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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

	X	
In re:	:	Chapter 11
	:	
	:	Case No. 13-22840 (RDD)
SOUND SHORE MEDICAL CENTER OF	:	
WESTCHESTER, et al.,	:	(Jointly Administered)
	:	
Debtors.	:	
	X	

PATIENT CARE OMBUDSMAN'S FIRST REPORT

PLEASE TAKE NOTICE THAT the First Report of Daniel T. McMurray, as
Patient Care Ombudsman, covering the period of June 21, 2013 through August 19, 2013,
was filed on August 20, 2013. A copy is attached.

Dated: New Haven, Connecticut
August 20, 2013

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PATIENT CARE OMBUDSMAN'S FIRST REPORT

In accordance with section 333(b)(2) of Title 11 of the United States Code (the "Bankruptcy Code"), Daniel T. McMurray (the "Ombudsman"), in his capacity as Patient Care Ombudsman appointed by the United States Trustee in the above-captioned Chapter 11 cases commenced by Sound Shore Health System, Inc. and several of its affiliates and subsidiaries (collectively, "SSHS" or the "Debtors"), submits this first report (the "Report") on the status of patient care.

I. Introduction

The Ombudsman was appointed on June 21, 2013 pursuant to an Order of the Court in accordance with Section 333(a) of the Bankruptcy Code. As set forth in the notice of appointment and in Section 333(a)(1) of the Bankruptcy Code, the Ombudsman was appointed to monitor the quality of patient care provided to patients of the Debtors. The Ombudsman filed an application to retain as counsel the law firm of Neubert Pepe & Monteith, P.C. That application has been granted.

The Ombudsman has visited Sound Shore Medical Center of Westchester ("SSMC"), which is SSHS' New Rochelle hospital, The Mount Vernon Hospital, Inc. ("MVH") and the Helen and Michael Schaffer Extended Care Center ("SECC" or "Nursing Home") on a total of eight separate days and observed the operations of all three facilities during the period from June 21, 2013 through August 19, 2013. In addition, numerous telephonic and electronic communications

have been conducted.

The Debtors' management team ("Management") was cooperative, making themselves readily available for interviews, facilitating access for the Ombudsman to all SSHS physical facilities and assisting in coordinating meetings with staff and physicians. Management has provided all requested information in complete and unedited fashion.

The Ombudsman made an initial review of the many elements of the operation of SSHS with respect to the delivery of care and the necessary support fundamentals to ensure quality of service.

Background and Current Operations Overview.

On May 29, 2013 (the "Petition Date") the Debtors filed petitions for relief under Chapter 11 of the Bankruptcy Code. The Debtors remain in possession of their assets and continue to manage their businesses as debtors-in-possession in a manner consistent with their historical delivery of healthcare services.

On or about May 29, 2013, an asset purchase agreement was executed between affiliates of Montefiore Medical Center (collectively, "Montefiore") and the Debtors, providing for the sale to Montefiore of substantially all of the Debtors real property and operating assets.

The stated goal of SSHS in pursuing the proposed sale is maintenance of SSHS' not-for-profit mission and the provision of healthcare to the underserved communities it has traditionally served.

Through its combined facilities and programs, SSHS provides a range of medical and related services, including orthopedic surgery, emergency services, wound care, behavioral health, pediatrics, OB/GYN, continuing care facilities and programs, designated inpatient and ambulatory services to various departments of correction, a nursing home and community care clinics providing primary care services. SSHS is affiliated with the New York College of Medicine and provides a teaching environment in multiple disciplines to the community and its patients.

As a large “safety net” provider for southern Westchester County, SSHS serves a significant Medicaid and uninsured population.

Service volumes throughout SSHS were approximately 13,000 discharges, 55,000 emergency department visits and 60,000 clinic visits for calendar 2012.

Approximately 2,000 individuals were employed by SSHS on the Petition Date, and 165 physicians were affiliated with SSHS.

The operating loss in 2012 was \$16.35 million, including extraordinary items, and for 2011 the operating loss was \$9.9 million.

SSHs

SSHs was formed in 1997, joining together three affiliated healthcare institutions to create one of the largest regional healthcare systems between New York City and Albany. SSHs’ umbrella covered SSMC, MVH and the Nursing Home.

SSMC

A significant portion of the Debtors’ core business is centered on SSMC. This is a 242-bed community teaching hospital, offering primary, acute, emergency and long-term care to the residents of southern Westchester County. It is home to a comprehensive orthopedic program and stroke and bariatric centers. SSMC also provides level three perinatal services. SSMC has 1,236 employees.

MVH

MVH is a 176-bed acute general hospital. MVH operates the Dorothea Hopfer School of Nursing, chartered in New York State in 1901. Founded in 1891, MVH provides a full range of diagnostic and therapeutic medical and surgical services. MVH has a broad spectrum of specialty programs, including twenty-five ambulatory clinics providing both primary and specialty care. MVH also offers comprehensive inpatient and outpatient behavioral health programs. MVH offers comprehensive and advanced wound treatment programs. MVH employs 590 individuals.

Nursing Home

The Nursing Home is a 150 bed comprehensive facility offering short-term rehabilitation/sub-acute care and skilled long-term care. It was established in 1971. SECC dedicates 100 beds to long-term skilled care and 50 beds to comprehensive short-term rehabilitation/sub-acute care. It employs 160 people.

Finances

As noted, the Debtors provide significant charitable care to a large Medicaid and uninsured population. SSHS is a designated New York State safety net provider. SSHS provided over \$22.3 million in charitable care in 2011.

SSHS has been faced with financial pressures caused by reductions in Medicare and Medicaid reimbursement, declining indigent pool payments and changing demographics in the patient populations served by it. In addition SSHS was faced with increasing competition from other regional healthcare providers.

Beginning in 2006 and increasing in each subsequent year, SSHS experienced a decline in patient volumes as well as declines in acuity of case mix. As a result, operating revenues decreased, leading to significant losses over the years preceding the Chapter 11 filings. Cash accounts became negative and payables exceeded 225 days. With a significant portion of its assets liened, SSHS had difficulty securing sufficient working capital financing to support continued operations. The Debtors restructured in 2008, reducing their unsecured indebtedness by more than \$20 million. In 2011 SSHS implemented an electronic medical record and billing system which was hoped would increase revenue. Conversion problems and delays in billing and collections only exacerbated the issues and threatened the viability of SSHS. Solutions to these problems increased costs and resulted in limited improvements. Liquidity became, once again, a major issue. Trade creditors became frustrated, creating problems in acquisition of needed material and threatening patient services. During this timeframe, volumes continued to decline while the costs of operating increased.

As the financial condition of SSHS continued to deteriorate, SSHS sought a buyer acceptable to the New York State Department of Health. Westchester County Health Care Corporation appeared poised to become the acquirer, but the parties were unable to finalize the transaction. Montefiore was then re-approached and an agreement was reached. In connection with the agreement, the Debtors were to file Chapter 11 petitions.

II. The Monitoring Process

Review of the systems and processes currently utilized by the Debtors to measure and monitor quality in their operations.

It remains essential that SSHS' systems currently utilized to monitor and measure quality of care delivered to patients are appropriate and functioning as designed. These systems provide daily indication that the services provided to patients are meeting the standards established by various external agencies as well as those developed by the hospital industry and the institution itself. These systems help to ensure that the entire organization is operating in an integrated and appropriate fashion on a day-to-day basis. If quality of care were to begin to deteriorate and if these systems are functioning properly, they would provide the early warning signs that a problem exists. This would enable everyone responsible for ensuring the quality of care to undertake the necessary actions to protect patients' interests.

Given time and financial constraints, an Ombudsman can test only a limited number of variables at any point in time. Areas covered in such a review include the following:

1. Review of Joint Commission Report on Accreditation;
2. Review of the State of New York Department of Health regulatory findings;
3. Review of the Risk Management process and findings and of occurrence reporting;
4. Review of the Performance Improvement Process to include problem identification, process of review and approval, implementation and measurement of success, benchmarking, reporting and communication, and the use of the JCAHO tracer methodology;

5. Infection control monitoring review;
6. Medication monitoring review;
7. Review of Patient Satisfaction;
8. Review of Health Information Management;
9. Review of Patient Safety
10. An examination of morbidity and mortality reviews;
11. Review physician and licensed personnel credentialing and re-credentialing.

III. Review of Activities and Findings for the Above Systems and Processes.

1. Review of Joint Commission Report on Accreditation. The Ombudsman reviewed the most recent findings for SSMC and MVH from the surveys conducted by The Joint Commission at each institution from March 5 through March 7, 2013, as well as the responses. Confirmation of full accreditation was sent by The Joint Commission on June 3 and June 13, 2013.

Survey deficiency findings for SSMC were similar to those in many other institutions and reflect no greater prevalence or severity than in other institutions of similar size and service mix. These included credentialing of physicians, both general and during disaster situations, fire, emergency power and patient safety, hemodialysis pH testing policies and procedures, maintenance of proper air pressure to reduce cross contamination risk, maintenance of control procedures and documentation to ensure proper infection control, required monitoring of contract services, cleanliness and other environment of care issues, pharmaceutical storage and preparation, reassessment for pain and pain management, and proper medical record documentation and policies and procedures related to timely completion of medical records. It was noted that corrective actions were taken and were accepted by The Joint Commission.

Survey findings for MVH also included credentialing physicians, both general and during disaster situations, maintenance of proper air pressure to reduce cross contamination risk, environment of care issues such as cleanliness, storage of medical gasses and dietary

temperature verification, maintenance of required personnel licenses, maintenance of control procedures and documentation to ensure proper infection control, fire and patient safety, proper medical record documentation and policies and procedures related to timely completion of medical records, including compliance with the standards for delinquent charts, pharmaceutical storage and preparation, nursing care plans and documentation of proper temperature for tissue storage.

The survey deficiency findings for MVH were also similar to those in many other institutions and reflect no greater prevalence or severity than in other institutions of similar size and service mix. It was noted that corrective actions were taken and were accepted by The Joint Commission.

Behavioral Health Care Accreditation for MVH was received on November 6, 2012 and was resurveyed as part of the full survey process conducted from March 5 through March 7, 2013, with notification of accreditation on June 3, 2013. Survey findings included recommended improvements in maintenance of a specific building, credentialing elements, continuing education documentation, the utilization of proper protocols in medical record documentation, care plan and progress note issues, ACT team participation requirements and medication management. Corrective actions were undertaken and were accepted by The Joint Commission.

The Joint Commission Laboratory Accreditation survey for MVH was conducted on May 30 and 31, 2012 and Accreditation was received on June 1, 2012. Findings from the survey included quality confirmation, proficiency testing, blood gas correlations, policies and procedures for returning blood products, reporting transfusion reactions, verifications and notification of exposure to infectious material. The Joint Commission accepted all of the corrective actions undertaken by MVH.

In addition SSHS received Disease Specific Care Certification on December 20, 2012 in Joint Replacement – Hip and Knee from The Joint Commission. The survey cited no deficiencies.

Ombudsman Conclusion: In the opinion of the Ombudsman, these issues are being managed appropriately and reflect no specific decline in patient care as of the dates referenced above.

Future Ombudsman Action: The Ombudsman will continue to review the issues noted through The Joint Commission accreditation process to determine whether any of the issues cited pose a threat to the quality of services delivered by SSHS.

2. Review of the State of New York Department of Health regulatory findings. The annual New York State Department of Health survey of the Nursing Home was conducted on January 9, 2013. SECC submitted its Plan of Correction for the Statement of Deficiencies on February 4, 2013 and acceptance of the Plan of Correction occurred on February 6, 2013. Noted in the survey were issues with environment of care cleanliness, fire, building, dietary and resident safety, pharmaceutical management, medication administration and emergency power and lighting. The annual New York State Department of Health 2012 survey, Statement of Deficiencies, Plan of Correction and acceptance by the State of New York Department of Health were also reviewed. This survey cited issues in care planning, environment of care housekeeping and general maintenance, nutritional and weight loss management and documentation, dietary operational issues, medication administration, pharmaceutical management, care planning for both nursing and physicians and Quality Assurance planning and activity. The State of New York and the federal government, through CMS, have indicated that SECC must address the lack of sprinklers for fire protection. The deadline for addressing the matter was on or about August 15, 2013. Due the severe financial distress of SSHS, SECC was unable to address this requirement to install a fire sprinkler system. SSHS has contacted CMS to notify the agency of the issues and to explain that the organization is in Chapter 11 and is about to be acquired by Montefiore.

Ombudsman Conclusion: The Ombudsman's review of the Department of Health survey results indicated that SSHS was taking those actions necessary to address cited issues,

recognizing the financial constraints faced by the organization and its consequent inability to install a sprinkler system.

Future Ombudsman Action: The Ombudsman will continue to review compliance with various governmental standards and requirements, of the Department of Health.

3. Review of Risk Management. During this initial reporting cycle, Risk Management was reviewed by the Ombudsman, including interviews with those responsible for the risk management for each institution. The Risk Management Event Logs for SSMC, MVH and SECC were reviewed. The process for identifying and ranking risks was reviewed, as were the tracking notification and integration with the performance improvement/quality improvement processes. Risk management was also reviewed as a function of the regulatory review, Infection Control review, Quality Assurance/Performance Improvement and governance process review. New York Patient Occurrence Reporting and Tracking System ("NYPORTS") reports for 2012 and 2013 were reviewed. All findings identified were addressed appropriately.

Ombudsman Conclusion: The materials reviewed and interviews conducted appear to demonstrate a thorough approach to the management of areas in which information utilized in risk management originates.

Future Ombudsman Action: The Ombudsman will continue to review the SSHS risk management process during future reporting periods.

4. Review of the Performance Improvement Process. The Ombudsman, during this initial reporting period, reviewed the organization structure for quality monitoring and management for SSMC, MVH and SECC. A tracer utilizing The Joint Commission tracer review process was not conducted during this reporting cycle.

As part of this process, The Quality Improvement Program/Plan for SSMC was reviewed. This plan was approved and implemented in February 2013. Minutes of the monthly

meetings of the SSMC Quality Improvement Committee for January, February, March, April, May and June 2013 were reviewed. Minutes of the Board of Trustees were reviewed for treatment of quality issues for December 2012 and February 2013. Minutes of the Joint Conference Committee were reviewed for January and May 2013. The Ombudsman also examined the Quality Improvement Data Review for 2013, as well as the departmental Quality Improvement reports for 2012 and 2013. The June 2013 Medical Staff Quality Improvement Committee meeting minutes were reviewed. The review provided a thorough overview of reportable incidents, external evaluations, departmental quality improvement initiatives, medical staff quality and infection control as well as an overview of SECC quality improvement efforts, since SECC reports through a number of these committees to the Board of Trustees. These minutes appear to reflect a thorough and deliberative process to the management and improvement of quality within SSMC and the Nursing Home. CORE Measures outcome reporting was reviewed for SSMC for June and July 2013. Areas for improvement were discussed with the SSHS Senior Vice President Patient Care Services and other administration.

As noted, the quality improvement efforts of SECC were reviewed as part of the review of the SSMC Board of Trustee minutes. In addition, the Ombudsman reviewed the Quality Review Committee's minutes for January and April 2013, the Quality Measures for 2013 and SECC Board of Governors Quality Improvement Committee minutes for November 2012, and February and May 2013. Resident Council minutes for April, May and June 2013 were reviewed for issues of quality. The Ombudsman reviewed the Management Scorecard for 2011, 2012 and 2013 through June. The Management Scorecard tracks quality measures in addition to general operating measures on a monthly basis.

The Ombudsman also reviewed the MVH Quality Improvement Program/Plan, approved and implemented in May 2013. The plan is quite similar to SSMC's version noted above. As part of the MVH Quality Improvement/Plan a more detailed emphasis on Failure Mode and Effect Analysis ("FMEA") and Root Cause Analysis was included. Minutes of the Care and Education Committee were reviewed. The minutes reviewed operational elements for each

clinical ancillary and support function as well as CORE Measures risk management, infection control, environment of care, patient and fire safety, hazardous materials waste and utilities. In addition Infection Control and Nursing Department Quality Improvement Committee minutes were reviewed.

CORE measures for MVH for 2012 and 2013 through July were reviewed with the AVP for Quality Improvement and Risk Management.

Ombudsman Conclusion: The Quality Assurance/Performance Improvement Plan and Program demonstrates a thorough and well-structured process. SSHS appears to have an appropriate approach for identifying issues, gathering information, formulating plans to address needed improvements, implementing those plans and reviewing and monitoring results. Certain pre-existing issues, however, have not been fully addressed because of SSHS' financial condition and bankruptcy filings.

Future Ombudsman Action: The Ombudsman will continue to review of the Quality Assurance/Performance Improvement process to ensure continued maintenance of this effort.

5. Infection Control. Each of the entities, SSMC, MVH and SECC, appear to have well-structured, functioning infection control programs.

Infection rates for SSMC were reviewed for 2012 and for the first quarter of 2013. The data is reported monthly. Nosocomial (i.e., hospital-acquired) infection rates are low, below New York State averages, including surgical infection rates. While the Performance Improvement process had identified some issues, the record reflects that the noted issues are being addressed appropriately.

Infection control for MVH was reviewed. As with SSMC, infection rates were below anticipated benchmarks and New York State averages. This includes Central Line Infections and C-difficile.

The Infection Control program for SECC was reviewed. Data for 2012 and 2013, January through June was examined. The rate of infections is quite low, 2.2%. Only 3 total

nosocomial C-difficile infections were identified in 2012. The Nursing Home did experience a norovirus outbreak in 2013. There were a total of only 14 residents involved as a result of the swift action by nursing and other staff. SECC deals with the standard infection issues faced by all nursing homes, including upper respiratory, skin/wound and urinary tract infections. The reports appear to indicate timely and thorough intervention.

Ombudsman Conclusion: The general infection rate is similar to, or better than, that found in similar institutions and is a good indicator that quality care is provided by the Debtors.

Future Ombudsman Action: The Ombudsman will continue to monitor the Infection Control process.

6. Medication Administration and Pharmacy Review. The pharmacy operations at MVH were not directly reviewed during this reporting cycle. Pharmacy operations and medication administration were reviewed through the review of the Quality Improvement/Performance Improvement process.

The SSMC pharmacy was reviewed in depth with the Director, Assistant Director and Pharmacy Purchasing Director. Additional pharmacy staff participated in the review during the tour of the operation. All required licenses and certifications were current. Noted were a number of issues related to shortages of certain pharmaceuticals, including the routine screening test for tuberculosis. These shortages are not a function of the financial condition of SSHS or a result of the bankruptcy. Rather, they are reflective of the problems at the national level with shortages of available medicines and testing kits. Noted too were reviews of medication errors and medication administration process problems. The SSMC Quality Improvement program also reflected a specific in-depth review of the use of antibiotics through the organization's Antibiotic Stewardship Program, which is designed to maximize the use of the proper antibiotic in the proper manner. The matters reviewed appeared to have been addressed in an appropriate manner.

The Ombudsman toured the pharmacy in the Nursing Home and reviewed it with the Director. Licenses and required certifications were all appropriate. Storage was tight, with

limited working space. However, the Director indicated that the space was sufficient. Products were spot checked for appropriate storage packaging and date, which were all found to meet required standards.

Ombudsman Conclusion: There were no quality issues that did not appear to be appropriately addressed.

Future Ombudsman Action: The Ombudsman will continue to review medication administration and pharmacy operations.

7. Review of Health Information Management. Health Information Management and the management of patient records are consolidated within the organizational structure of SSHS. Each of the facilities, SSMC, MVH and SECC, face normal medical records issues faced by most healthcare institutions, such as timely completion, compliance with documentation requirements and signatures. There is adequate evidence that, through the Quality Improvement/Performance Improvement Process, the issues identified are being addressed in an appropriate manner.

Of greater concern for the Ombudsman is that there are varying approaches to medical records in SSMC and MVH. There are certain programs housed within the facilities that are independent corporate entities. These programs maintain their own separate medical records for certain types of care. In addition, a number of departmental operations of SSMC and MVH maintain separate medical records that, based on the information provided to the Ombudsman, are never consolidated into the organization's master medical record for each patient. In certain cases medical record information in the form of images is not preserved and maintained in an organized fashion. SSHS also stores records at remote locations with approximately six different vendors. Lastly, SSHS has various electronic records, some of which are consolidated in the SSHS electronic health record and some of which are maintained separately.

Because Montefiore, under the Asset Purchase Agreement, will acquire only a limited number of patient records, SSHS as required by statute and by proper practice, must develop and implement as part of its closure plan an approach to ensure the protection, maintenance and access to the large number of patient records and separate components of such records, wherever located and whether electronic or otherwise, which are not transferred to Montefiore. The closure plan must include a method of notification and a process for continued access to records for patients, families, providers and others in future time periods. SSHS has just begun this process, which is complex, time consuming and expensive. Management and SSHS advisors have indicated their recognition of this issue and have begun active steps to address the matter.

Ombudsman Conclusion: SSHS must continue its concerted effort to formulate and implement the process for the orderly disposition of its medical records as soon as possible.

Future Ombudsman Action: Health Information Management and disposition of records will continue to be monitored during future reporting periods. The Ombudsman will monitor and work with the Debtors to confirm that the issue is thoroughly addressed.

8. Review of Patient Safety. The Ombudsman reviewed patient safety for each of the organizations through a combination of the examination of external reviewing agency reports, the review of the Quality Improvement Program process and documentation and tours of SSMC, MVH and SECC. The NYPORTS reports were reviewed at each of the organizations.

SSMC reviews fall prevention, use of restraints, accidents and events, fire and life safety requirements on a regularly scheduled basis. The tour of SSMC revealed a number of minor facility issues, which were discussed with Management.

Of special note has been inadequate environmental control in the Nuclear Medicine Imaging area. The inability to control the temperature on days when the temperature is high has resulted in the nuclear cameras not being functional, thereby requiring any patient needing a nuclear scan to have the procedure delayed until the camera is able to function or,

in the alternative, to be transferred to another facility providing nuclear imaging, generally MVH. This problem preceded the bankruptcy and had not been addressed because of lack of funds. Since the Petition Date, the funds availability issue remained the primary reason for the delay in addressing the problem. During the most recent site visit, however, the Ombudsman was informed that the environmental control problem in Nuclear Medicine had been corrected. A problem with adequate environmental control persists in the space adjacent to the actual diagnostic camera suites but does not directly inhibit the utilization of the camera. Management has indicated it is working on a solution to this problem.

MVH reviews potential patient safety issues in the same manner as SSMC, including safety/fire drills and environmental rounds. The tour of the facility revealed a number of safety/security issues. Because of reductions in the volume of business and deferred maintenance at MVH, there are a number of areas in the facility which are no longer utilized. These areas pose specific hazards for patients, visitors and staff. Discussions were held with management regarding various approaches to improve security and safety in these areas of the facility. Management has initiated a program to develop an approach to address the Ombudsman's concerns.

MVH is an older facility, with parts of its building constructed of wood. Management is aware that the sprinkler system requires updating and expansion to address this risk exposure. The difficult financial situation and bankruptcy have prevented SSS from taking action. Management, with the approval of the Department of Health, has taken specific interim steps to mitigate the risk.

Management is also aware that there are a number of roofing problems at MVH, which result in leaks. As with the sprinkler matter, because of SSS's financial problems, only limited remedial steps have been taken to address the problem. These efforts have enjoyed only limited success.

It was also noted that the three refrigeration units in the Dietary Department of MVH were out of service. This is not creating a direct risk for patients. However, as a result, food is being stored in conditions that are not ideal.

Within the Nursing Home, a review of falls, events and life safety is conducted routinely. The Ombudsman's tour of the facility revealed a number of fire safety issues, including wooden doors which can be difficult to open and close, and, as noted, certain areas that are in need of sprinklers. All the issues were discussed with Management, were noted in the Statement of Deficiencies arising from the New York State Department of Health 2013 survey and were addressed in the Nursing Home's Plan of Correction, which is being implemented. Noted above is the sprinkler issue for SECC, which cannot be resolved at this time.

Ombudsman Conclusion: SSHS is aware of each of the issues noted and is preparing to take steps to mitigate any potential threat to the safety of patients, visitors and staff. Neither issue individually nor the aggregation of issues poses an immediate jeopardy in the opinion of the Ombudsman.

Future Ombudsman Action: Patient Safety will continue to be monitored.

9. Morbidity and Mortality Reviews. As of the date of this Report, Morbidity and Mortality reviews (i.e., internal reviews of "bad outcomes") at the medical service level and credentialing and re-credentialing of licensed providers have not been completed. Morbidity and Mortality have been reviewed through review of the Minutes of the Boards of Trustees, of The Joint Conference Committees and of the Quality Improvement Committees for each of the organizations. No areas of significant concern were uncovered.

Future Ombudsman Action: Morbidity and Mortality reviews at the medical service level and credentialing and re-credentialing of licensed providers will be conducted during the next reporting period.

IV. Review of Departmental Operations

Laboratory – The Ombudsman reviewed and toured SSMC's laboratory operations with the Laboratory Administrative Director. In addition to SSMC, the laboratory provides services to

SECC. Laboratory services are coordinated between SSMC and MVH to reduce duplication of effort.

The laboratory at SSMC is reviewed and certified by the College of American Pathologists (CAP). Certification under CAP is the most rigorous of the certification processes. SSMC's CAP certification is current.

The Ombudsman inspected Chemistry, Hematology, Microbiology, Parasitic Biology, Histology and the Blood Bank, which maintains a drawing program in addition to routine hospital blood banking services but sends all drawn units to a specialized vendor for testing and processing. The tour and review included examination of all standard, required documentation for certification, quality assurance, performance monitoring and environmental control and storage of reagents, equipment and supplies. The review appeared to demonstrate full compliance. The Human Resource records of two laboratory employees were reviewed and both held the required licenses, continuing education and appropriately current general information.

In conversations with the Laboratory Administrative Director and senior management staff the Ombudsman noted that the slides and paraffin blocks currently storage by the laboratory must be addressed as part of the medical records transfer and retention process required as a byproduct of the sale to Montefiore. While the general issue of medical records transfer and retention has been addressed in the Health Information Management section of this Report, the discussion with the Laboratory Director and senior management centered on the unique issues related to laboratory records.

The Ombudsman also toured the laboratory operation at MVH. This tour and review was conducted with the MVH Laboratory Director. The inspection included Chemistry, Hematology, Transfusion Services/Blood Bank, Cytology and Phlebotomy. The licenses of each of the laboratory staff were verified as current. Frozen section services and histology are conducted by SSMC.

During the tour of each facility's laboratory operation the Ombudsman noted a number of minor issues, which were immediately addressed with staff.

Radiology – The Ombudsman reviewed and toured the Department of Radiology at SSMC with the Administrative Director of Radiology. The Department has six general rooms and a CT. Additional radiology services are housed in the Breast Center, the Surgical Department and an intervention suite located in the former catheterization laboratory. Nuclear Medicine Imaging services are also provided through the Radiology Department. As noted in the Patient Safety section of this Report, the Nuclear Medicine Imaging services were not in operation at the time of the Ombudsman's tour of the Department because of difficulties with control temperature at the required levels to support equipment function. This issue was causing delays in serving patients or, as the case may be, the transfer of patients, primarily to MVH, to facilitate their examinations. As noted, this problem has been addressed in order to provide appropriate environmental control in the space which houses the gamma camera. A solution to the problems in the adjacent space is under development.

The license of each radiological technologist and technician was verified during the tour and review. Since radiological films (records) are retained for storage by the Radiology Department and, in certain cases in other areas such as the Breast Center and Surgical Department, and not as part of the main medical record storage program, the Ombudsman reviewed the impending issues regarding retention and access to patient-specific medical information and records. It was noted that images obtained in Surgery and in the Special Procedures suite are not retained.

The Ombudsman toured the Radiology Department at MVH. In addition to four general rooms, which are CT, Nuclear Medicine, Ultra Sound and Breast imaging, the Department also offers MRI services. Although the Ombudsman was informed that all images are ultimately stored in the Radiology Department, images obtained utilizing a C-arm are initially stored in Surgery and in certain case are not printed or retained.

As with the tour of the laboratories, when minor issues were identified, they were addressed at that time with staff.

Dietary/Food Services – The Ombudsman reviewed and toured the Dietary Department with the Food Service Manager. Food service management is contracted with the same vendor both for SSMC and MVH.

The food service operation at SSMC provides services to both SSMC and the Nursing Home. During the tour of the kitchen the Ombudsman noted one temperature log that did not have the AM temperature recorded. Storage in the production area, including storage in refrigeration and freezer units, was appropriate. The fire suppression system was reviewed. There had been an issue with the contractor who had been engaged to maintain and certify the hoods over the cooking surfaces. This contractor is being replaced. There were minor issues with storage in the halls and dry storage area. All issues were reviewed with Management.

The Ombudsman reviewed and toured the kitchen at MVH. As noted above, there are a number of problems with refrigeration units out of service. Other than this issue, there were no negative findings in this area.

Nursing – The Ombudsman performed an initial review of nursing services in SSMC, MVH and SECC. The reviews consisted of a tour of each nursing unit to receive an orientation, to meet the staff and to develop an initial impression.

A tour of each of the patient care units was conducted, including the intensive care units, obstetrics and pediatrics. A visit to the emergency departments was also conducted. The reviews and tours of SSMC and MVH included all the acute care and intensive care units, the behavioral health unit and the department of corrections unit.

The Ombudsman conducted an in-depth meeting with the SSHS Senior Vice President Patient Care Services to review nursing operations and issues. Retention of nursing personnel is quite high and there have been no issues with meeting staffing needs.

The SSHS Senior Vice President Patient Care Services reviewed the School of Nursing with the Ombudsman. This has remained an important source of nursing personnel for the organization. The bankruptcy did result in the loss of Federal support for tuition assistance. SSHS and the State of New York have been working closely together to preserve the school.

Montefiore has also indicated its desire to retain the school of nursing upon acquisition of SSHS.

Dialysis and Hyperbaric Medicine - Dialysis and hyperbaric medicine are provided through independent contractors. Nevertheless, as part of the sale and transfer process, Management was alerted to the need to address the management of the medical records to minimize potential confusion for patients, their families and other seeking legitimate access to patient information.

Methadone Clinic – The Methadone clinic operation was reviewed with the Clinic Director. Certain minor problems were identified that predate the filing of the Chapter 11 but which have not been addressed post-petition. The AVP for Quality Improvement/Risk Management will address the matters in conjunction with the Clinic Director.

Assertive Community Treatment (“ACT”) Clinic – The ACT Clinic, a division of the behavioral medicine program serving outpatients, was reviewed with the Interim Medical Director. The program has gone through considerable transition since receiving The Joint Commission survey findings. SSHS is currently recruiting for a full-time Medical Director for the program. The Interim Medical Director reviewed the steps taken to meet all The Joint Commission recommendations. The program has some minor issues related to support equipment which the AVP for Quality Improvement/Risk Management is addressing.

Emergency Department - The Ombudsman toured the MVH emergency department, which appeared crowded and perhaps undersized. This matter was reviewed with Management and had been identified previously as an issue. Unfortunately, plans for renovation and expansion have been deferred because of the financial condition of SSHS and the bankruptcy.

The Ombudsman conducted an in-depth review of the emergency services at SSMC, including meeting with the Emergency Department Nursing Director.

Ambulatory Clinics - The Ombudsman reviewed the MVH ambulatory clinic operation. This operation provides a broad range of ambulatory services from primary through specialty care. Physicians in training and attending physicians provide services in these clinics. The Ombudsman performed only a walk-through review of the ambulatory clinic operations at SSMC as part of the general orientation tour.

Surgery and Post Anesthesia Recovery - Surgery and the Post Anesthesia Recovery Unit were reviewed, including ambulatory surgery at both SSMC and MVH. Central sterile processing services are provided to MVH by SSMC.

SECC - The Ombudsman also toured and reviewed the Nursing Home. This tour and review included each of the four resident care units, both long-term and short-term rehabilitation. In addition the inspection included the pharmacy, as noted previously in the report, as well as physical and occupation therapy. The therapeutic recreational program was also reviewed.

Though not directly part of the Nursing Home, the Adult Day Care program was visited and the Director interviewed. This program is housed in space that is contiguous to the Nursing Home. A full range of both clinical and recreational services is provided to the clients of this program.

As part of the review of SECC, the support services, which are provided largely through a single departmental structure with SSMC, were visited and inspected. Among these coordinated services are facility support and plant services, dietary services and medical records. As noted earlier, the potential issues with planning for the disposition of all medical records and for maintenance, security, access, physical protection and management of those records were reviewed in some detail.

Though the Nursing Home facility is generally in good condition and well maintained, within the Nursing Home there are a number of deferred maintenance items which should be addressed. Windows, window seats, resident room doors and support space doors are in need of renovations. Some minor general maintenance and housekeeping issues were noted and

reviewed with Management at the time of the visit.

Human Resources - In both SSMC and MVH, the human resource function was reviewed, as described earlier, during certain specific departmental reviews

V. Staff Interviews

Staff interviews, utilizing an informal approach, were conducted throughout the three institutions during the tours of the various facilities. None of the staff or supervisory personnel interviewed were having difficulty obtaining supplies. Staff and supervisors indicated that any specific staffing problems were not related to the bankruptcy. Staffing concerns which were expressed related to specific issues and to certain specific categories of personnel for whom shortages exist on a national or regional level. Staff concerns centered on the impact of the acquisition of SSHS by Montefiore, including ramifications for their department and themselves. During the most recent site visits to each of the facilities concerns were expressed by staff regarding the need for additional information about elements of the bankruptcy process which are perceived to impact staff. In addition, some employees thought that SSHS was beginning to experience increased requests for use of Paid Time Off and call-ins by employees in order to reduce their banks of vacation. The Ombudsman was unable to confirm this.

VI. Medical Staff Interviews

The Ombudsman interviewed the medical directors for each of the institutions. The Medical Director for SSMC noted that medical staff and activity have increased as a byproduct of the changes that have recently occurred at New York Westchester Square Hospital, in the Bronx. The Medical Director for MVH expressed questions similar to the matters of interest for staff in general regarding what changes might occur as a result of Montefiore's acquisition of SSHS. The Medical Director for SECC discussed at some length what could happen as Montefiore assumed

control of SSHS, since Montefiore does not have a long-term care component to its current operation.

Other medical staff members from SSMC and MVH were interviewed informally during the tours and expressed positive feeling regarding the sale, questions as to how Montefiore would handle existing Medical Staff relationships and general questions regarding the bankruptcy process.

VII. Patient/Resident Interviews

No formal patient interviews were conducted during this reporting cycle. When general questions were posed by the Ombudsman informally regarding care, service or the existence of any issues, only positive responses were received.

VIII. Chart Review The Ombudsman conducted chart review of two patients' records at SSMC during his most recent site visit. The charts were selected from active records to enable the Ombudsman to develop an understanding of the electronic health record currently utilized at SSHS. There were no adverse findings.

Future Ombudsman Action: Chart review will continue to be conducted during the next reporting period.

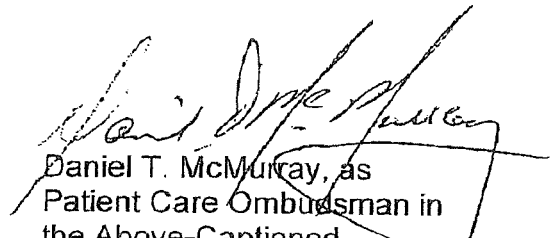
IX. Conclusion

This report is the initial report of the Patient Care Ombudsman and is a summary of numerous interviews, and document reviews conducted with SSHS' management at all levels, physicians, staff and patients. Management at all levels, physicians and staff have been cooperative in providing information, producing data and reports and responding to questions in an honest and open fashion. The Ombudsman has made a best effort, within the time constraints, to conduct a comprehensive review and assessment of the quality of care at SSHS.

Management at various levels of SSHS were provided with oral summations of the Ombudsman's site visits as part of the site visit process.

As noted, the Ombudsman determined that there are some issues, as described above, with patient safety and security in the unoccupied units at MVH which could pose a hazardous condition for patients, visitors and staff. Deferred maintenance at SSMC, MVH and SECC potentially impacts adversely the quality of care and patient safety and security. These issues as well as the preparation for the ultimate disposition of medical records cause the Ombudsman concern. These issues have all been discussed with the Debtors' Management and their advisors.

It is the opinion of the Ombudsman, after careful and thorough review and a weighing of all considerations, that the quality of care provided by SSHS within the areas reviewed is adequate and appropriate.



Daniel T. McMurray, as
Patient Care Ombudsman in
the Above-Captioned
Cases.