



July 9, 2009

Dear Attorney General Cuomo,

On behalf of the Committee of Interns and Residents/SEIU, I commend you for your tireless work on behalf of the public interest. With so much of our economy in a state of flux, the people of New York need to be reassured that the institutions we rely upon are worthy of our trust and, more importantly, we need to know when that trust is misplaced. Your recent agreements with AIG executives have reminded us that executive compensation must be appropriate, reasonable, and clearly linked to performance. Similarly, your recent string of settlements with health insurance companies demonstrate the need to ensure that precious health care dollars pay for quality patient care, and that taxpayers and consumers are not made to bear the costs of an inefficient or skewed reimbursement system.

Given the recent accomplishments of your office in regards to executive compensation and the health care industry, we urge you to examine compensation paid by St. Barnabas Hospital to Dr. Ronald Gade, and in particular what we believe are excessive payments made to Dr. Gade for three years following his retirement as CEO of St. Barnabas.

St. Barnabas Hospital is heavily dependent on various state and federal funding streams. A large majority of St. Barnabas patients are covered by Medicaid and Medicare insurance plans. The hospital has received approximately \$10-20 million annually in state indigent funds to offset the cost of care for uninsured and indigent patients. St. Barnabas has borrowed more than \$108 million in state-backed debt since 1997 through the Dormitory Authority of the State of New York State to finance hospital construction and capital improvement projects. St. Barnabas also receives significant federal and state funds to pay for the salaries and educational expenses of approximately 280 resident physicians employed by the hospital. Taken together, these funding streams represent a substantial commitment of state health care dollars to a private non-profit hospital.

While we strongly support public funding for health care in underserved communities such as the central Bronx, we question the hospital's use of public funds to make large payments to former CEO Gade. Despite retiring as CEO of St. Barnabas in April 2004, Dr. Gade received total compensation of more than \$1.3 million during calendar year 2004. In 2005, 2006 and 2007, St. Barnabas hospital continued to list Dr. Gade as a construction consultant, and paid him more than \$1.2 million per year. During 2006, Dr. Gade was also a full-time CEO at Cabrini Medical Center and Cabrini Medical Center paid \$275,000 to Gade's consulting firm. In each of the years from 2004 through 2007, former CEO Gade received more money from St. Barnabas than the hospital's new CEO, Dr. Scott Cooper.

During these same years, St. Barnabas Hospital's fiscal health declined: the hospital barely broke even in 2004 and 2007 and experienced an operating loss of \$9 million in 2006. The hospital's liquidity measured in days of cash on hand also declined from 2004 to 2007. Although we do not know whether Gade remained on St. Barnabas' payroll in 2008, the hospital's auditors recently reported that the hospital lost \$10 million in

operating income in that year and has been unable to meet financial covenants imposed by its lenders, including the Dormitory Authority of the State of New York.

New York State law requires that non-profit corporations must provide reasonable compensation commensurate with services performed by their directors and executives. It may well be that Dr. Gade's services as a retired executive and consultant have been worth every penny of the compensation paid to him by St. Barnabas. If so, a thorough investigation of his role will serve to restore the public's faith in the knowledge that state funds received by St. Barnabas have been well spent.

However, Dr. Gade's compensation may also fit a larger pattern at St. Barnabas, given that the total compensation paid to St. Barnabas' top five executives increased by 36% between 2002 and 2007, the same period in which the hospital's financial stability began to deteriorate. If a thorough investigation reveals that this compensation is inappropriate for a non-profit, tax-exempt institution, New York State's taxpayers deserve to know this now while the situation can still be corrected.

During an economic crisis when every available dollar that can be spent on patient care *should* be spent on the provision of patient care, the public needs to know that tax-exempt institutions are spending our tax dollars in an appropriate and responsible matter. We once again commend your work on these issues and urge your office to undertake this investigation so that we can ensure that St. Barnabas is deserving of the public's faith.

Sincerely,

A handwritten signature in black ink, appearing to read "Nailah Thompson". The signature is fluid and cursive, with a large loop at the end.

Nailah Thompson, D.O.
Executive Vice President