm for the CEOs of Connecticut hospitals of the same size. Sharon Hospital board members said that Sok received $607,000 in the last fiscal year. Later, Sok claimed that he only got $507,000 because he said he returned to a Sharon Hospital subsidiary the controversial $100,000 advance "bonus" he had been granted by the Winsted Memorial Hospital board when he announced Winsted had to close.

(Sok also gets a car from Sharon Hospital. And his wife works as the part-time community relations director for a Sharon Hospital subsidiary, the Sharon Health Care Center, a nursing home across the street.)

The Sok advance bonus, which was not reflected in board minutes or in the management-fee line of the hospital's financial statements, came to light last fall in the final court battle over the Winsted hospital's future. Dombal, the CFO, received a $50,000 bonus. The bonuses were taken in the spring of 1996 at a time when the hospital was saying it had to close because of enormous financial difficulties (although, paradoxically, the hospital had said publicly only two months before that it was doing fine). Sok's and Dombal's bonuses supposedly were for extra work the two administrators had to do to engineer the hospital's closing and turn the facility into an "assisted-living" center.

In the late fall Sok offered to return his and Dombal's bonuses to Winsted's creditors as well as have a Sharon Hospital subsidiary pay to the bankrupt Winsted hospital an additional $125,000. This sum would be for what the court receiver for Winsted Memorial, Cortright Phillips called "questionable expenses" charged to Winsted by Sharon Hospital when the two institutions were run by the same management.

(Phillips, a retired banker from Fairfield, has since admitted that he had picked "out of the air" a dollar figure to compensate the Winsted hospital for what the Sharon team did, and from that figure he negotiated with Sok down to the $125,000 sum.)

In exchange for paying back these sums, Sok, Dombal, and Sharon Hospital want releases from liability from any wrongdoing at Winsted. Under protest from Ralph Nader and others, however, Hankin, the bankruptcy trustee, has put off a decision on approving this deal until her accountants finish their investigation.

The revelations about Sok's salary coming on top of the Winsted bankruptcy have raised a lot of eyebrows in the town of Sharon, especially since they followed on the ill will Sok created with deep staff cuts in 1994 at Sharon Hospital.

"Morale is very poor" at Sharon Hospital, says Linda Clark, president of Heritage Health Care, a home-health-care agency located on the village green of this picturesque, well-to-do community. Noting the 1994 cuts, "he didn't say he'd take a cut, too," complains Dr. Peter Gott, a Sharon Hospital physician, about Sok.

Sok also has been criticized by Nader and others for refusing to release information about procurement contracts involving both Winsted and Sharon hospitals, and for handing over a $4,300 job to his brother's public-relations firm instead of taking it out to bid.

Sok says his critics are people who simply refuse to recognize "changing times in the health-care field" which required the Sharon Hospital layoffs and which he sees as largely responsible for the huge financial losses at Winsted Hospital. He blames the Winsted controversy specifically on "an activist group that distorted the facts" and that "created an uproar." At the time of his announcement that Winsted had to shut down, the hospital had an average of 11 patients each night. It was staffed for 30 and licensed for 73.

Sok finds ironic the recently announced plans for a community foundation to lease the former Winsted Memorial Hospital facilities to a group of health-care providers led by Torrington's Charlotte Hungerford Hospital. The new health center, he says, will provide roughly what he had planned more than a year previous for the transformation of the Winsted hospital. If his plan had been accepted, he claims, "200 people wouldn't have lost their jobs."

However, to Dr. Fred Hyde, a consultant to Code Blue, the community group that last year fought to keep Winsted Memorial Hospital open, Sok's suggestion that the group's opposition killed the smooth transformation of the hospital into a full-service health center is "ridiculous. There was no chance [Sok's] plan would happen. There was no money, no strategy. There was no plan. It was a fantasy."

Sok and other Winsted hospital spokespeople maintained that the crushing financial blow to Winsted had been delivered by managed-care forces--insurance companies and health-maintenance organizations (HMOs) dictating the terms of medical care--in combination with the state's tax on hospital revenues, which takes from the rural and suburban hospitals and gives to the poorest inner-city institutions.

But Hyde, who is now advising the community trust, disagrees. "The hospital failed to respond to what its community needed," he said. "Somewhere along the line the hospital deserved to have better leadership."

Hyde pointed out that, while Sharon Hospital--run by the same team that saw Winsted go under--has diversified with a nursing home and home care, and very recently with cardiac rehabilitation and a women's health program, and has refreshed its physical plant, none of this was done for Winsted. "They decided they didn't want to be in the hospital business" at Winsted, he concluded.

In any case, the Winsted experience suggests that, in these revolutionary times for hospitals, a board of directors that is too sleepy or too compliant to its management may preside over the sacrifice of its institution. In an era of dramatic change, this would be a lesson that hospital boards around Connecticut might well heed.

sidebar

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, but I had never before had people I was investigating convince the police to run interference for them.

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." 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 refused 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 being the best way to get information from people; that against my better judgement I had shown identification to Chief Financial Officer Daniel Dombal after he had requested it when I had 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 also pointed out that every time I showed up at the hospital I had first, unsuccessfully, tried to interview CEO James Sok.

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.

Long-time investigative reporter Lance Tapley, who is based in Maine, was commissioned by consumer advocate Ralph Nader to write a report on the Winsted Memorial Hospital shutdown to discover what lessons could be learned from the controversy for the benefit of other communities. Tapley is releasing the results of his investigation at a press conference at Sharon Hospital on September 8.