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Via E-Mail & FedEx

November 14, 2006

Carole D'Elia
Project Manager
Little Hoover Commission
925 L. Street, Suite 805
Sacramento, CA 95814

Dear Carole,

Enclosed please find my written testimony addressed to the California Little Hoover Commission. Attached hereto you will find my CV as presented to Judge Henderson when I was a Receiver candidate. Connected to my CV is an article about me and my firm. Also please find:

- 8/05 Receiver Presentation to Judge Henderson, et al.
- 9/05 Memo to Judge Henderson
- 11/05 Korn Ferry Presentation
- 1/06 Final Dennis Simon Receiver Candidate Presentation

I trust this work product meets the expectations of the Committee. I appreciate the extra time afforded me and apologize for the tardy delivery.

I look forward to meeting you Thursday.

Very truly yours,

Dennis I. Simon

Encl.

Written Testimony

of Dennis Simon Managing Principal of XRoads, LLC to

California Little Hoover Commission

November 16, 2007

As a successful professional turnaround management executive, I have spent my career helping under-performing companies in private industry overcome "insurmountable" challenges and achieve sustained improvements in performance and effectiveness. Most situations I face have limited resources (both time and money) and very material adverse consequences for failure. Thus it behooves me and others in my profession to understand what it takes to drive institutional and sustainable change and what is required for managers to be highly effective in underperforming environments.

I have been asked to comment on the experiences and lessons I have incorporated into my turnaround approach and their applicability to improving results for governmental entities. My comments herein pertain to the State of California and its related entities (governmental entities) and their need to operate more efficiently. This paper is intended to provide the Commission with four key points:

1. The marked differences in operating philosophies of governmental entities and the best private sector performers produce dramatically different results.
2. Effective, results-oriented organizations share common characteristics. The corollary is that governmental entities share many characteristics with the worst performing and least effective companies in the private sector.

3. Application of certain turnaround methodologies to governmental and quasi governmental entities would likely result in transforming those entities into organizations whose effectiveness would rival the best performers in the private sector.

4. Someone, or group, will soon adopt these effective methodologies and lead the way toward dramatically improving the effectiveness and outcomes for governmental entities.

The marked differences in operating philosophies of governmental entities and the best performing private sector performers produce dramatically different results.

I wish to mention ten ways in which the conventional thinking of governmental entities contribute to sub-optimal results

1. The resolution of issues always requires more money, and certainly never less. The primary consumer of energy and time for governmental entities is in the fight for appropriations. When funding is awarded often victory is declared. Funding is awarded on an annual basis and will be spent during the year, in part as justification for providing support for next year's allocation. Where are the rewards and accolades for solving the problem without using the money? There are none. It is through the use of the funding power, that rewards

2. Government historically has attempted to resolve difficult systemic issues based on a "Big Game Plan" led by one person with a "Grand Vision" It is the "grand idea" that provides the support required for appropriations. Money follows the big fix; witness the Great Society; No Child Left Behind, Eliminate Weapons of Mass Destruction, the New Deal, etc.

3. Governmental entities spend their time debating "what" needs to be done and too little time determining "how" to get things done in a sustainable manner. Getting things done is boring. It is laborious. Consider the effort to write a functional, implementable and effective plan. The sweeping oral argument is so much easier. It allows for wiggle room, while the written word is there forever. The verbal picture needs so much less support. Consider the daily management meeting. Everyday one deals with unexpected negative variances and has to coach so many different people, all learning to get better at what they are doing. Consider the daily analysis of progress. It requires concentration on what can be only described as "the small stuff". Getting things done is an incremental process, not generally the big win. It requires tenacity, consistency and reliability. It requires motivating people to change behavior. That implies conflict. Changing behavior and conflict are hard to accomplish and live with. Nonetheless, these are the tools necessary for getting things done. This is the "how" of business. Look at government. Where are the change agents? Where is the reward for coaching and improving subordinates to become the next generation of organizational leaders, in effect, to train one's replacements? Where are the consequences for failed execution? Which governmental or quasi-governmental entities cease to exist because of poor execution? The DNA of government does not contain an implementation gene. So the question of "how" is subservient to the debate over "what" to do.

Frankly, how things get done, in the aggregate, is your strategy because it determines the what, the when and the where. If I want to know the strategy or goals of a company, or a government entity, I watch how they do things, not what

they tell me is their Grand Design. The literature is noticeably skimpy on this important insight. Successful business leaders are all aware of this little understood, but important connection between goal achievement, strategy and "how."

4. Hiring low cost producers from business is a way of governmental life and cost is the primary (if not often only) determinant for retention of "competence".

   The price/value relationship is not understood. Price is usually the overriding factor in selecting vendors, as government managers turn a blind eye to total cost of ownership and vendor performance. Public procurement professionals are trained in the process of government bidding, not in the science of spend analysis or the art of vendor negotiation. These professionals reward vendors for compliance with bidding and contracting rules with little attention paid to the content of proposals beyond cost and format. Once the contract is awarded, vendor management does not focus on the value delivered to the organization, but tends to accentuate process compliance. One example of how this organizational inertia can be redirected is the New York City Department of Education. The Department was mired in a massive bureaucracy for the procurement of goods and services. Through the application of best practices from the private sector (within the guidelines of government procurement policy), the DOE was able to save more than $100 million while continuing to improve classroom instruction for students. Following extensive staff training and coaching, the DOE implemented a new Strategic Sourcing and Procurement program. As a result of this program, they were able to leverage the entire $14 billion buying power of the organization to consolidate demand with key

suppliers. Each supplier, once awarded a contract, was assigned specific service level targets that were then measured and reviewed by the DOE on a regular basis. The service levels were based on organizational value and quality delivery, not process compliance. Where procurement policy limited competition and/or put up barriers to entry, the organization challenged and amended that policy where allowable by statute. As a result of these efforts, the savings generated were put to use to finance under-funded programs for teachers, students, parents, and administration.

5. Compromise drives the decision process. My observation of governmental decision making is that decisions are little more than the compromise of competing interests and thus are not easily understood, hard to implement and rarely "owned." Consequently they don't have a "champion" when they face resistance. Effective decision making is made by someone willing to be accountable and equipped with the necessary resources and authority to be effective. Listening to all interests -- really listening -- before deciding adds to effectiveness. Listening, hearing and modifying are not the same as quid pro quo compromises. Decisions driven by compromise assure everyone is equally happy and equally dissatisfied over the choice and it implies there is little or no chance for effective implementation.

6. Anecdotal hyperboles are too well respected in governmental entities. I must admit surprise at the weight given to evidence presented in anecdotal form; data not submitted to rigorous analyses. For example, when analyzing the California Department of Corrections and Rehabilitation, for which the total budget has increased by 40% to $7.6 billion since 2001, while the inmate population has only

increased by 8%, and in the very same time period health care services rose from $646 Million to $1.5 Billion - an increase of 129% - it is analytically clear that the average health care cost per inmate patient is a major driver of the cost increase. Major correctional health care systems in the US spend between $8-14 per inmate per day, California currently spends $23 per inmate per day. California inmate health care costs are running wild, independent of the size of the inmate population. More spending, alone, is hardly the answer. This is one example of a data based thought process vs. an anecdotal process. Not surprisingly, data-based analysis often leads to different goals, metrics, etc.

Health Care Costs Rising Faster than Inmate Population

Spending	**Inmates**[1]	**Total Budget**[2] **($ million)**	**Health Care**[3] **($ million)**	**Contract Services**[3] **($ million)**
2000/2001	160,655	5,434	646	153
2005/2006	173,357	7,612	1,480[4]	668
Change	**+7.91%**	**+40.08%**	**+129.10%**	**+336.60%**

7. There is no 'real' connection between the top and bottom of governmental organizations. Years ago, I learned that the man on the work shop floor, the woman in bookkeeping for ten years, and the long-term janitor know what's really cooking. "Walking the floor" became a popular management style 25 years ago. It doesn't appear to have been widely accepted within the government. Walking the floor is a

[1] Department of Corrections, Data Analysis Unit: January 3, 2001 vs. November 2, 2006
[2] Governor's Budget 2006-2007
[3] Steve Westly, California State Controller, Review Report – August 2006
[4] Includes $448 million in overspending for 2005/2006; Budget was $1,037 million

subtle one-on-one process. It is not an infrequent group visit. It is a constant in the life of the effective CEO. When I was a candidate for the Receiver position, I got in my car, by myself, and I visited a prison. I spoke to a warden, a nurse, a doctor, etc. It bore exactly the same fruit as in any company I have ever run. It may not surprise you that they knew all the problems. However, it may surprise you that they had thought through the issues carefully and had many effective solutions ready to go. The bottleneck was in the feedback and decision processes. These ground floor people had spent time thinking about resolutions, and since no one appropriated money to them, their answers were generally either free of investment capital or had extremely quick cash paybacks. In one day, I remember listening to very practical resolutions to such issues as:

- How to stop losing medical records when patients transfer from one facility to another.
- What to do about the overcrowding at one of the facilities without large cash outlays.
- How to save millions and provide better dialysis services to inmates.

Best practices in private enterprise have found methods for these grass root resolutions to be surfaced, prioritized and implemented. Government has not.

8. <u>There are rarely any useful timeframe based metrics</u>. In well run private enterprises a key question is always "what results will you deliver in what period of time?" It is shocking to see the number of governmental and quasi governmental entities that operate without any such inquiry. My recent interaction with the oversight of the

state prisons is a data rich and yet saddening experience. The court apparently appoints Special Masters that continue to exist for more than a decade after their appointment, and still one wonders whether the system is appreciably better for their involvement. What metrics are applied to evaluate their performance? When is the job done? Other than reports, what is the deliverable? Where is the change? In California Corrections, only 2 of the 5 largest class actions with Special Masters have been resolved. The cases resolved averaged approximately five years. The remaining cases have been monitored by the courts for approximately 10 years, and I would venture to estimate that neither of them will be resolved within the next 2 to 5 years.

The Receiver for California Correctional Health Care System has a horizon by my reading of the situation as long as 10 years without yet producing measurable milestones. In my world, those types of timeframes are unacceptable. In my world, the complete lack of metrics to measure performance in shorter time frames in unacceptable. We have to establish benchmarks, meet them, and improve performance. We do that with the ultimate intent to transition to different, more permanent leadership, leadership which adhere to the measures established or are no longer allowed to lead. In private enterprise, leaders are held accountable for change, for improvement.

9. <u>Because things are done behind "closed doors;" many government decisions lack transparency</u>. This was recently highlighted by Senator Jackie Speier in her testimony to the Commission. Her presentation emphasized the passage of legislation requiring a fixed timeframe for the analysis and "sun shining" of

agreements made with unions. Prior to the passage of SB 621 contracts were delivered and voted upon without analysis of the fiscal liability.

I find it interesting that managers could be authorized to encumber millions of tax dollars without review and consideration of fiscal impact. There are certain authorities which Boards of Directors retain and certain they allocate to the CEO. Potential large scale financial risk is almost never released by a good Board of Directors to any junior authority such as CFO or CEO.

I am not saying private business doesn't have a need for confidentiality. Confidentiality is not in conflict with the principle that for each decision there is an appropriate level within any organization in which the responsibility is vested. Letting subordinates make decisions under the guise of confidentiality may be the ultimate abuse of power – abdication.

10. <u>In government, there is a disdain for business people.</u> Career managers in government, for the most part, chose their career with a notion that business was the "dark side" and government the "good side"; government would help "the people" while "business profits off the back of the people." This has been a barrier to the adoption of many practices which would be of benefit to "the people"; i.e., a more efficient government that delivered its service in a manner its customers ("the people") find more acceptable. There is a looming financial crisis as government debt rises. Presumably the debt was incurred to provide much needed services to the people. Does anyone wish to argue that we deliver better and more services commensurate with that cost and that "the people" ("our customers") think they are better served? The entire concept of having only, or primarily, low cost producers

from the business world provide services is one form of the disdain. This presumes there is no difference in quality. Or does it support the contention government is unable to distinguish among quality levels?

These ten conventional wisdoms which inhibit or undermine effectiveness in governmental entities are provided as illustrations only. The list is not meant to be exhaustive nor is it prioritized.

Effective, Results-Oriented Organizations Share Common Characteristics. The Turnaround World and Private Industry's Best Performers Operate in Stark Contrast to Government

1. In the turnaround world:
   - We have a fixed timeframe to reach our goals
   - We rarely have incremental funding available
   - We create absolute and complete transparency
   - We must immediately develop metrics
   - We make decisions on the information available to us
   - We live in the trenches
   - We manage diverse constituents, often times some with enormous power and leverage over outcomes
   - We find the best managers have resigned or been fired and we must instantly insert competent leadership

- There is generally a culture that must be changed. The underperforming companies in America generally have a very centralized decision process and weak management structure without effective implementation systems.
- We have significant consequences for success and failure

Successful Turnarounds and The Best Performers Within Private Industry Have an "Execution Framework". Select Items Central to Effective Execution Are:

1. The daily metric meeting. Problems must be dealt with in the shortest possible periodicity. Expectations vs. results and open analysis lead to behavior modification.
2. Line of sight reporting. What is measured gets done. What is visible acts as a reminder. Posting performance allows for effective one-on-one coaching.
3. Process action teams. Working together without regard to functional locus to solve problems has been proven in industry to be an effective tool to reduce/eliminate barriers and to solve the organizations' problems more completely and expediently.
4. Extensive communications and transparency. Everyone has more than one item they want remedied right away. Management must prioritize. It is critical that everyone "see and know" their issue has been heard and placed in a queue. The benefits of these communications cannot be over emphasized.
5. Attraction, retention, motivation and improvement of competent personal with aligned interests. People want recognition and reward for performance above the norm. Simply raising everyone's compensation, while it may increase the number of job applicants, is not sufficient to motivate outstanding job performance.

6. Separate but integrated focus on short vs. long term goals. Well run organizations neither lose sight of long term objectives nor forget to execute daily on the basics. Large organizations need to separate (for focus) and integrate (for effectiveness) these two seemingly competing work loads.

7. Constant constituent input and feedback. Never treat any constituent like the proverbial "mushroom." Honor each constituent. Provide access and feedback. Set the schedule for doing so. Set the agenda. Then follow through.

8. Clear decision/authority. Decisions need to be made. Authority is allocated. Make it clear. Write it out. Who has authority to decide what by when should never be in doubt.

Once the management systems described herein (as well as other tried and true systems) are put in place and rigorously adhered to there is change. Some call it a cultural change, others call it a new management style, and still others refer to it as a process change. To some degree each label is partially accurate. What I know for certain is that as the process takes hold, there is a fundamental shift in the values within an organization. A picture of some of these value shifts would look as follows:

Old		**New**
Decision handed down from behind closed doors and without collaboration	→	Data based decisions with group support
Blaming for failures is a fulltime organizational activity (second guessing game)	→	Feedback loops for corrective action redirect behaviors toward incremental improvement
Position based on age, tenure, personal relations	→	Training/coaching/empowerment leads to better organizational results, increase in personal pride and more effective management

Paycheck is the reward	→	The well done task is the reward
Living in "Silos" and not addressing cross functional problems	→	Cross functional collaboration leads to solutions for the benefit of the entire organization

To Accomplish These, the Turnaround Professional Must Set in Motion at Least the Following:

1. Align Interests. The further the interests of the key stakeholders are from being aligned, the less effectiveness one observes. The data is in. Companies owned and operated by private equity funds outperform publicly held companies. The former earn over 20% per year and the latter closer to 10%. Aligned interests are one significant contributor to this differential. The company owned by the private equity firm has a plan to improve and sell in three to five years. Pretty clear goal I would think. The shareholders, top management and middle management will receive the rewards they have bargained for on the same date, subject to the same performance. No such clarity or aligned interests exist in public or private companies. Both public and private companies have much lower performance, often with superior resources. I am here because some believe government is the least effective organization of all. There must be, in governmental entities, an alignment of interests. Goal congruency generates synergies of thought and action. Inevitably, organizations with aligned interests will demonstrate superior results over those with disparate interests. This rule is not relegated to industry alone. Consider a military platoon told to take a hill. All share the same goals: stay alive, take the hill, follow the orders of the leadership and protect your fellow soldiers. Anyone that will not, or cannot, align with those interests is removed from the

system long before the order to attack is given. The platoon must have interests aligned to succeed. We are all familiar with the picture of the platoon of unruly foreign soldiers running off in different directions, or for that matter the Keystone Cops. The point is, without aligned interests, discipline, clarity of purpose, competence, etc., nothing purposeful gets done. It is obvious. The missing ingredient is having the systems to turn the Keystone Cops into a well run organization.

2. Quickly announce and enforce clear lines of authority with responsibility and accountability
3. Quickly prioritize opportunities with the commitment of resources to the highest potential positive impact alternatives
4. Be constantly "available"
5. Develop a vision of the enterprise. It must be supportable by a large portion of the various constituents.
6. Establish internal and external mechanisms for continual feedback

Application of These Turnaround Methodologies to Governmental Entities Would Result in Different and Superior Outcomes

Some of my observations about operational life in governmental entities may appear overly critical. Some may observe I have spent very little time in the public sector; too little to opine in such a manner. However, I have had one slice, one experience, and it was a data-rich environment from which conclusions may be extracted based on mounds of hard evidence.

In July of 2005 I read in the newspaper that Judge Thelton E. Henderson was going to appoint a temporary Receiver for California Correctional Health Care System. I wrote the Judge and requested consideration for the position. A meeting date, August 2005, was set for my interview. I studied the position being offered and the status of medical care in the prisons. I concluded the position and its narrow charter was dysfunctional at best and disastrous at worst. During my interview, I expressed this point of view. I then proceeded to explain to all present what I thought the position, vision and goal should be. Evidently my analysis was persuasive. The initial position of a temporary Receiver was discarded. I believe this was a direct result of my analysis and recommendations in favor of a permanent Receiver. The quasi governmental entities involved in the process had insufficient experience and knowledge to grasp the magnitude of the solution options and techniques to deal with the issues. However, they were quick studies and upon presentation of a clear vision for a better solution they had the integrity to re-set their approach.

The process then turned to the selection of a permanent Receiver. I invested approximately 5,000 man hours (3,000 of it in 60 chronological days) to analyze the problems and come up with appropriate, effective solutions. I had two opportunities to make formal presentations regarding the problem and my proposed solutions. I believed the issues so serious and so in need of immediate attention that I organized a team to be available to commence work in the fall of ’05 and then later on February 1, 2006, the week after the date that was to be the final interview. At both those times I was ready with the necessary support, that is, at least a Senior Management Team, a Governance Board, an experienced competent Correctional Medical Director and Regional Medical Staff, as well as communications, legal, financial, information

technology and process improvement teams (all with their respective rollout plans.) We had laid out milestones for the first 30, 180, 365 days. Team members included 1) Maxor's Chairman of the Board, 2) Kaiser's Chief Restructuring Officer, and 3) Georgia's Chief Operations Officer and Chief Medical Officer to name but a few. Our interests were aligned. We were prepared to commit millions of dollars of our compensation back into the system to educate physicians that would serve the inmate population (ala the Peace Corps). We offered millions more if we failed to meet select milestones, subject to third party evaluation. We believe in aligning interests whether we are the "motivator" or "motivatee." We were prepared to commit to a complete transfer back to the state within 4-5 years or no later than December 31, 2010.

I attach hereto selected materials of various presentations made by me and other communications (8/05 Presentation, 9/05 Memo, 11/05 Presentation, and a 1/06 Presentation,) intended to supplement the above remarks. I make these points to support my contention that the operational universe of turnaround managers is radically different from long term managers. We expect to be in and out. We plan on going in and making changes. We come fully prepared from the very first day. Permanent executives, often seeking to couch themselves at the later stages of their career as Turnaround Managers are merely seeking a change in employment and generally view their positions as just that….permanent employment. Thus their "Plan" is reflective of their lifestyle objective. We marshal and use resources differently. We keep score differently. Interestingly, we often use similar words. But watch the actions not the words.

Turnaround managers and their teams have a deep sense of urgency. Without that, you cannot successfully compete in my industry. I refer to this as our "Managerial DNA." Our "Managerial DNA" plus our approach provides for a different, quicker and I would argue superior set of results. For example, as to the CDCR the following is a selected list of accomplishments you reasonably could have expected from a turnaround executive in his first 30 days. This is intended to be illustrative of the approach that a seasoned turnaround executive would implement to affect change. We waste neither time, money, integrity, health nor relationships; all are important to us.

Example of 1st 30 Days Results:

- Complete organization structure
- Issue clear vision as to goals, metrics, timelines for the next 90 days
- Web based communication links established for real time feedback and dialogue with inmates, their families and others
- Begin Beta Site analysis and improvement plans for at least 3 prison sites
- Issue our first list of priorities
- Finish analysis on pharmacy system changes to validate earlier external analysis (See Exhibit A)
- Implement a functional M.I.S. with select/limited objectives
- Design effective communication program
- Have a plan to rationalize spending of the budget

- Improve utilization of resources through modifications to health care delivery system

Someone, or Group, Will Soon Adopt These Effective Methods and Lead the Way to Dramatic Improvements in Outcomes and Efficiencies in the Government Sector.

1. The trend is clearly in this direction. Judge Thelton E. Henderson's approach is one sign of this. Your invitation of me is another such symbol. Commitments by the Governor such as his leadership in reorganizing government, his understanding and use of the fiscal limitations in his environment are yet another hopeful sign. What is needed is a lever. Possibly the build up of mountains of debt for government to service will force a "C" change. Inefficiencies will only be tolerated so long as they meet two criteria: 1) they can be financed; and, 2) the customer accepts them. As to the California Prison Health Care System the "customer" drew the line in the sand when Judge Thelton E. Henderson acted. The financial limit may be reached when the new leadership tries to take substantially more money to again "fix it." My own preliminary analyses indicated there was as much as $250 – 400 Million of the $1.4 Billion budget that was subject to reduction/elimination without any reduction in the quality or delivery of medical care to the inmate population. Such an approach would allow for a "pay your own way" approach of which I presently would be a very strong advocate.
2. The process must start slowly and build incrementally. The skepticism within government as to the applicability of private industry's best practices will not be bolstered by large scale attempts within highly visible projects with the inevitability of

minor setbacks. I hope to see a few achievable beta tests build into a ground swell based on measurable success.

3. A champion will arise to bring together government and the proven methodologies of the turnaround world as well as the best practices of the best performing companies in industry. I do not know where that champion is at this moment.

Closing Comments

1. It is true that without measurable goals, we all wander and improvement is left to good intentions and happen-stance. For such a world, replication and sustainability are lost. The methodologies described herein (or this "Rose" by another name) will be at the heart of the future processes if governmental entities are to become much more effective. Do not be fooled into thinking these effective turnaround management systems are only applicable to profit making organizations and the only metrics I reference are financial in character. There are social, medical and personal metrics which are useful instruments of cultural, organizational and value change. .

2. The analysis and methodology is what is valuable here, not the specific example(s). This is not a criticism of the past/present "owners" of the prison medical system or any system. To bring credibility to an opinion, I find evidence the most useful foundation, so I have mentioned what I know. I am of the belief that there is a ground swell of mutual interest regarding achieving the levels of effectiveness I have discussed. Judge Thelton E. Henderson, the Receiver of the Correctional Health Care System and the members of the legislature I have spoken with all talk

with one voice about such a vision. What is needed is a disciplined, battle tested execution plan.

3. I am optimistic that the merging of these two systems will occur in the not too distance future. I am encouraged by such occurrences as your invitation to hear my thoughts as well as by Judge Thelton E. Henderson's actions to drive better results. I am also somewhat of an amateur economist. In that capacity, I am also encouraged as to the likelihood of change in effectiveness within governmental entities. Government's rate of spending and borrowing are at an unprecedented pace. It is exactly that same pattern which creates and supports the turnaround industry in the private sector. Perfectly good companies with a true value proposition for its customers and employees but with excessive debt are forced to retract, re-organize and become more efficient and effective. This will likely occur in the government sector as well. As a citizen of California, I trust that thoughtful citizens serving the state will drive these changes before the laws of economics make them inevitable.

Thank you for inviting me to share my experiences and some of my lessons learned along the way.

EXHIBIT A

Pharmacy and Medical Supplies – Saving Between $25 - 50 Million per Year

Description - Includes pharmaceuticals and other medical supplies. Pharmaceuticals made up 93% of F04/Y05 expenditures, of which the following were the largest components:

- Antipsychotic Agents - 35.8%
- Antiretroviral - 13.8%
- Anticonvulsants, Miscellaneous - 7.1%
- Antidepressants - 6.5%

Assumptions

- More efficient centralized/outsourced pharmacy operations will result in reduced overhead, reduced expiration of pharmaceuticals and faster fulfillment
- Improved education programs for pharmacists to lead to better utilization management
- Improved central contracting process will result in lower prices obtained
- Patients better matched with appropriate medication through improved formulary w/ central controls
- Eliminate use of name brands when generic version is available to reduce cost of treatment

$ in millions except per patient per day, 2004/2005 inmate population 164,005

2004/2005 Actual Spending		Target Spending		Annual Saving	
Actual Million	Per Patient Per Day	Amount	Per Patient Per Day	Savings (in millions)	% Savings
$137.9	**$2.30**	**$89-117**	**$1.45-1.90**	**$24-52**	**17 - 37%**

An Approach to Addressing Physician Staffing Shortages and Delivering an Acceptable Standard of Medical Care to California's Prison Inmates

August 17, 2005

X Roads
SOLUTIONS GROUP

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- Risks & Mitigation Strategies
- Why XRoads Solutions Group
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Why We Are Here

Situation

- California Department of Corrections and Rehabilitation (CDCR) health system has struggled to provide primary care to >160,000 inmates at over 30 correctional facilities
- Prisoners are entitled to standard, adequate medical care but are not receiving it
- Fundamental barriers to compliance pervade the system (e.g. physical facility, culture, personnel, financing, IT infrastructure, etc.)
- CDCR has attempted to address the dysfunctionality and deficiencies in its prisoner healthcare system, but has been unsuccessful

Complication

- Sub-optimal results in the recruitment and retention of qualified primary care medical professionals
- Lack of effective leadership and systems
- Dysfunctional management infrastructure
- Lack of professional physician culture

Implications

- Significant vacancies in physician and other medical staff positions
- Wide-spread procedural problems with the healthcare delivery model
- Significant preventable mortality
- Inadequate healthcare provided to inmates
- Lack of disease management programs

Recommendation

- Install an established leadership team for the next six months with a proven track record who will: (1) Build quality healthcare delivery systems, (2) Recruit and retain qualified healthcare professionals, and (3) Establish the foundation for **permanent change**

XRoads' Credentials

XRoads brings to bear critical skills, dedication and values to drive results

- Proven **Leadership**
- **Commitment** to the creation of effective healthcare delivery systems
- Excellent **track record**
- **Passion** for fixing the prison healthcare system
- **Independence**
- **Vision** to create a primary care-focused medical group at CDCR
- **Execution orientation** with an effective methodology for delivering what the Court has asked for in a restructuring environment:
  - The Kaiser Permanente turnaround leadership
  - Experience building and staffing a correctional health system
  - Experience building medical information management systems
  - Experience managing communications in a multi-constituent environment
  - Experience managing multi-billion dollar enterprises in crisis, budgeting and accounting
- Team **Ready to Go**
- **Size, Breadth** and **Depth** for this project

Key Issues

Inadequate and negligent patient care is the result of pervasive problems plaguing the CDCR and its Health Care Services Division (HCSD). The problems continue to persist although the HCSD has taken and is taking certain steps to try to address these problems.

Current Problems:

- Physician vacancy rate upwards of 20% including many on LT Disability
- Nursing vacancy rate of 28%
- Many existing physicians are ill-suited (e.g. not General Practitioner, Family Practitioner and Internists) or under-qualified (not Board Eligible) to be providing primary care in a correctional environment
- Poor facility-based and middle-management accountability systems, significant vacancies among senior healthcare management positions
- Lack of wide-spread team feeling amongst medical staff and lack of professionalism within the HCSD clinical staff
- Weak health-care delivery infrastructure including inadequate facilities, poor record keeping, lack of Information Management Systems and no centralized pharmacy management system
- Custodial decisions are not reconciled with their impact on health care delivery

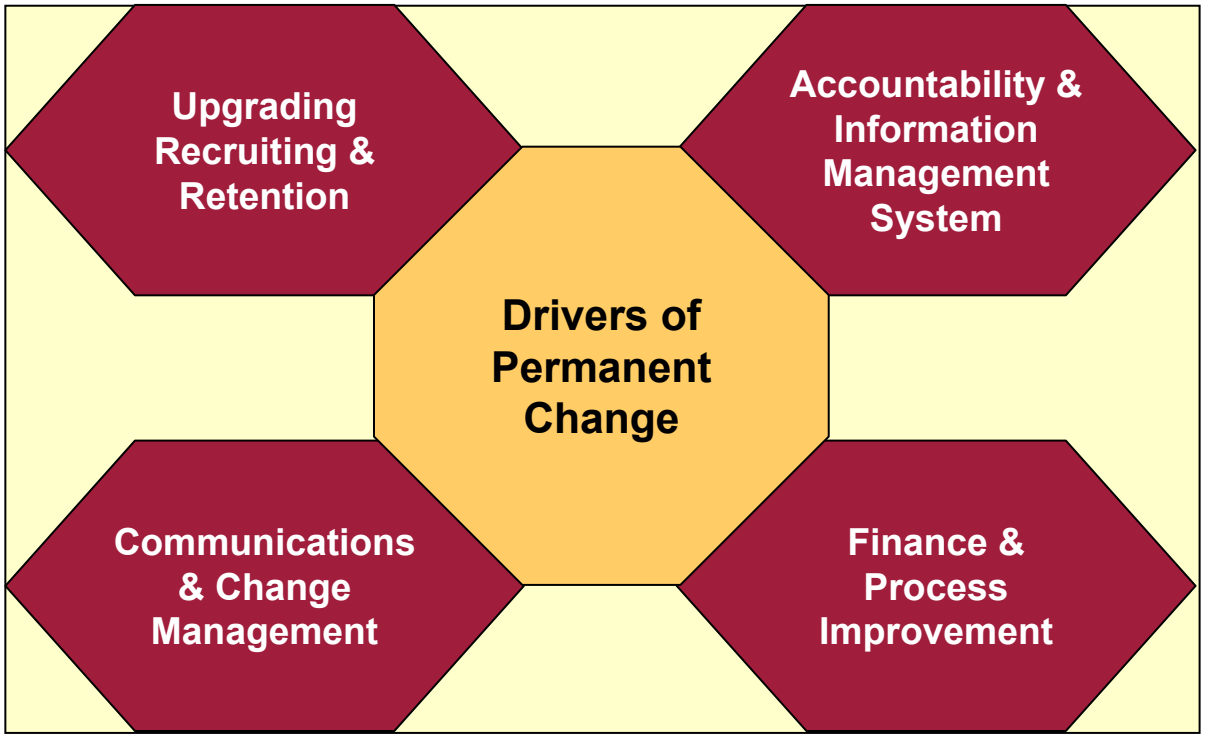
Recent HCSD Initiatives:

- Engaged UC-San Diego to systematically evaluate competence of existing physicians
- Emphasis on hiring physicians better suited to provide primary care (e.g., General Practitioner, Family Practitioner and Internists)
- Consolidation of patients with high-acuity issues at best-suited facilities
- Hiring of regional medical directors to improve accountability systems

The execution of these initiatives has been inconsistent. Consequently, HCSD's initiatives have generated mixed results and have not significantly improved the overall level of patient care.

XRoads Functional Approach (1/2)

XRoads has organized its team of reorganization and healthcare experts functionally to deliver an immediate upgrade in the standard of patient care



XRoads Functional Approach (2/2)

As Temporary Receiver, XRoads will transform the HCSD into a team-oriented Health Care Group focused on the delivery of primary care

Receiver Actions To Deliver Primary Care

Upgrading Recruiting & Retention

- Focus on clinical and management staffing needs using an immediate, short term and long-term approach
- Recruit board-eligible/certified physicians with an emphasis on primary care disciplines and correctional medicine
- Analyze existing staff with focus on ability to provide primary care
- Institute/upgrade internal training to improve existing medical staff and enhance professionalism

Accountability & Information Management Systems

- Implement an Information Management System that will deliver “quick wins”
- Develop metrics and tracking systems to enable management to monitor clinical performance
- Provide visibility and transparency to stake holders

Communications & Change Management

- Develop an internal and external focused communications program
- Streamline and re-enforce standard practices and the development of a leadership structure throughout the system (both management and facilities)

Finance & Process Improvement

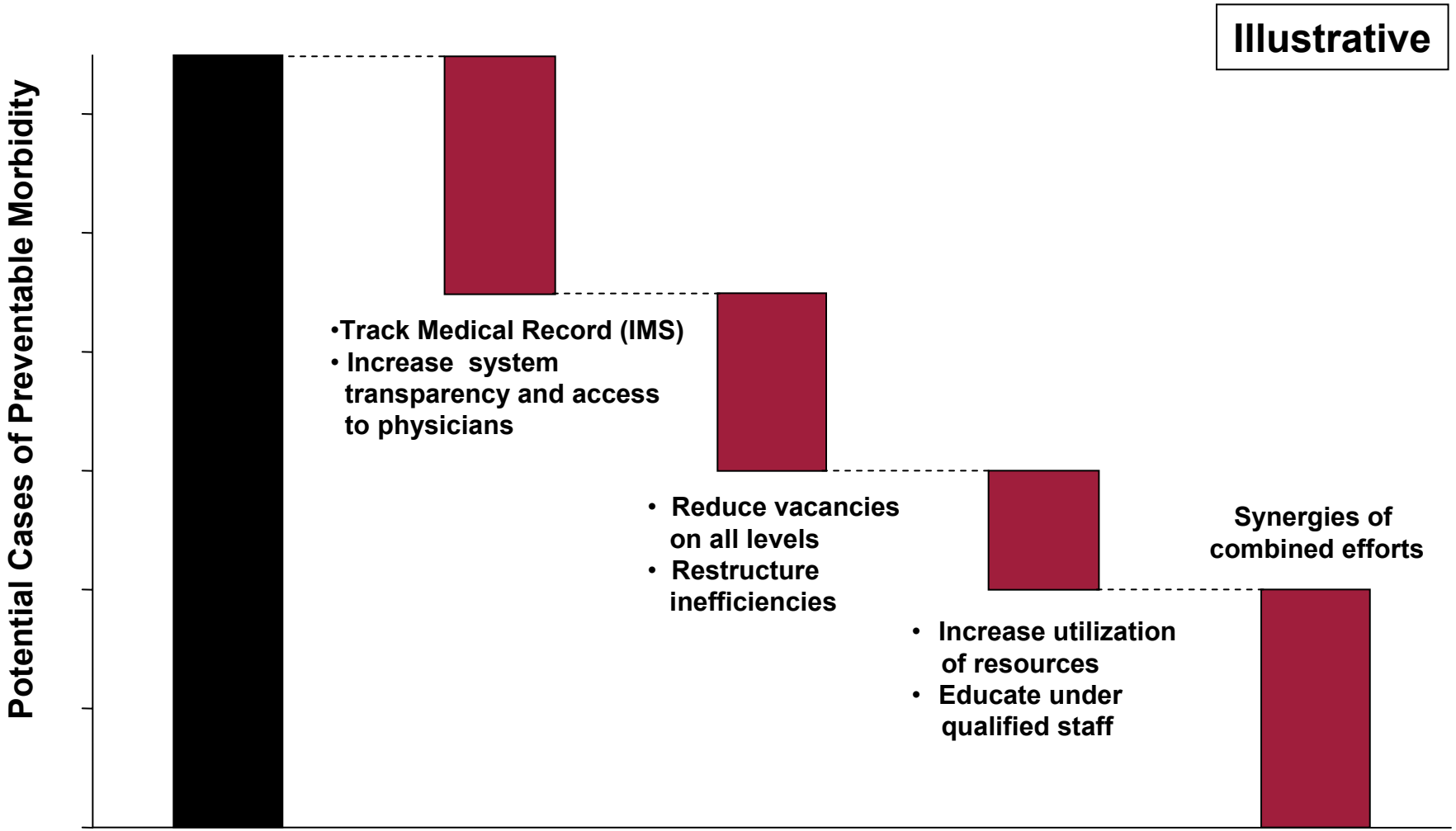
- Rationalize spending working within existing budgetary constraints
- Adjust healthcare delivery model to most efficiently utilize available resources
- Reconfigure demand for primary and ambulatory care

As Temporary Receiver, XRoads will supply immediate solutions with long term sustainability

We have an action plan designed to deliver positive results in the first 30 days; while vigorously laying the foundation for permanent change over the next 6 months.

XRoads' Program is Designed to Expeditiously Eliminate Avoidable Morbidity

Over the next six months XRoads will reduce the incidence of preventable morbidity by improving recruiting and retention, implementing major process improvements and developing an ongoing performance measurement system



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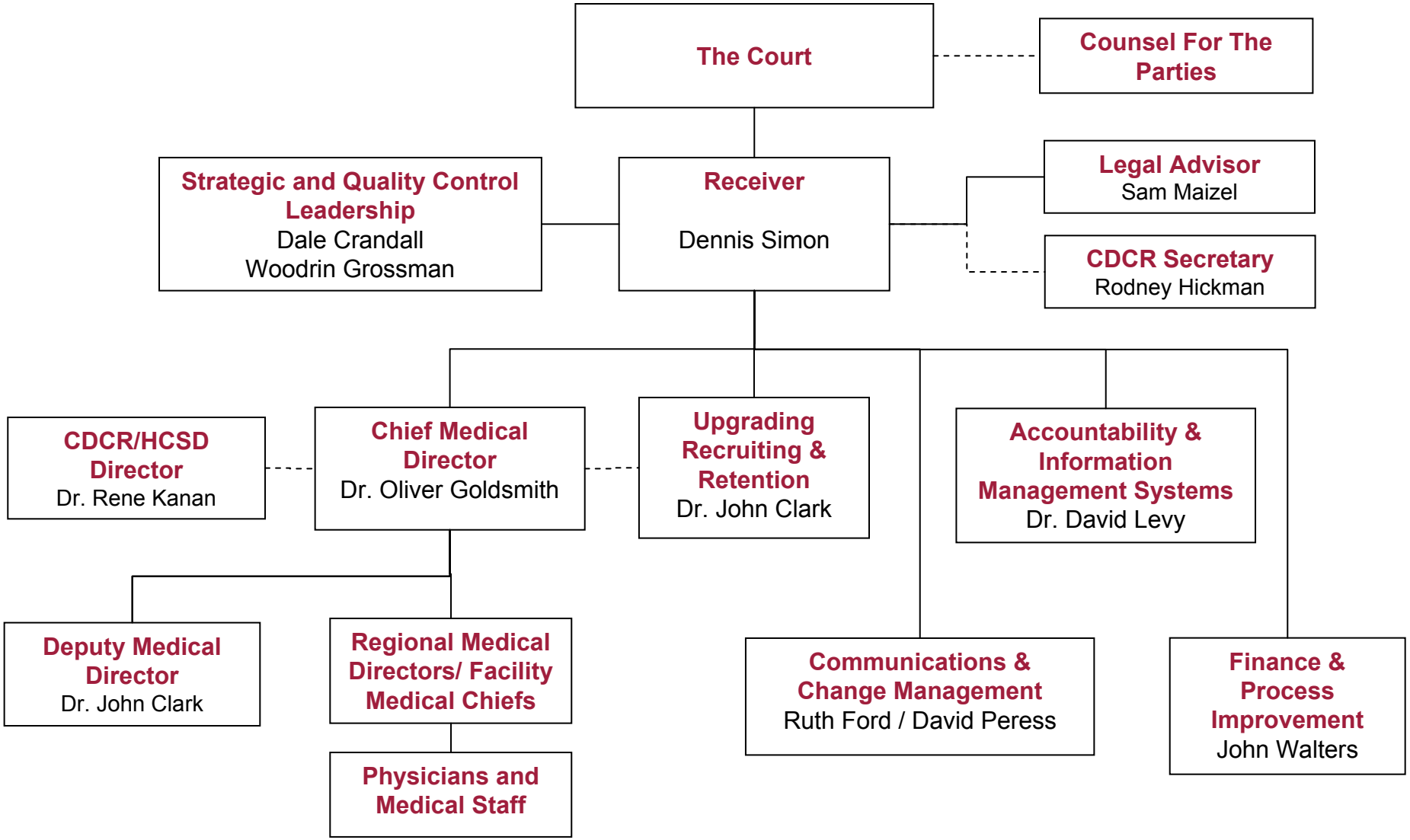
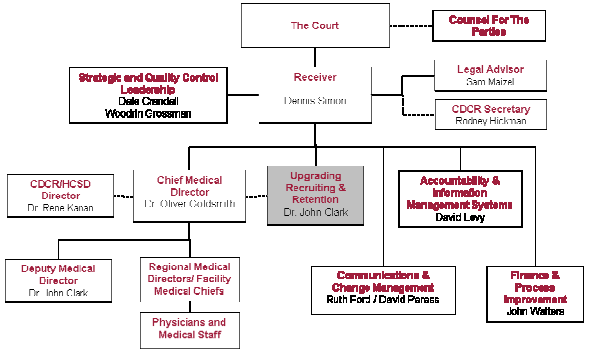
XRoads Project Organizational Structure

The XRoads team is organized to deliver immediate and long-term improvements in the delivery of primary patient care, clinical staffing and recruiting, and healthcare administration



Upgrading Recruiting & Retention Organizational Structure

The recruiting and retention team will seek to quickly bring on line primary care focused physicians and nurses while simultaneously improving the recruitment of permanent full-time and part-time resources



Upgrading Recruiting & Retention
Dr. Goldsmith / Dr. Clark

Immediate/ Temporary
Dr. Kondon

Community
Dr. Goldsmith

Permanent
Dr. Clark

International
Dave Benson

"Ready to Go"

We have significant medical staff resources that are ready to go in the first months of the project

Physicians Engaged by Receiver

- XRoads has engaged eight physicians (all board eligible/certified family/general practitioners or internists) to assist the Receiver in clinical or administrative management roles
  - Dr. Michael Neri, MD
  - Dr. John Kondon, MD
  - Dr. A.P. Johnson, MD
  - Dr. Ernest Williams, MD
  - Dr. Frank Hsueh, MD
  - Dr. Anthony Berardino, MD
  - Dr. Mark Musco, MD
  - Dr. Dolores Musco, MD

Locum Tenens / Temporary Staffing

- XRoads has established relationships with the following *locum tenens* / temporary staffing companies in order to quickly add medical staff to improve patient care. All of these groups have indicated that they could provide significant physician and nursing resources **within 2-5 weeks or sooner**
  - Locum Medical Group (Physicians)
  - Medical Doctor Associates (Physicians)
  - VISTA Staffing Solutions (Physicians)
  - AMN Healthcare Inc. (Nurses)
  - Supplemental Health Care (Nurses)

Upgrading Recruiting and Retention of Clinical Staff – Key Activities

The Receiver's immediate focus will be to recruit primary care physicians and nurses to fill staff vacancies with progress made already, while filling immediate gaps with short-term and temporary assignments

Team Objectives

- **Recruit board-eligible/certified physicians and registered nurses with an emphasis on primary care and correctional care disciplines**
- **Fulfill clinical and management staffing needs using an immediate, short term and long-term approach**
- **Analyze and rationalize existing staff with focus on ability to provide primary care**
- **Create a desirable work place environment within immutable constraints**

Key Activities- Next 30 Days

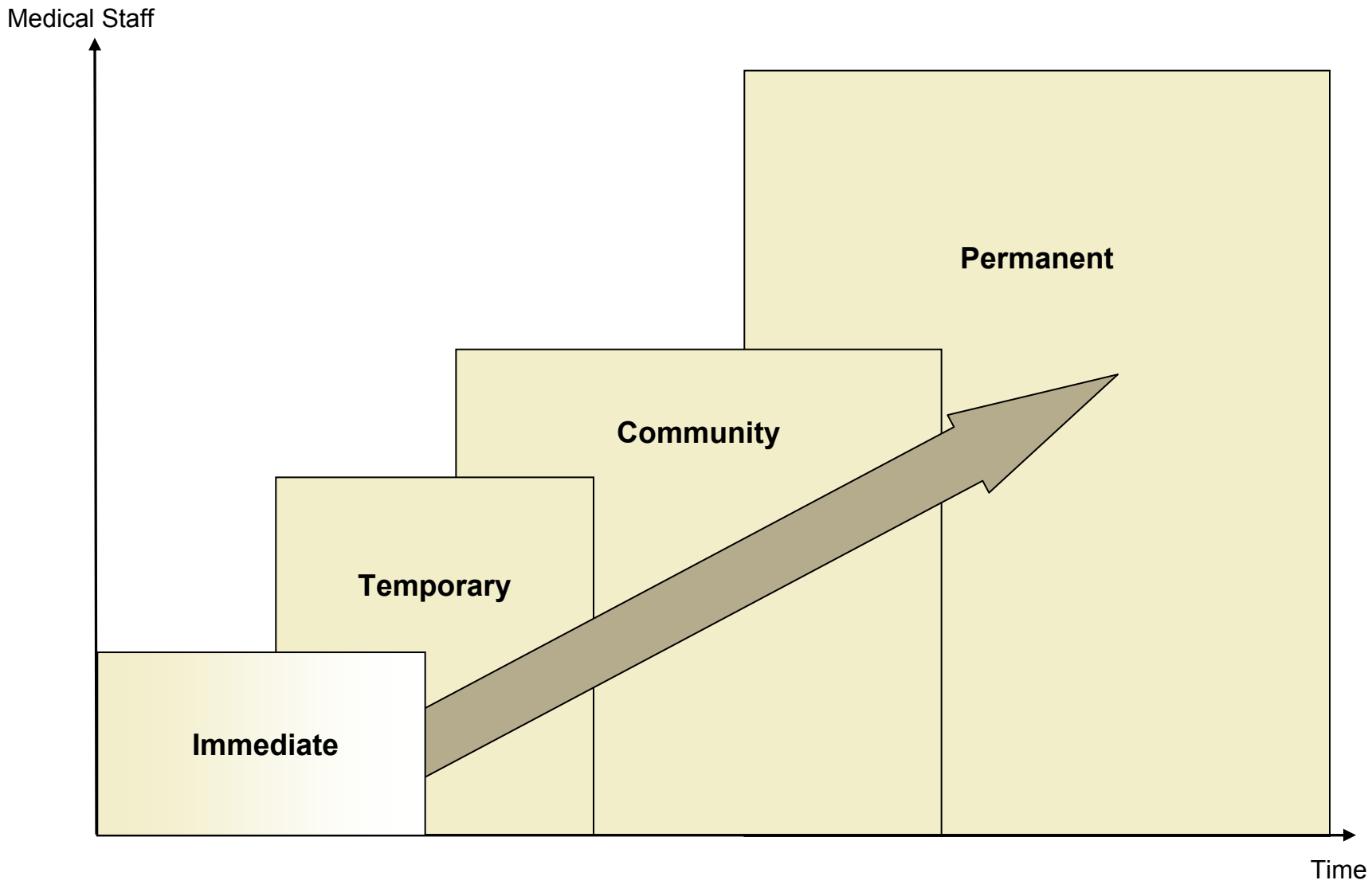
- Integrate Physicians and Nurses already identified by Receiver/CMO to fill supervisory and line positions
- Coordinate with Locum Tenens & staffing companies for Physicians and Nurses to immediately bring qualified staff into the system
- Assess current recruiting process and opportunities for improvement
- Determine priorities for recruiting Management, Physicians, Nurses, Staff based on staffing gaps
- Develop compensation, benefits and short-term incentive program aligned with market levels
- Develop enhanced "value proposition" for existing clinical staff and prospective hires
- Post notices of job openings in select periodicals, trade magazines
- Initiate international program for target markets to recruit international physicians and nurses
- Develop relationships with local medical programs and employ local physicians on a part-time basis
- Review UC-San Diego program strategy and process for staff assessments and modify or eliminate where necessary

Progress to Date

- Determined required credentials and necessary verification process for all newly hired physicians and nurses (see Appendix)
- Reviewed medical expert reports regarding site visits, credentialing physicians and physician evaluations
- Reviewed function, qualification, salary ranges, benefits and bonus incentives for key leadership and professional positions
- Secured booth at NCCHC Conference (October) to recruit physicians and nurses with correctional care focus
- Contacted periodicals to prepare for job posting process
- Developed program for recruiting international physicians and nurses
- Established relationships with locum tenens and registry staffing agencies prepared to fill temporary physician and nurse staffing needs

Upgrading Recruiting and Retention of Clinical Staff – Process

The recruiting and retention team will use new, part/full-time clinicians XRoads has recruited, plus temporary and community resources for immediate initial impact



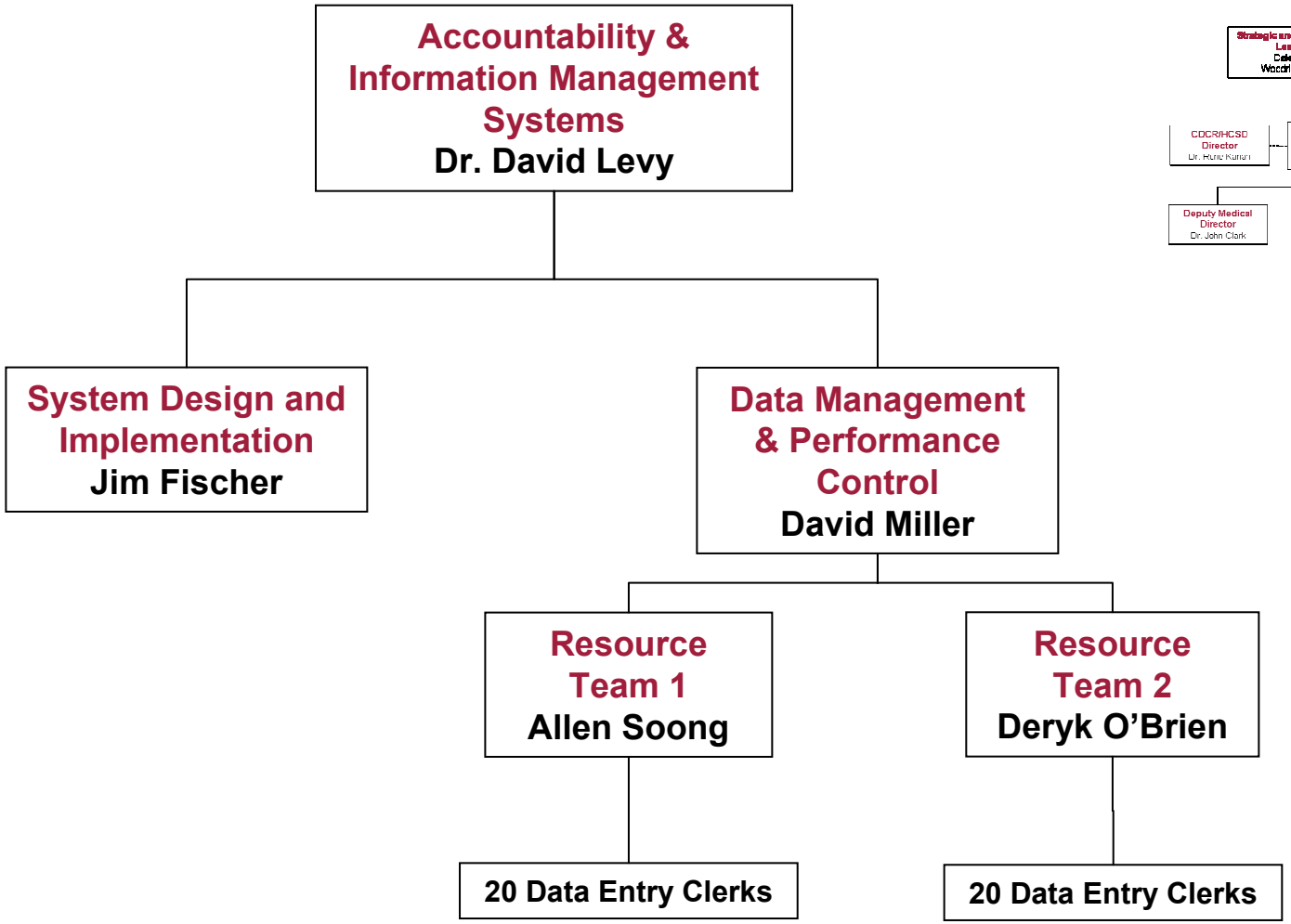
Upgrading Recruiting & Retention

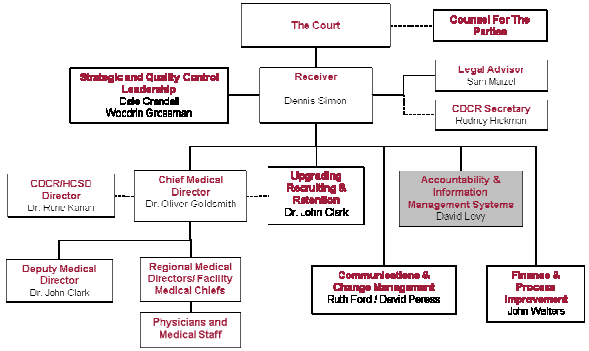
The Upgrading Recruiting and Retention group will quickly add primary care medical professionals in order to augment existing medical and management staff.

Type of Recruiting	Immediate	Temporary	Community	Permanent
Leader	Dr. Kondon	Dr. Kondon	Dr. O. Goldsmith	Dr. J. Clark
Description	Physicians brought in by Receiver to act in clinical or management roles.	Hiring of Locum Tenens to ensure that adequate physicians are in place in short-term to treat patients.	Augmenting physicians and nurses with part-time commitments from medical professionals at community medical centers.	Improvement of the recruiting program, compensation/benefits structure, assessment of existing physicians and strengthening the professionalism of the medical staff.
Physician Criteria	Board Eligible/Certified Family/General Practitioner and Internists	Board Eligible/Certified Family/General Practitioner and Internists	Board Eligible/Certified Family/General Practitioner and Internists	Board Certified Family/General Practitioner and Internists
Timing to Initiate Recruitment	Immediate	2 weeks	4 - 8 weeks	2 - 4 months, subject to improvement of overall program
# of Physicians	6	15-20 per week	10-20	Continuing
Estimated Cost	TBD	$90-100 /hr.	$90-100 /hr.	Based on potential changes to comp and incentive program.

Accountability & Information Management System Organizational Structure

The Accountability and Information Management Systems (IMS) team will develop the **metrics** required to measure success, while ensuring that patient medical records and staff records are captured in a database system to **immediately enhance efficient utilization of resources and elevate the standard of care**





Accountability & Information Management System – Key Activities Next 30 Days

"Quick win", high impact opportunities exist to improve information management, upgrade the performance of existing staff and improve the quality of care being provided by CDCR physicians.

Team Objectives

- **Implement a functional Information Management System that can deliver "quick wins"**
- **Develop metrics and tracking systems to better enable Management to monitor patients and the performance of staff and processes**
- **Develop a systematic process for obtaining and utilizing patient feedback**
- **Improve peer review and team orientation**

Key Activities- Next 30 Days

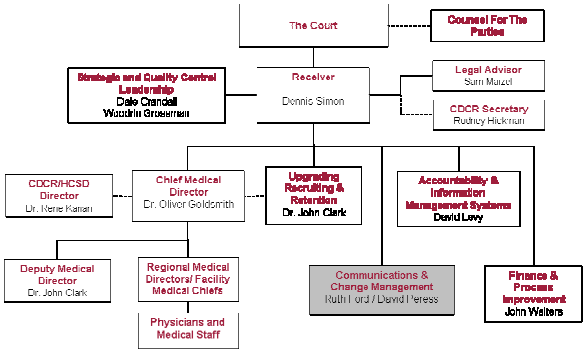
- Implement system to track condition of most acute 20 or so patients per facility
- Enter medical care data determined to be "high priority"
- Develop standards based upon input from patients, care givers and other internal constituents as to current issues
- Coordinate communication with county jail systems to quickly evaluate the health of incoming prisoners and reduce duplication of efforts
- Determine evaluation criteria and begin development of minimum performance standards for reporting to Court

Progress to Date

- Reviewed and compiled correctional healthcare standard guidelines for establishment of key metrics and as point of comparison to current CDCR results
- Confirmed LA County Sheriff's Department willingness to coordinate services
- Data entry team leaders identified
- Held meetings with key leaders to organize data entry team

Communication & Change Management Organizational Structure

The communication team will enhance the information flow between all internal and external constituents and streamline information delivery to increase guidance and efficiency.



Communications
Ruth Ford / David Peress

External Communication

Internal Communication

Communication & Change Management – Key Activities

The Receiver's immediate focus will be to effect change through a pervasive internal and external communications program designed to enhance positive visibility, transparency and accountability

Team Objectives

- **Design effective communication program with internal and external constituents to aid the receiver in the elevation of patient care standards**
- **Streamline and re-enforce accountability and leadership structure, throughout the system (both management and facilities)**
- **Institute/upgrade internal training to improve existing medical staff and enhance professionalism**
- **Improve coordination between custody and healthcare functions**

Key Activities- Next 30 Days

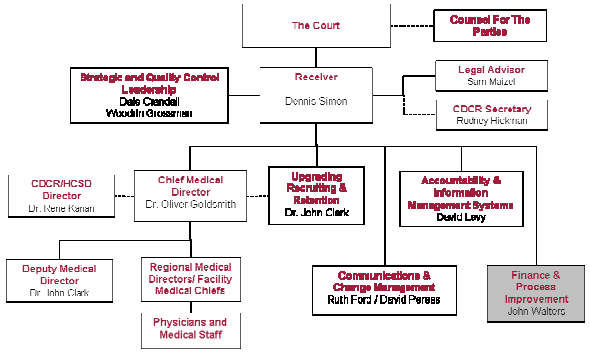
- Conduct "all-hands" meeting with medical leadership to communicate plans and goals, send communication to all professionals
- Establish communications program with key constituents including the court, Secretary Hickman, medical staff, custodial professionals, unions, legislature, Attorney General, local communities, press, etc.
- Re-align reporting structure within HCSD and each facility to provide real time picture of healthcare delivery
- Establish initial performance metrics and benchmarks and clarify authority, accountability and responsibilities related to early key deliverables
- In coordination with constituents develop reporting templates based upon meaningful benchmarks and reviewable metrics.
- Establish date and coordinate logistics for in-house, 16-hour medical professional training
- Outline curriculum and set logistics for management-specific training program
- Begin putting in place pre-requisites to obtain CME accreditation to California Medical Association
- Establish feedback mechanics to maximize constituents satisfaction
- Develop initial communication metrics

Progress to Date

- Reviewed *Plata* case file, expert reports, related press, Little Hoover Commission report, and related materials
- Met with the District Court and representatives of parties in the *Plata* case
- Conducted meetings with Dr. Renee Kanan and Donald Specter to understand their perspective on the health care challenges faced by the CDCR
- Developed detailed curriculum for 16-hour medical professional training
  - Legal Basis for the Provision of Health Care Service to the Incarcerated
  - Correctional Health Care Standards
  - Unique Operational Characteristics of Correctional Health Care
  - Unique Clinical Issues in the Correctional Health Care Environment

Finance & Process Improvement Organizational Structure

XRoads Finance & Process Improvement Organizational Structure will achieve cost rationalization and process improvements to improve on-going patient care



Finance & Process Improvement
John Walters

- **Finance / Budgeting**
- **Process Improvement**
  - **Healthcare Demand Changes**
  - **Healthcare Supply Changes**

Finance & Process Improvement– Key Activities Next 30 Days

The Receiver's immediate focus will be to improve utilization of existing resources and modify the healthcare delivery system to improve primary healthcare delivery within the budget

Team Objectives

- **Rationalize spending within existing budgetary constraints**
- **Implement revised HCSD practices and procedures, including peer oversight, to insure that adequate correctional standards are in place**
- **Improve utilization of resources through modifications to healthcare delivery model**
- **Monitor and drive implementation by clinical staff to reduce waste and re-allocate dollars to achieve better quality of care**

Key Activities- Next 30 Days

- Develop test schedule for fees and expenses to be paid to outside service providers for ambulatory care and other services
- Prepare "real world" budget based upon public and private benchmarks for comparison to actual HCSD budget
- Develop "Beta" site program and select "Beta" sites to roll out pilot programs and tests
- Identify gaps in pharmaceutical delivery system and develop priorities and budget forecasts
- Initiate improved appropriate staffing ratios (e.g., RN to MD and MD to inmate)
- Refine clinical scheduling / rotational plan to maximize resource utilization
- Capitalize on "quick wins" available from minor facility improvements.
- Deliver proposed short-term budget to court and CDCR for forward going operation of HCSD during Temporary Receivership
- Initiate evaluation of telemedicine solutions
- Analyze > $1 billion budget to understand opportunities

Progress to Date

- Researched the location, characteristics and inmate levels at all facilities
- Researched cost/benefit modifications to correctional healthcare delivery models
- Commenced negotiation with telemedicine providers to generate telemedicine proposal for beta testing at selected facilities
- Developed first draft due diligence information request

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Action Plan & Results

A number of concurrent activities must begin immediately to implement sustainable change and elevate the standard of care delivered during the Temporary Receivership and thereafter

Example Workplan

	IMMEDIATE			INTERMEDIATE			LONGER TERM
	Sept	Oct	Nov	Dec	Jan	Feb	
UPGRADING RECRUITING AND RETENTION							**(To Be Determined By The Court)**
Temporary/Immediate Staffing							
• Integrate physicians/nurses that are part of Receiver's team							
• Identify and recruit international practitioners							
• Utilize available domestic and *Locum Tenens* resources							
Recruit Permanent Medical / Management Staff							
• Develop enhanced "value proposition" for existing clinical staff							
• Develop compensation, benefits and incentive program aligned with market levels							
• Utilize healthcare recruiters and other sources of medical personnel recruitment							
• Develop relationships with medical schools and local hospitals to attract physicians finishing residencies							
• Screen and hire for HCSD positions							
• Screen and hire qualified MDs, PAs and RNs							
Rationalize Current Staff							
• Review criteria and results of UC-San Diego program							
• Utilize appropriate evaluation program and evaluate current organization							
• Terminate staff without potential for retraining							
• Establish training program to achieve immediate benefit							
ACCOUNTABILITY & INFORMATION MANAGEMENT SYSTEMS							
Information Management System Design & Implementation							
• Identify current gaps in information management system, including medical record tracking, scheduling and personal							
• Implement high priority improvements, such as tracking top 20 patients, coordinating with county jails, etc.							
Data Management							
• Identify and implement data management system							
• Manage resources to input and update data for selected locations							
• Utilize lessons learned at beta sites to implement data captured at other locations							
• Select necessary data in order to provide evaluation criteria to the Court							

Action Plan & Results

A number of concurrent activities must begin immediately to implement sustainable change and elevate the standard of care delivered during the Temporary Receivership and thereafter

Example Workplan

	IMMEDIATE			INTERMEDIATE			LONGER TERM
	Sept	Oct	Nov	Dec	Jan	Feb	
FINANCE AND PROCESS IMPROVEMENT							**(To Be Determined By The Court)**
Budget • Prepare "real world" budget, based on comparables • Track cost of receivership, financial benefits and deliver Receivership budget • Work with State and Court to ensure all necessary funds are released and utilized appropriately • Understand present budget und opportunities							
Assessment of current healthcare processes • Seek input from broad sample of patients, clinical staff and administration • Absorb critical information leveraging existing documentation							
Implementation of Process Improvement • Implementation of process changes (i.e., critical / easy to address) • Address other opportunities resulting from assessment including pharmacy, staffing ratios, usage of IMS, etc. • Effectuate initial changes in delivery systems							
COMMUNICATIONS, STRATEGIC LEADERSHIP & GOVERNANCE							
Communications • Manage internal communications with clinical staff, custodial staff, Secretary Hickman and CDCR • Manage external communications with court, unions, legislature, Attorney General, local communities, press, etc.							
Develop Organizational Structure • Implement management structure including facilities-based Medical Chiefs • Clarify authority, accountabilities and responsibilities for key roles within HCSD							
Reporting • Provide periodic benchmark reporting to all constituents • Develop minimum performance standards for Court reporting		▲	▲		▲	▲	

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Risks & Mitigation Strategies

XRoads has identified potential risks that may slow the Receiver's progress and developed initial mitigation plans to address those risks

Risk	Mitigation Plan
▪ Financial constraints imposed by the HCSD budget	▪ Increase efficiency in care delivery to obtain pick ups within existing appropriations levels ▪ Implement a cost rationalization program to maximize the dollars directed to patient care
▪ Recommended changes may by limited due to legal constraints	▪ Retain counsel whose expertise is working with governmental healthcare units. ▪ Work with the Court and interested parties to fashion an order that provides the power to effectuate change
▪ Custodial requirements inhibit the implementation of some improvements	▪ Align the interests of the custodial professionals with the healthcare professionals and establish an institutionalized interface between the custody and healthcare functions at each facility
▪ Insufficient internal and external constituent buy-in	▪ Design a well-conceived and organized internal and external communications program. ▪ Immediately install a communications director to manage its communications program ▪ Listen to constituents
▪ Opposition from UAPD and CCPOA to proposed changes	▪ Work with the CDCR management to develop potential alternatives outside the current CBAs to level the playing field in future negotiations.

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Why XRoads Solutions

XRoads professionals are uniquely positioned to achieve constituent cooperation to significantly improve patient care

- Seasoned leaders with a **passion** for social responsibility
- **Proven leaders** in the development of quality correctional healthcare delivery systems
- Access to a network of physicians for **immediate results**
- **Healthcare Information Management** specialist
- C**ooperative** orientation
- Sense of **urgency**
- Accustomed to **limited resources** in short timeframes

Assessment for the Temporary Receiver

The Court and other interested parties must weigh a number of issues in selecting a Receiver.

Criterion	XRoads	Others
Ability to drive immediate results - Will the receiver be effective in early stages? - Is there a record of improving the delivery of patient medical care? - Can the Receiver fix the inadequate medical information system **sooner than anyone else**?	Yes	?
Implementation expertise - Is the team committing to do the real work? - Does the team have the depth and breadth of resources as the engagement evolves? - Is there a focus on action and implementation while navigating political sensitivities? - Does the Receiver have a track record of replacing itself with a permanent leadership team at the appropriate time?	Yes	?
Healthcare industry expertise - Has the team delivered quality health care within very large, multi location, populations? - Does the team have the experience delivering medical care in a correctional environment? - Are the clinical resources on, or available to, the team?	Yes	?
Complex Program Management Skill - Has the receiver previously managed this many diverse tasks successfully? - Does the leadership have experience working with: a) Elected Officials b) Appointed Officials c) The Press d) Unions d) Unions e) Court f) Legal System	Yes	?
Accountability and Goal Alignment - Do they have the personal passion to fix the problem? - Is there a crisis management or turnaround mentality? - Can they take the potential heat? - Is there a very good value proposition related to estimated future costs? - Will they align their economic interests with the engagement mission / goal? - Will they balance short term and long term needs effectively?	Yes	?

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Next Steps

The following decisions and actions must take place to quickly implement the 30 day plan

- Agree on goals
- Agree on authority of the Receiver
- Agree on metrics and reporting protocol to the Court

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Case Study – Building a Successful Custody Healthcare Delivery System

The XRoads team has successfully improved healthcare delivery systems in correctional facilities

Client Situation

- Medical services inadequate for the largest county jail system in the United States
- Lawsuit filed against LA County Sheriff by inmates alleging inadequate healthcare
- Staff included only a part-time medical director and 7 part-time doctors managing ~17,000 inmates in 5 – 6 facilities
- Court decision mandated sheriff obtain license for 200-bed hospital
- **Key Issue:** How to enhance quality of care for an under-staffed correctional health-care system?

Methodology

- **Recruited** full-time staff and put in place infrastructure to deliver enhanced service
- Developed systems to **monitor facility performance**, including tracking "Top 20" patients in the system and mortality rates
- Provided **hands-on leadership** through frequent facility walk-throughs and on-site involvement
- Obtained legislative authorization for correctional treatment centers
- Attained certification as **provider of continuing education**
- Hired epidemiologist to proactively address emerging health issues/trends at facilities

Results

- Fully staffed medical team including 35 full time physicians, 8 full time dentists, 8 full time psychiatrists (50% Board certified, 100% board eligible)
- CA Dept of Health Services officially licensed correctional treatment center as treatment facility
- Conducted monthly staff meetings which included academic presentations, resulting in CME for physicians
- LA Sheriff's Dept participated in negotiations with UAPD for first successful contract with LA County Physicians

Case Study – Building a Successful Rural Healthcare Delivery System

The XRoads team has successfully developed healthcare delivery systems in rural environments

Client Situation

- Customers (e.g. Chevron) identified lack of quality medical care for their employees in the Bakersfield, CA area
- Bakersfield considered an underserved market
- **Key Issue**: How do you recruit and retain quality doctors in Bakersfield, a less desirable location for physician recruiting?

Methodology

- **Recruited** respected, community physicians to bolster local credibility
- Developed competitive compensation and benefits package with incentive structure to **attract and retain** quality physicians
- Established rotation program with community hospital to attract physicians
- Provided visibility of **metrics** to enhance positive reinforcement and community awareness
- Conducted frequent site visits by senior **leadership**
- Recruited physician's family as well as the actual physician

Results

- Staff of 100 doctors in the network, serving 100,000 members
- Low turnover rate of 5% - 10% annually
- Enhanced image of Kaiser in the community

Our Team

The XRoads team has a proven track record of delivering operational improvements in healthcare administration, medical staffing and recruiting, patient care and correctional healthcare systems

Team Before You	Time Commitment[1]
Dennis Simon – Proposed Receiver	100%
Dr. Oliver Goldsmith, MD – Proposed Chief Medical Officer	100%
Dr. John Clark, MD – Proposed Leadership Team Member	100%
Sam Maizel, Esq. – Proposed Legal Advisor	100%
Deedie Root, PHD – representing PWC Healthcare Resources w/ Mike Galper	25%
Dale Crandall – Proposed Quality Control Leader (Telephone)	50%

Proposed Initial Medical Staff	Time Commitment[1]
Dr. A.P. Johnson, MD	75%
Dr. Ernest Williams, MD	100%
Dr. Michael Neri, MD	50%
Dr. John Kondon, MD	100%
Dr. Frank Hsueh, MD	50%
Dr. Anthony Berardino, MD	50%
Dr. Mark Musco, MD	50%
Dr. Dolores Musco, MD	50%
Dr. Arthur Stanten, MD	25%

[1] September / October

Our Team

The XRoads team has a proven track record of delivering operational improvements in healthcare administration, medical staffing and recruiting, patient care and correctional healthcare systems

Proposed Additional Initial Staffing Alternatives:

XRoads Solutions Group

- Ruth Ford
- David Peress
- John Walters
- Woodrin Gorssman
- Brent Martin
- Karise Murayama
- Allen Soong
- Deryk O'Brien
- Jack Spencer
- John Osborn

PWC Healthcare Practice

- Mike Galper , MPH, CPA
- David Levy
- George Batalis, CPA
- Tim Duever
- Brian Matson, MHA
- Michael Schaeffer, MHA, RN, CPA
- Nancy Bateman, RN, PhD
- Sharon Spreitzer, RN MHA
- Rich Moffatt, RN, MBA
- Devindra Patel, MPH
- David Miller
- Jim Fischer

Our Team

Has extensive experience effecting operational change in troubled healthcare systems.

Overview of Healthcare Practice

- These professionals are highly effective at strengthening the operations of healthcare providers while maximizing the financial position of the organizations' stakeholders. They have provided expertise to clients in all sectors of the healthcare industry, including:
  - Assisted Living
  - Home Care Services
  - Institutional Pharmacies
  - Medical Laboratories and Research
  - Nursing Homes
  - Specialty Hospitals
  - Teaching Hospitals
  - Correctional Care Medicine

- Have extensive hospital, long-term care, assisted living, pharmacy, correctional, rehabilitation and ancillary services experience
  - Executive management
  - Financial management
  - Strategic positioning
  - Operations improvement
  - Clinical improvement

- Excellent results are achieved by XRoads' clients in a timely fashion because of our project management methodologies

Our Team

Has contracted with PWC Healthcare Advisory Practice to provide additional staffing resources and augment XRoads staff. PWC Healthcare has extensive resources and experience with most of the largest health systems in the country.

PWC Healthcare Advisory Practice

- Industry staff numbers **more than 1,000 professionals** including physicians, nurses and nurse executives, former government officials, certified public accountants, tax professionals, healthcare information system professionals, health information management consultants, health policy analysts, actuaries, financial advisors, and data analysts

- Provides services to a variety of different healthcare clients in the following areas:
  - Operations
  - Planning and strategy
  - Financial and clinical systems
  - Clinical transformation

- PWC Healthcare provides advisory services to:
  - Six of the 10 largest healthcare systems (based on net patient revenues)
  - Six of the 10 largest healthcare systems (based on total number of acute care hospitals)
  - Seven of the 10 largest for-profit healthcare systems (ranked by staffed acute-care beds)
  - Eight of the 10 largest not-for-profit healthcare systems (ranked by staffed acute-care beds)

Our Team

Dennis Simon
Proposed Receiver

Relevant Experience	How it Relates
Turned around three healthcare companies that were on the brink of failure, restructured operations, improved the cost-effective utilization of resources, improved patient care, renegotiated private and government payor contracts and successfully negotiated with the State of California, Unions, Mayors, City Councils, US Dept of Justice, etc:	History of improving patient care and healthcare operations
• Mr. Simon was CEO and Operations Improvement Officer of Fountain View, an operator of 49 long-term care facilities and a leading provider of post-acute care services. Mr. Simon improved operations and upgraded patient care such that locations passed California certification exams, in some cases for the first time ever.	Turnaround of long-term care and post-acute facilities; negotiation with state regulators
• Mr. Simon was appointed CEO of Intrepid USA, a home healthcare provider with over 135 offices nation-wide. Led turn-around of operations which resulted in improved internal controls and improved utilization of scarce clinical staff resources.	Turnaround of home healthcare provider including substantial regulatory compliance management
• Mr. Simon was appointed COO of a $850 million multi-disciplinary publicly-owned healthcare company which owned 3 HMO's, 50 physician practices, as well an emergency room management business providing medical services to over 300 hospitals and management of a *locum tenens* business. Under Mr. Simon's guidance medical directorships were re-designed, compensation programs reorganized and quality of care was improved.	Turnaround of doctors practice, including significant compensation changes *Locum tenens* experience
Mr. Simon was appointed by a Bankruptcy Court as Trustee for Triad Healthcare, a hospital-based business in Chapter 11. Mr. Simon initiated a skilled nursing facility, home healthcare department, transitional care department, an AIDS specific patient-care program and ultimately improved annual cash flow from a negative to a positive	Trustee for healthcare company. Significant exposure to press, locum tenen recruitment
Mr. Simon has acted as a California court-appointed Receiver in three different matters including Han MI Golf, Long Beach Marina Hotel and Izalco. Mr. Simon is a bonded Receiver.	Receiver experience
Mr. Simon was part of the team that advised the prison division of The Wackenhut Corp., a large public company, on cost reductions, changes to organizational structure and development of process improvements to cut costs and more efficiently manage the organization.	Correctional facilities experience
Mr. Simon holds an MBA from Harvard University	

Dr. Oliver Goldsmith, MD
Proposed Chief Medical Director

Relevant Experience	How it Relates
Dr. Goldsmith has been a **medical administrator** in the **Kaiser Permanente Southern California** medical system for 24 years	Managed massive physician recruiting, training, oversight and accountability programs.
▪ Dr. Goldsmith was Regional Medical Director for Southern California Permanente Medical Group, a healthcare system supporting over 5,000 physicians and providing care to over 3 million members. During ten years as Regional Medical Director, Dr. Goldsmith had ultimate responsibility for the quality of patient care throughout the system and was responsible for all personnel issues including, recruiting of physicians and other medical staff, setting salary and benefit levels and decision-making on contractual issues. Dr. Goldsmith was also responsible for the development and implementation of a physician accountability system in order to insure quality patient care.	24 years of experience as a medical administrator
▪ From 1989-1993, Dr. Goldsmith was Area Medical Director with responsibility for patient care and personnel decisions at the Kaiser Permanente Medical Center in West LA.	
▪ From 1979-1989, Dr. Goldsmith was Chief of Internal Medicine at Kaiser Permanente Medical Center in West LA with responsibility for patient care and doctors in the Internal Medicine Department.	

Dr. John Clark, MD
Proposed Leadership Team Member / Deputy Medical Director

Relevant Experience	How it Relates
Dr. John Clark, MD is a third generation physician who has dedicated his career to those who are incarcerated in our nation's jails and prisons. He has been an advocate for excellence in the delivery of public health and **Correctional Health Care** services **for both Inmate/Patients** and all professionals working in jails and prisons.	20 years of correctional healthcare management and administrative experience
▪ Dr. Clark was Chief Medical Officer for Los Angeles County Sheriff's Department responsible for the quality of inmate medical care, which included accountability for the administrative and clinical supervision of all physicians working in all Sheriff's Medical Services facilities including, but not limited to: physicians and dentists adherence to all applicable State, County, Department and Medical Services laws, rules, regulations, policies ,procedures and protocols; orientation of new physicians; evaluation of physicians performance; budget preparation for the Professional Staff Association; and review and approval of the Sheriff's Medical Services Budget. In addition Dr. Clark developed and approved policies and procedures that relate to medical practice and evaluated the effectiveness of the medical care system via routine interaction with the Director of Nursing and Heads of other services; interaction with other medical care providers; interaction with inmates; review of charts; and by personal assessment of the competence and effectiveness of healthcare personnel.	Managed physician recruiting, training, retention, oversight and accountability programs in a correctional environment.
▪ Dr. Clark has also served as: • American Jail Association Board of Directors: 2003 – 2006 • Accreditation Surveyor for the National Commission on Correctional Health Care • Member of the American Correctional Association • Founding Member of the International Council of Prison Health Services • Certified Correctional Health Care Professional (CCHP – Advanced Status) and a • Fellow of the Society of Correctional Physicians (FSCP)	

Dale Crandall
Proposed Quality Control Leader

Relevant Experience	How it Relates
Mr. Crandall was the CFO and **Chief Turnaround Officer of Kaiser Permanente** from 1998-2000 and President and COO from 2000-2002. During this time he was responsible for an operational turnaround which resulted in an improvement of operating income of over $1 billion as well as improved patient care, safety and employee morale.	Led the turnaround of one of the largest not-for-profit health networks
▪ Kaiser is one of the largest healthcare networks in the country with over 8 million members (75% in California), 11,000 physicians, 30 medical centers and over 430 practice offices.	Successful healthcare management experience
▪ Mr. Crandall's turnaround activities included: • Bringing additional medical centers on-line in response to increased demand for services • Improved tracking of patient care metrics • Development of an e-healthcare system to electronically track all patient information.	Significant experience in dealing with the press and with unions

Sam Maizel
Proposed Legal Advisor

Relevant Experience

Mr. Maizel specializes in restructuring with an emphasis on the health care industry, nationwide.

- Mr. Maizel is a nationally recognized expert in the restructuring of health care business entities. His healthcare clients include hospitals, health plans, medical groups, governmental entities as creditors and purchasers of assets
- Before joining his Firm, he was the Medicare's System's legal advisor on restructuring issues in bankruptcy, district, and appellate courts nationwide as a trial attorney in the US Department of Justice's Commercial Litigation Branch.
- He has led Pachulski Stang's representation of the Attorneys General of forty-six states and six territories (including California) that are parties to the Master Settlement Agreement with the tobacco industry, since 2000 , advising them regularly on insolvency issues and representing them in the bankruptcy cases of several cigarette manufacturers.
- He served as an examiner in the bankruptcy of Metropolitan Mortgage and Securities in Spokane, Washington, a complicated financial services company with assets of more than $1 billion, appointed pursuant to the request of the United States Securities and Exchange Commission.
- He has also served as a criminal public defender and prosecutor in US Army's The Judge Advocate General's Corps, including service in Operation Desert Shield/Desert Storm . He was awarded the Bronze Star Medal for organizing and supervising the Army's public defender service in its first wartime service, during which he supervised 33 attorneys in more than 100 trials and advising more than 6,000 clients. Previously he served as an Infantry Officer in the 101st Airborne Division and the 3rd US Infantry Regiment (The Old Guard).
- He has lectured extensively, is widely published, and been interviewed on television and radio on health care restructuring topics.
- Mr. Maizel currently serves as Chairman of the American Bankruptcy Institute's healthcare insolvency issues committee, and previously chaired the American Bar Association 's subcommittee on health care insolvency issues
- He received his J.D. from George Washington University ; M.A., 1983, Georgetown University ; B.S., 1977, United States Military Academy at West Point . He is admitted to practice in Pennsylvania and California.

How it Relates

Extensive healthcare restructuring legal experience

Has effectively managed complex legal matters involving multiple parties and government agencies in the healthcare arena

Has effectively managed divers legal teams cost effectively

Deedie Root, RN

Relevant Experience	How it Relates
Mrs. Deedie Root specializes in improving operational processes, developing standards, procedures and overseeing human resource management, while creating quality healthcare operations.	Specialized in operations improvement within the healthcare industry.
▪ Mrs. Root has 25 years of experience as an executive with medical centers and healthcare integrated delivery systems.	
▪ Proven ability to provide healthcare organizations with a workable framework for **change management**, and has implemented numerous systems to ascertain fiscal integrity and achieve financial and operational goals within the health care industry.	Understands primary patient care from the nurse perspective
▪ Restructured organizations to maximize management capabilities and thus achieve organizational goals. Achieved improved productivity by developing and implementing work measurement standards, reporting systems for operations control, performance measurement programs, and employee training seminars.	Represents PWC Healthcare who will provide additional resources to XRoads as necessary
▪ Conducted a preoperative assessment that identified opportunities in five major areas to improve operational efficiencies achieving 12% reduction in operating expense.	
▪ Provided interim management in a home health agency affiliated with a 500+ bed teaching facility while preparing for and successfully completing a JCAHO review with no Type I recommendations.	
▪ Worked with boards of directors, administrative executive teams, and middle management groups to facilitate design and implementation of comprehensive change processes.	
▪ Proven ability to build and motivate a cohesive management team, gain cooperation and collaboration of medical staff, and facilitate issue resolution.	
▪ Developed a business plan for $30 million capital equipment budget within tertiary care teaching hospital.	
▪ She completed an Executive Program at The Wharton School, The University of Pennsylvania and received her Ph.D. from the Texas Woman's University; M.S., Health Care Administration, Texas Woman's University and B.S.N., Nursing, The University of Texas.	

Our Team

XRoads Healthcare Professionals

John Walters

- John is a Principal in the Restructuring Practice and Healthcare Group of XRoads Solutions Group with over 20 years of experience.
- Proven ability to evaluate and simultaneously manage multiple healthcare institutions at various stages of development. He has developed innovative operating plans that he has implemented to position companies to provide excellent patient care with an efficient utilization of dollars and other resources
- Served as CFO, COO, and President, within several healthcare segments of the healthcare industry, including durable medical equipment, high-tech home healthcare, blood services, clinical testing, dental products, and therapy services.
- John heads a XRoads team with process improvement expertise.

Ruth Ford

- Ruth is a Principal in the Restructuring Practice of XRoads Solutions Group and in charge of the Firms healthcare practice, with over 20 years of experience.
- Extensive domestic and international experience in operational and strategic analysis and review; delineation of business and financial alternatives; and reorganization, design and implementation for healthcare and other industries.
- Healthcare engagements include management of a five-hospital system, advisory services to management of a collection of nursing home and long-term care hospital facilities, advisory services to the outside board of a healthcare REIT, advisory services to management of an imaging management company, and advisory services to a large creditors' committee containing both doctors, institutional providers, and HMOs.
- Significant experience designing communications programs to a wide variety of constituents groups

David Peress

- David is a Principal in the Restructuring Practice of XRoads Solutions Group with 15 years of experience.
- As a lawyer, David represented many healthcare companies in reorganizations proceedings.
- Significant experience dealing with administrative agencies and government officials.
- David has successfully managed a lead communication role in numerous complex cases.

XRoads Healthcare Professionals (continued)

Woodrin Grossman

- Woodrin has 37 years of experience in healthcare management; including positions as US and Global Healthcare Chairman.
- Strong leader in the reorganization of healthcare services including University of California Health System, HealthSouth, AdvancePCS, Concentra Inc., The Council for Affordable Health Care (CAQH), Tenet Healthcare, Anthem and more.
- Frequent speaker at national industry conferences on healthcare trends and tactical issues; Member of the AICPA Health Care Committee, HFMA Principles and Practices Board and the FASB Work Group for the Emerging Issues Task Force.

Brent Martin

- Brent is a Managing Director in the Healthcare Restructuring Practice of XRoads Solutions Group with over 25 years of healthcare experience.
- Has held senior executive positions such as Senior Vice President of Patient Financial Services, and COO, where he has been responsible for developing medical payment process improvement programs and reorganizing the central business functions of hospitals, physician management groups, as well as managed care groups.
- Provided expertise to national and regional healthcare organizations such as Intrepid USA Home Care, Impath, Inc., Primary Health Systems, Inc., Health Associates of Kentucky (wholly owned by the University of Kentucky), Foundation Healthcare and St. Anthony's Health Corporation.

Medical Staff

Dr. Michael Neri, MD

- Dr. Neri was the Area Medical Director and **Chief of Staff for Kaiser Permanente Southern California Medical Group** – Riverside Area. As Area Medical Director, Dr. Neri had ultimate responsibility for for the quality of patient car and medical staffing/personnel decisions throughout the area.
- Dr. Neri is currently a consultant to Kaiser Permanente as well as member of the ex-officio Board of Directors
- Member of the Society of Chief Medical officers the Riverside County Medical Association and the American Academy of Family Physicians, among others.

Dr. John Kondon, MD

- Dr. Kondon was the **Medical Director for Kaiser Permanente, South Bay Area for over 10 years**.
- Responsible for recruitment of rapidly growing medical staff and oversight of medical care serving over 160,000 members with more than 175 physicians.
- Awarded Outstanding Physician of the Year, Dept. of Medicine, Kaiser-Permanente Medical Center, 1995

Dr. Alfonso P. Johnson, MD

- Dr. Johnson has 19 years of experience as a physician in the **Los Angeles County Sheriffs Dept**. and For the past 12 years he has been **a physician in the Inmate Reception Center**.
- Previously, acted as Assistant to the Chief Physician with responsibility for coordination of daily clinical operations.

Dr. Ernest R. Williams, MD, MPH, CCHP

- Dr. Williams has over **25 years of experience as a Medical Director in the correctional health environment**.
- Member of the **Corrections and Detention Health Care Committee**
- **Published "Encyclopedia of Prisons & Correctional Facilities"**; Marry Bosworth Editor, Wesleyan University, Sage Publications – Doctors, Ernest Williams, MD MPH, 2003

Our Team

Medical Staff

Dr. Anthony Berardino, MD

- Board certified physician with over 35 years of experience, primarily in private practice
- Served as Chairman of the Board of John Muir-Mount Diablo Medical Center and on the Board of the San Ramon Medical Center

Dr. Frank Hsueh, MD

- Board certified Physician with over 7 years of experience, most recently in private practice
- Internist with previous experience providing primary care in the CDCR Health Care Services Division on a contract basis
- Articles published on cell characteristics

Dr. Mark Musco, MD

- Board eligible Physician with over 5 years of experience
- Family Practitioner

Dr. Dolores Musco, MD

- Board eligible Physician with over 5 years of experience
- Family Practitioner
- Fluent in Polish / Medical Spanish

Our Team

PWC Healthcare Staff

Mike Galper, MPH, CPA

- Mike has 24 years of experience serving healthcare clients and is the leader of PWC's Health Care Practice.
- Has significant experience in providing performance improvement, internal control review, reorganization, financial analysis and project management; served large healthcare systems in reorganizing operations and preparing for the future.
- He holds various Board positions for the UCLA School of Public Health and is active in the Los Angeles healthcare professional organizations.

David Levy PWC

- David has over 20 year of experience in the healthcare industry as a board certified doctor and Managing Director for the Digital Health Community at PWC.
- Has lead several healthcare institutions as Chief Medical Officer and has extensive experience providing information management solutions in a healthcare environment.

David Miller

- David has served healthcare clients for over 10 years providing clinical information system updates and creating workable healthcare information management systems.
- His broad-based healthcare experience is supported by his work at the Healthcare Information Management Systems Society (HIMSS) and the Healthcare Financial Management Association (HFMA)

Jim Fischer

- Jim has 12 years of healthcare business and information technology experience.
- Has directed and delivered complex technical information solutions to the healthcare industry.
- Publications in Modern Healthcare and the Journal of Healthcare Information Management on technology trends in healthcare have been a widely distributed

PWC Healthcare Staff

Nancy Bateman, RN, PhD

- Nancy is a Managing Director at PWC and has over 30 years of experience as a Registered Nurse with 23 years of concurrent consulting experience.
- Managed teams in the **implementation of supply cost initiatives** and engagements **for productivity and process improvement**.
- She has been a speaker for **National Nurses In Business** and has been featured in **California Nursing Review** and the **Wall Street Journal.**

Sharon Spreitzer, RN, MPH

- Over 28 years of experience in healthcare management, operations, administration, clinical practice, education and compliance.
- Improved hospitals through quality and fiscal transformation as **Interim Director of Nurses**; conducted **nurse productivity analysis**.
- Assisted in presenting the impact of legislation on the patient care/clinical environment to United States Congress and AHA on behalf of American Hospital Association.

Devindra Patel, MPH

- Nearly 10 years of experience in the **healthcare industry**, focused on project management, supply chain, audit support, medical eligibility process and field research.
- Performed productivity and **process improvement assessments** for multiple facilities; improved POS (point of service) collection by performing gap analysis between current state and leading practice; conducted one-on-one training with staff and developed policies.
- Involved in the American College of Healthcare Executives (ACHE) and the **Project Management Institute (PIM)**

Rich Moffatt, RN, MBA

- Specialized in supply chain management and **sourcing within the healthcare industry**.
- **Redesigned the audit appeals process** for major health insurer, which resulted in **significant reduction of total process time**, increased process efficiency and faster resolution of claims.
- Operational experience as **Registered Nurse**, headed Nursing Research Committee.

Our Team

PWC Healthcare Staff

George Batalis, CPA

- George is a Manager in the Healthcare Advisory Practice (MHA) of PWC with over 10 years of experience.
- Managed and facilitated hospital and physician relationships and **recruited medical executives** and **physicians** into hospitals and group practices; developed overall manpower needs.
- Provided recommendations for implementation of hospital and physician practice improvements.

Tim Duever

- Dedicated to improving the healthcare industry for over 10 years.
- Operational involvement with multiple healthcare providers; performed strategic organizational assessment and reorganized.
- Developed and implemented new **internal processes, regulatory documents** and team facilitation and programs.

Brian Matson, MHA

- Over 12 year of experience in healthcare industry with focus on planning, development and operation of medical services.
- Served as an Executive Director of Ambulatory Care and performed in a leadership role for the network of a large regional health system.
- Experienced in development and **implementation of Clinical Programs.**

Michael Schaeffer, MHA, RN, CPA

- Michael has over 17 years of both clinical and business aspects of the healthcare industry.
- Past experience in operations management emphasizing process redesign and best practices; service improvement / justification and implementation.
- He has served as CPA, **clinical nurse, a charge nurse, Vice President of Clinical Services**, Executive Director and COO of multi-specialty physician groups.

The proposed Chief Medical Director and Deputy have outlined the following credentialing process for newly hired physicians

Physician Credentialing Criteria	Process for Check	Requirements	Time (Concurrent)
CA License in good standing without pending disciplinary actions	Check California Medical Board website to determine if license is in good standing and has pending disciplinary action (www.medbd.ca.gov)	Name, address, license #, SS#, birthday	Same Day
Board Eligible or Board Certified family/general practitioners and internists	Check American Board of Specialty Medicine to determine board certification/eligibility (www.abms.org)	Name, address, license #, SS#, birthday, certification effective and end dates	Same Day
Report from National Practitioner Data Bank (NPDB) to ensure no existing adverse actions	Submit a query to NPDP website (http://www.npdb-hipdb.com/publicdata.html)	Name, address, license #, SS#, birthday	1-2 Days
CA-AFIS fingerprint check	Submit fingerprints to California AFIS system	Fingerprints, Name, address, license #, SS#, birthday	2-5 Days
DEA License in good standing	Provided by candidate with expiration date		
Valid CPR card	Provided by candidate		
Resume/CV	Provided by candidate		
Three references from Licensed Physicians	Provided by candidate		
Total Time Required for Credentialing			**2-5 days**

XRoads Solutions Group

Memo

To: Judge Thelton Henderson

From: David Peress

CC: Dennis Simon

Date: Tuesday, September 13, 2005

Re: XRoads Team of Correctional Medical Staff

Dear Judge Henderson,
Thus far we have identified the following additional leadership with correctional healthcare expertise to become part of the XRoads Team upon appointment. I hope this information is useful.

1 XRoads National Experts in Correctional Healthcare

1.1 Dr. Joseph Paris, MD

- After accepting the position of Medical Director of Florida's Prison Hospital in 1986 the FDOC successfully ended health care class action litigation in the Costello case, which had cost Florida over 20 million dollars to litigate.
- Since accepting the position of Medical Director at Georgia Department of Corrections (GDC) in 1996, the GDC successfully ended health care class action litigation in three major Federal cases.
- No current or pending class action litigation in the GDC.
- Has served as expert witness or advisor in dozens of medical-legal correctional cases and systems around the Country.
- Dr. Paris is a doer who has faced legal challenges for two decades and has had the mettle to resolve the issues through sound clinical/administrative work.
- Received the Davis Productivity Award on 1993, consisting of a plaque and commemorative certificate by the Florida Tax Watch, for saving Florida taxpayers an estimated $ 1.1 million in the prison hospital annual budget.

- Steered the medical services in the GDC towards below average expenditures while delivering constitutional correctional health care.
- In 1998, created a complete blueprint for and successfully contributed to the implementation of a comprehensive Utilization Management plan for retrospective, concurrent, and prospective oversight of all medical expenditures, resulting in substantial health care cost avoidance.
- Under the Clinical Direction of Dr. Paris the GDC Health Services developed one of the most comprehensive correctional clinical programs in the country. Dr. Paris pioneered new oversight methodologies such as nursing protocols, chronic care case management, systematic clinical auditing with a very small, ultra-efficient clinical team, centrally reviewed computerized laboratory management, mortality and peer reviews, and clinical publications and conferences, all aimed to the unified purpose of improving inmate health care while containing costs in the short and the long terms.

1.2 Bill Kissel, M.S., CCHP

Bill Kissel, Director of Health Services Program at the Georgia Department of Corrections has a track record of reorganizing prison health services.

- Provides administrative / operational oversight of health care program for 53,360 offenders,1500 health care staff and a budget of $164,176,042
- Since accepting the position of Health Services Director in 04/96 GDC has successfully ended health care class action litigation in three major cases
- No Current or pending class action litigation
- Below the average in correctional health care cost in SE in FY04 to include Florida, Tennessee, and North Carolina: [avg. $3413] [GDC $3,398]
- Below average of like population correctional departments nationally in FY04 to include Michigan, Ohio, Pennsylvania: [avg. $4,002] [Ga. $3,398]
  FY05 Data not yet available from other states.
- GDC Pharmaceutical costs decreased from FY01 to FY04 by 3.4%. National Drug expenditures during the same period rose 42.1%.
- Developed long-standing successful development and implementation of health care agreement with Medical College of Georgia, which has been a key to GDC success.[commenced 07/97 still in place, second longest University model in USA, to Texas]
- Successfully developed/implemented/managed mental health staffing and utilization management contract with MHM Inc. [09/97] UM activities have leveled percentage of MH growth last two FY at 15.2%.

- Successfully developed and implemented Utilization Management program for physical health to include outside hospitalizations, specialty care and oversight of internal medical bedspace.
- Under the Clinical Direction of Dr. Paris and administrative leadership of William Kissel mortality rates have dropped from a rate of 326 per 100k in FY96 to 226 per 100k in FY05 with an all time low of 183 per 100k in FY04.
- Appointed in 1996, since 1998 Georgia has not had a class action case against them.

1.3 Catherine M. Knox R.N., MN, CCHP

Formerly the head administrator for the Oregon Department of Corrections where she spent 17 years, she is currently working as the Director of Nursing for the State of Washington Correctional System, where she is implementing the recommendations of the 2001 Master Plan for Correctional Health Care. Responsible for establishing standards for staffing and delivery of services by nurses at state correctional facilities, development and delivery of training and continuing education for nursing staff, establishing policy and procedure to guide the work done by nurses and the evaluation of nursing performance. Catherine spent 4 years in a consulting role for the Correctional Department in the State of Nevada.

1.4 Dr. Jaye Anno, PhD. (fmr. Manager and Creator of Texas Turnaround)

Dr. Anno was recommended as one of the top administrative managers in the Texas turnaround by NCCHC.

1.5 Stephen M. Collier

Stephen has over 20 years experience in delivering medical supplies to correctional healthcare. Served as the Chief Executive Officer and co-founder of a licensed pharmacy, providing pharmaceuticals and medical supplies to prisons, jails and INS facilities across the nation. Responsibilities as principle manager with other responsibilities including market development and financial operations. Served Correctional Medical Systems, a specialist in the supplying correctional healthcare for over 10 years, as Vice President.

1.6 Jerry H. Hodge, R.Ph

Jerry is a former Chairman of the Texas Department of Criminal Justice Board. He was chairman during the design and implementation of the University of Texas Medical Branch/Texas Department of Criminal Justice (UTMB/TDCJ) partnership that transformed Texas prison healthcare. He also personally restructured its pharmacy services. Jerry has extensive experience in long-term care pharmacy operations. He led the first pharmacy in Texas to provide unit dose dispensing to nursing homes. He has been instrumental in developing new areas of pharmacy services and healthcare management, including capitated pharmacy benefit management, institutional inpatient and outpatient

pharmacy management, home infusion therapy services, ancillary benefit management, specialty injectable services and pharmacy audit services.

Mr. Hodge is Chairman and CEO of Maxor National Pharmacy Services Corporation.

2 XRoads California Based Experts in Correctional Healthcare

2.1 Dr. Ernest R. Williams, MD, MPH, CCHP

Dr. Williams has over 25 years of experience as a Medical Director in the correctional health environment.

Member of the Corrections and Detention Health Care Committee

Published "Encyclopedia of Prisons & Correctional Facilities"; Marry Bosworth Editor, Wesleyan University, Sage Publications – Doctors, Ernest Williams, MD MPH, 2003

2.2 Dr. Alfonso P. Johnson, MD

Dr. Johnson has 19 years of experience as a physician in the Los Angeles County Sheriffs Dept. and for the past 12 years he has been a physician in the Inmate Reception Center.

Previously, acted as Assistant to the Chief Physician with responsibility for coordination of daily clinical operations.

2.3 Dr. Frank Hsueh, MD

Board certified Physician with over 7 years of experience, most recently in private practice

Internist with previous experience providing primary care in the CDCR Health Care Services Division on a contract basis.

XRoads Solutions Group

Outline of Requirements and Qualifications for the CDCR – Health Care Services Division Receiver

Presentation prepared for Korn Ferry
November 1st, 2005

XRoads SOLUTIONS GROUP

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I. Minimal Requirements of the Receiver

II. Overview & Analysis

III. Key Issues and Needs

IV. The Receiver

- Qualifications & Disqualifications
- Selected Measurements & Goals

V. Selected Conditions Precedent to a Successful Outcome

Minimal Qualification of the Receiver

The Receiver must have **a vision for the creation, implementation and management** of a constitutionally adequate correctional health care system and the tools to effectuate that transformation

- The Receiver Team **must have relevant experience in successfully transforming complex health care institutions,** including demonstrated leadership in effectuating change in following functions:
  - Implemented **clinical staffing**, retention and training improvements,
  - **Improved correctional health care** and **clinical management operations**,
  - Developed and implemented **information technology** and **pharmacy distribution systems**,
  - Executed **financial management**, control and reporting strategies
  - Developed **effective communication strategies** and systems in a distressed environment, among multiple internal and external constituents
- The Receiver Team **must have on point successful experience in turning around a major correctional health care system** in the USA – this is no time to learn on the job
- Upfront, the Receiver **must have a complete team of professionals** with **functional experience necessary to transform** the health care delivery model
- The Receiver must have **proven methodologies for change management**
- The Receiver must be experienced in **crisis management** of health care institutions
- Experienced in the role of bonded receiver or court-appointed trustee
- The Team has to be **California based** to effectively manage change
- Commitment to **meet the cost reduction expectations of the legislature**

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Overview & Analysis

Inadequate and negligent patient care is the result of pervasive systemic problems plaguing the CDCR and its Health Care Division (HCSD). The problems continue to persist although the HCSD has taken and is taking certain steps to try to address these problems

Impediments to positive and sustainable systemic change increase daily and inhibit any process calculated **to reduce the high rate of preventable mortality and morbidity**

- An **aging prison population** with more acute health problems
- The **prison population has increased by more than 300%** in the last decade
- Aging and inadequate physical plants
- **Governmental inertia** and inability to implement change
- **Entrenched unions** concerned about their level of influence and their members compensation level
- **The Health Care Services Division's lack of prestige** relative to the custody apparatus within the CDCR
- Legislature / Governor wants to see **rising cost abated**
- **Judge wants change / improvements**

Overview & Analysis

To successfully transform the California correctional health care delivery system, the Receiver will need both **managerial and clinical talents** to overcome **key problems and implementation barriers in a timely manner**

Currently, the health care services delivery system is paralyzed by a lack of leadership and systems.
It is imperative that a Receiver is appointed as soon as possible:

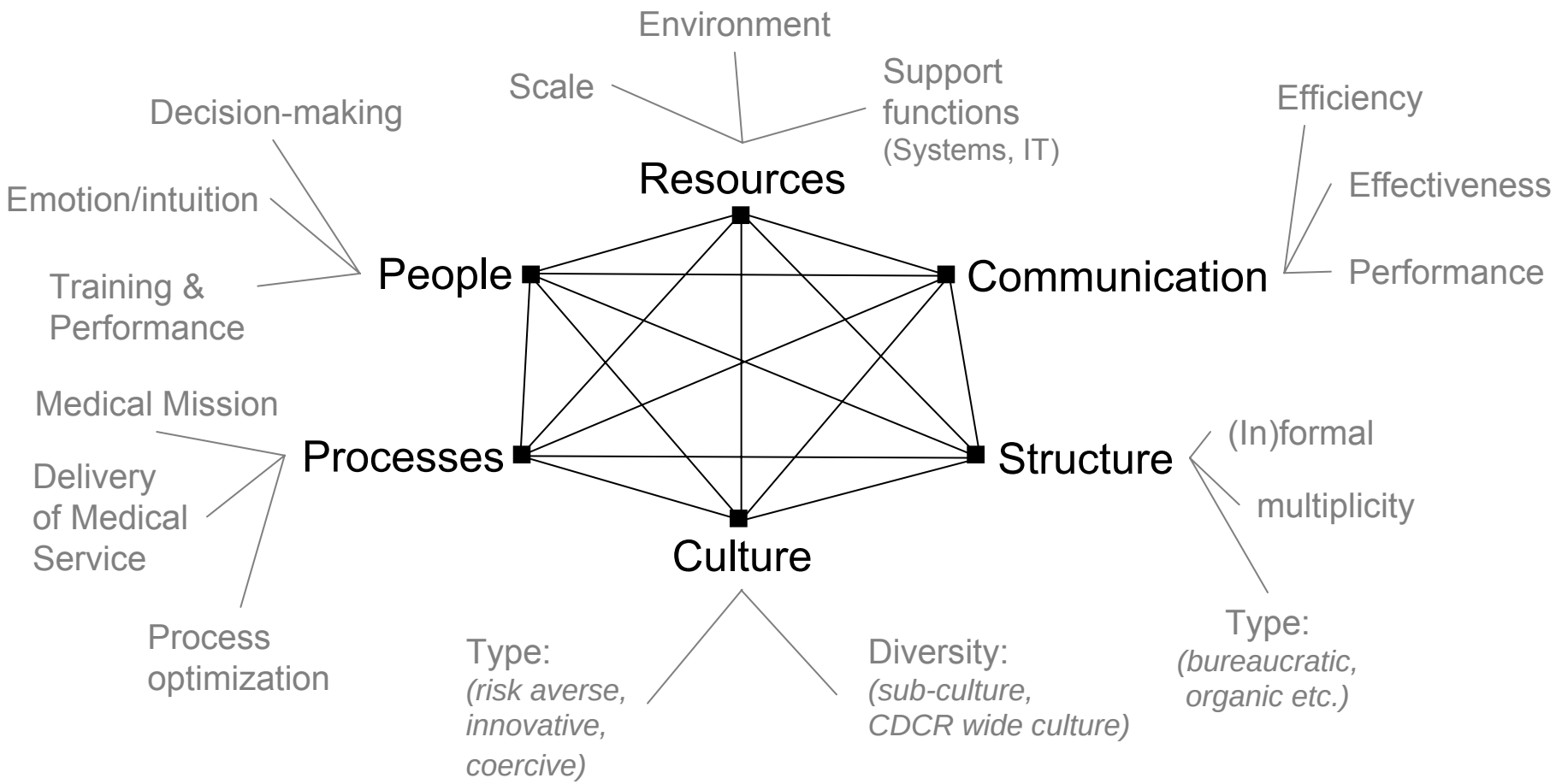
- Current management is unable to fill and retain vacant leadership positions or improve the delivery of health care, while waiting for a Receiver
- The short-term solutions implemented by the Court Expert may prolong the achievement of sustainable solutions
- The delay in implementing quality systems improvements and controls will extend the time during which inadequate health care is delivered
- Inmate/patients are experiencing unnecessary pain and/or death on a daily basis while waiting for the quality of the health care system to be improved

The Receiver will need to **balance a number of competing interests** to implement improvements related to the varying priorities of the interested parties

- Prison Law Office; **increase the quality of health care** in a manner balanced with the broader goals of humanizing the correctional system, **fill caregiver vacancies as soon as possible**, **upgrade caregiver credentials/skills** and **reducing inmate populations**
- Unions; **preserve gains achieved during the Davis administration** and protect members
- State of California ; **reduce costs associated with health care delivery**, while providing constitutionally adequate health care
- CDCR; needs the Receiver to **implement structural changes, end litigation** and train their staff

Overview & Analysis

Delivering a functional health care delivery system will require the Receiver to transform the current model and into an optimized network of assets; this will require a coordinated Team effort



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V. Selected Conditions Precedent to a Successful Outcome

Key Issues and Needs

Preventable morbidity and mortalities are linked to key problems within the current healthcare delivery system.

1. Caregiver vacancies and deficiencies
2. Lack of leadership, managerial control and accountability
3. Lack of infrastructure to support health care delivery within the prison
4. Cultural conflicts; the custody mission of the CDCR and its health care obligations

Key Issues and Needs

1. Caregiver vacancies and deficiencies

- As detailed in the court orders, the Health Care Services Division faces a number of employee related issues:
  - High caregiver (MD, RN, LVN, etc.) vacancy rates
  - Under-qualified clinical staff
  - High level of outside registry / agency professionals with constant fluctuation resulting in high cost structure, lack of continuity and low moral
- ***The Receiver must put in place a HR program that will address systemic issues related to recruiting, retention and clinical qualifications to insure an adequate caregiver base***

- The Court's medical experts have described many of the deficiencies that pervade the existing health care delivery system:
  - A lack of system-wide policies and procedures
  - Grossly inaccurate diagnoses
  - Excessive wait times to receive care
- ***The Receiver must provide a comprehensive solution to these clinical issues which must include wide-ranging changes to clinical policies and significant changes to current medical processes***

2. Lack of leadership, managerial control and accountability

The CDCR has been unable to develop solutions and implement strategies to address these deficiencies

- Key leadership positions are vacant (80% managerial vacancies)
- The broken system, leaving employees without leadership, does not develop any sense of responsibility
- ***The Receiver and his team must provide leadership and accountability throughout the Health Care Services Division***

Key Issues and Needs

3. Lack of infrastructure to support health care delivery within the prison

- The existing systems supporting health care delivery and the physical clinical infrastructure are deficient:
  - Inadequate and unsanitary facilities
  - Inadequate medical record documentation and tracking
  - Missing information technology support for centralized data management and communication
  - No centralized pharmacy management system
- ***The Receiver must both effectuate an improvement to the infrastructure supporting healthcare delivery and work with the CDCR and other outside constituencies to timely obtain the necessary additional resources***

4. Cultural conflicts between the custody mission of the CDCR and its health care obligations

- Within the California correctional system, there are significant cultural barriers to improving the level of care provided to patient/inmates:
  - Lack of professionalism amongst clinicians due to the lack of leadership, policy enforcement and poor conditions
  - Lack of support from some custody staff for the provision of health care to patient/inmates
  - Unions are not focused on the provision of adequate care but on the best interests of their members
- ***The Receiver must work with the CDCR leadership to effect a change in culture among the clinicians, custody staff and wardens***

5. Misallocation of Resources

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II. Overview & Analysis

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- Qualifications & Disqualifications
- Selected Measurements & Goals

V. Selected Conditions Precedent to a Successful Outcome

Minimal Qualification of the Receiver

The Receiver must have **a vision for the creation, implementation and management** of a constitutionally adequate correctional health care system and the tools to effectuate that transformation

- The Receiver Team must have **relevant experience in successfully transforming complex health care institutions,** including the following functions:
  - Implemented **clinical staffing**, retention and training improvements,
  - **Improved correctional health care** and **clinical management operations**,
  - Developed and implemented **information technology** and **pharmacy distribution systems**,
  - Executed **financial management**, control and reporting strategies
  - Developed **effective communication strategies** and systems in a distressed environment, among multiple internal and external constituents
- The Receiver Team **must have on point successful experience in turning around a major correctional health care system** in the USA – this is no time to learn on the job
- Upfront, the Receiver **must have a complete team of professionals** with **functional experience necessary to transform** the health care delivery model
- The Receiver must have **proven methodologies for change management**
- The Receiver must be experienced in **crisis management** of health care institutions
- Experienced in the role of bonded receiver or court-appointed trustee
- The Team has to be **California based** to effectively manage change
- Commitment to **meet cost reduction expectation of the legislature**

Additional Qualifications of the Receiver

The ideal Receiver candidate shall have the following characteristics:

- **Successful tested resources at the outset to manage and control** all functions of this distressed correctional health care system
- Skill, expertise and a plan to **quickly fill and effectively manage/monitor** managerial and clinical functions
- Ability to **fill clinical vacancies** and **implement an effective clinical recruiting, retention and development program**
- **Adequate skill set to adapt to changing operations profile** from crisis management into the construction of a self-sustainable correctional health care system
- Expertise in **negotiating legal matters with complex interest groups** (e.g. Unions, Government, Prison Law Office, etc.)
- Committed to **time specified milestone**
- Willingness to **invest into great outcome** / accept clinical achievement based compensation
- Track record in **proactive decision making**
- **Long term commitment** capability
- Experience in **transitioning functions to permanent management and staff** once a long-term health care delivery model is implemented
- **Vision to create** a great correctional health care delivery system
- **Passion to fix** all the problems involved

Disqualification of the Receiver

The Receiver Team shall not have interests that conflict with their duty of improving the correctional health care delivery system

- The Receiver **may not have a financial interest which conflicts** with:
  - Carrying out any of the duties and responsibilities imposed by the district court on the receiver; or
  - Fully protecting the persons receiving care from the health facility; or
  - The management and operation of the receivership estate
- The Receiver **shall not be a current employee** of the California Department of Corrections and Rehabilitation
- The Receiver **shall not be politically motivated** or show intentions to utilize his position for lobbying outside the scope of the receivership
  - Must be able to deal equally with all parties

Certain Measurements and Goals for the Receivership

The Receivership Team shall be measured against the delivery of a sustainable, quality health care model

Some of the overarching goals the Receiver has to achieve will define the quality of health care his team will deliver, by given dates:

- Reduce clinical vacancies to < 10%
- All physicians are board certified (or eligible)
- Deliver quality health care that is measurable, in the top 25% of correctional health care systems
- Complete implementation of an electronic medical record system
- Reduce litigation cost for alleged substandard health care by > 75%
- Effectuate cultural change that will enhance the quality of delivered health care and the efficacy of custodial obligations
- Achieve all of the above without any increase in the annual budget

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Selected Conditions Precedent to a Successful Outcome

- Start sooner, not later
- Judge providing complete authority to Receiver & Access to Judge only
- Agreement on time frame
- No pre-determined transition partner / recipient
- Financial Control

Dennis Simon
Receiver Candidate

Proposal to be Receiver and Transform the California Correctional Health Care System

January 25th, 2006

Executive Summary

- I propose to address these challenges by focusing on the following key areas:
  - Immediate Crisis Management: **fill vacant clinical positions**, execute an effective communications strategy, **provide leadership**, apply minimum needed processes, implement immediate metrics for quality management
  - Development of a Transitional Organization: **centralize control**, standardize improved operational processes, improve accountability structure, **educate staff to increase level of care**
  - Implement Institutional Transformation: align core mission, **build consensus and culture of accountability**, accredit institutions, elevate the clinical value proposition
- I am prepared to mobilize the team, resources and methodologies to ensure that all roadblocks and barriers to change are overcome
- My objective is to **implement an undisputed quality health care system** that provides, timely, accessible, appropriate, continuous, effective and efficient health care in a safe environment supported by a high quality patient-provider network

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II. Key Issue - Inadequate Health Care

III. Transformation into a Functional Health Care Delivery System

- Immediate Crisis Management
- Develop a Transitional Organization
- Implement Institutional Transformation

IV. Requirements for Success

V. Results of Improved Health Care

VI. Detailed Performance Metrics

Introduction

I have the experience, methodologies and processes to successfully drive the transformation of the CDCR Health Care Services Division (HCSD). The team of professionals I have ready-to-go can implement change based on personal experience

Correctional Health Care Expertise	Crisis Management Skills	Performance Improvement Know-how
• Transformed correctional health care system with > 40,000 inmates and 50 facilities • Recruited full-time board eligible/certified clinical staff • Developed and implemented policies and procedures to immediately address the situation • Reduced system-wide mortality rate by 30% • Concluded class action lawsuit and have not been subject of any subsequent litigation • Redirected spending to increase quality of health care • Kept costs in-line with national health-care expenditures • Developed and implemented University managed Care Delivery System	• Experienced Receiver with multiple previous cases • Experience acting as leadership for multiple distressed health care institutions • Communicated/negotiated with multiple constituents with divergent interests • Developed and implemented policies and procedures to immediately address critical clinical and support issues	• Created effective organizations dedicated to improving the quality of patient care • Provided hands-on leadership of operational improvement initiatives • Enhanced accountability systems through implementation of continuous quality improvement programs • Implemented information management systems on an expedited basis

My Approach

To elevate the level of health care provided to patients, my action plans are focused on the attributes/foundations that are currently lacking within the HCSD

Goals to increase quality of health care:	People	Structure	Communication	Process	Resources	Culture
Improve Clinician Staffing and Retention	✓	✓			✓	
Proactive Communication			✓			✓
Develop Accountability System	✓	✓	✓			✓
Develop Leadership Structure and Leaders	✓	✓	✓			✓
Improve Clinical Processes				✓	✓	
Standardize Clinical Policies and Procedures		✓		✓		
Improve Support Processes		✓		✓		
Effectuate Culture Change	✓	✓	✓			✓
Enhance Reporting & Control System				✓	✓	

Institutional Transformation Goal

Provide adequate health care to inmate/patients through a sustainable health care delivery model with focus on the following attributes:

- Accessibility
- Appropriateness
- Timeliness
- Continuity
- Effectiveness
- Efficiency
- Safety of the Environment
- Quality of the patient-provider network

SOURCE: Definition of "Quality of Care" Joint Commission on Accreditation of Healthcare Organizations; http://www.jcaho.org/dscc/dsc/application/dsc_glossary.pdf

Three Simultaneous Steps to Near Term Improvements and Permanent Change

Solving the current crisis in the Health Care Services Department at CDCR requires three work streams which will operate concurrently

Immediate Crisis Management

- Build Broad, Unified Leadership
- Execute Communication Strategy

- Implement Solutions to Critical Problems

- Adherence to Medical Standards
- Develop, Communicate and Track Metrics

Develop a **Transitional Organization**

- Assess Current Situation of all Facilities
- Implement Improvements at Beta Sites

- Centralize Control and Selected Processes
- Initiate a Metric Based Organization

- Standardize Improved Operational Process

- Implement Best Practices at All Institutions

Implement **Institutional Transformation**

- Set Institution Mission
- Develop Long Term Health Care Model for CDCR

- Build Consensus
- Prioritize Process of Change

- Transform Institutional Systems

Immediate Crisis Management

Immediately upon my appointment, I shall put in place a leadership team, implement a strategy to communicate my plans and goals to internal and external stakeholders and establish a dialogue for ongoing feedback, communication/collaboration and accountability

Immediate Crisis Management

- Build Broad, Unified Leadership
- Execute Communication Strategy
- Implement Solutions to Critical Problems
- Adherence to Medical Standards
- Develop, Communicate and Track Metrics

Process	Goal
Build Broad, Unified Leadership	
▪ Conduct team-building meetings with senior leadership to introduce goals and improvement plans	Effectuate Culture Change
▪ Fill critical open management positions on an interim basis to insure leadership	Improve Clinician Staffing and Retention
▪ Begin evaluating existing management and recruiting additional management staff for permanent positions	Develop Leadership Structure and Leaders
Execute Communication Strategy	
▪ Distribute press releases to major regional and national press with overview of Receiver goals and plan	Proactive Communication
▪ Conduct meetings with wardens and other custody leadership to present the Receivers Plans and Goals and the benefits to custody of cooperation	Effectuate Culture Change
▪ Targeted letter to constituencies with overview of Receiver goals and plan	Proactive Communication
▪ Meetings with certain constituencies to provide more detailed plans, answer questions and open dialogue	Proactive Communication
▪ Continue communications with the Court, Interested Parties and the state of California regarding the status, progress and issues encountered	Proactive Communications
▪ Establish web-based communications link for real time feedback and dialogue with patient/inmate families and interest groups	Proactive communication

Immediate Crisis Management

I will immediately **address staffing shortages** at the clinical and administrative levels, deficiencies in clinician training and the prioritization of current HCSD improvement initiatives

Immediate Crisis Management

- Build Broad, Unified Leadership
- Execute Communication Strategy

- Implement Solutions to Critical Problems

- Adherence to Medical Standards
- Develop, Communicate and Track Metrics

Process	Goal
Implement Solutions to Critical Problems ▪ Focus on clinical staffing needs to fill key vacant positions: • Fill clinician positions with qualified staff, permanent staff and locum tenens on an expedited basis • Recruit board-eligible/certified physicians with an emphasis on primary care disciplines • Analyze existing staff with focus on ability to provide primary care • Analyze time off vacancies for adherence to policies	Improve Clinician Staffing and Retention
▪ Rationalize functions within the current HCSD administrative and clinical management structure	Develop Leadership Structure and Leaders
▪ Upgrade internal training with program focused on the basics of correctional health care	Improve Clinician Staffing and Retention
▪ Prioritize current improvement initiatives and provide support for high impact in-process initiatives	Improve Clinical Processes

Immediate Crisis Management

I will immediately implement a strategy to upgrade the standards for patient care through education on medical requirements, tracking key metrics, and upgrading professional development and accountability systems thereby creating a professional correctional healthcare environment

Immediate Crisis Management

- Build Broad, Unified Leadership
- Execute Communication Strategy

- Implement Solutions to Critical Problems

- Adherence to Medical Standards
- Develop, Communicate and Track Metrics

Process	Goal
Adherence to Medical Standards	
▪ Train institution clinicians on medical requirements, as applicable	Improve Clinician Staffing and Retention
▪ Review modification of processes and upgrade of equipment necessary to implement minimal medical requirements	Improve Support Processes
▪ Enforce adherence to medical standards by staff	Develop Accountability System
Develop, Track and Communicate Key Metrics	
▪ Utilize existing available data to track key metrics throughout the organization	Develop Accountability System
▪ Communicate key metrics being tracked and goals to management	Proactive Communication
▪ Establish system to centrally track high-acuity patients at each institution to insure institutions are focused on minimization of mortality and liability	Develop Accountability System
▪ Initiation of daily/weekly line of sight meetings within administrative and regional management structure to align current processes, strengthen accountability systems and coordinate immediate corrective actions	Develop Accountability System/ Develop Leadership Structure and Leaders

Develop a Transitional Organization

While addressing the immediate crisis, I will asses current facilities and performance at all institutions and develop "beta" institutions to improve clinical and support processes

Develop a Transitional Organization

- Assess Current Situation of all Facilities
- Implement Improvements at Beta Sites
- Centralize Control and Selected Processes
- Initiate a Metric Based Organization
- Standardize Improved Operational Process
- Implement Best Practices at All Institutions

Process	Goal
Assess Current Situation at All Facilities	
▪ Initiate a process with timelines and goals ▪ Select HCSD steering committee and joint Receiver/HCSD process action teams to assess current situation	→ Proactive Communication
▪ Immediately assess all facilities for high priority clinical and management needs ▪ Identify potential barriers to efficient performance and processes ▪ Prioritize findings and develop strategic plan for a set of core improvement initiatives	→ Improve Clinical and Support Processes
▪ Obtain input and communicate findings	→ Proactive Communication
Implement Improvements at Beta Sites	
▪ Select 3-4 institutions for rapid deployment of high priority findings	→ Improve Clinical and Support Processes
▪ Implement line of sight management meetings to improve institution accountability and management	→ Develop Accountability System
▪ Work with inter-functional teams to implement high priority initiatives	→ Develop Leadership Structure and Leaders
▪ Develop and communicate list of "Lessons Learned" to remaining institutions ▪ Develop a "live" priorities list – report openly on progress	→ Proactive Communication

Develop a Transitional Organization

Establish centralized control to drive accountability and ensure consistency of application

Develop a **Transitional Organization**

- Assess Current Situation of all Facilities
- Implement Improvements at Beta Sites
- Centralize Control and Selected Processes
- Initiate a Metric Based Organization
- Standardize Improved Operational Process
- Implement Best Practices at All Institutions

Process	Goal
Centralized Control and Selected Processes ▪ Develop a central recruiting and retention program aligning compensation, benefits and incentives with market levels while focusing on an improved "value proposition" for new and existing staff	Improve Clinician Staffing and Retention
▪ Assess options, develop plans and implement cost effective pharmacy system: • Outsource pharmacy vs. centralized or regional pharmacy delivery system • Improve pharmacy formulary to measurably improve service • Develop new pharmacy software to streamline the procurement and dispensing process	Improve Support Processes
▪ Develop and implement revised policies and procedures for clinicians to follow, taking into account Plata and other higher correctional health care standards	Standardize Clinical Policies and Procedures
Initiate a Metric Based Organization ▪ Institute Metrics based reporting	Enhanced Reporting & Control Systems

Develop a Transitional Organization

Process improvements at beta sites will be utilized to create plans for improvements at other locations

Develop a **Transitional Organization**

- Assess Current Situation of all Facilities
- Implement Improvements at Beta Sites
- Centralize Control and Selected Processes
- Initiate a Metric Based Organization
- Standardize Improved Operational Process
- Implement Best Practices at All Institutions

Process	Goal
Standardize Improved Operational Process ▪ Utilize beta site results to design process improvements for each institution, including: • Most appropriate staffing ratios • Optimal utilization of internal and external clinical services • Reduction of inefficiencies in clinical and support functions • Implementation of chronic care and preventive care programs • Improve communication with custody staff	Improve Clinical and Support Processes
▪ Continuously and effectively train all personnel in improved processes	Standardize Clinical Policies and Procedures
▪ Implement a metric based system that ensures processes are being followed and achievements maintained	Develop Accountability System

Develop a Transitional Organization

Implementation of improvement plans at all institutions will be the final step in the development of a transitional health care organization that will deliver adequate health care to all patients

Develop a **Transitional Organization**

- Assess Current Situation of all Facilities
- Implement Improvements at Beta Sites
- Centralize Control and Selected Processes
- Initiate a Metric Based Organization
- Standardize Improved Operational Process
- Implement Best Practices at All Institutions

Process	Goal
Implement Best Practices at All Institutions	
▪ Roll out "best practices" developed in Beta Sites across all institutions taking into consideration individual institution uniqueness	→ Improve Clinical and Support Processes
▪ Best practices to address significant opportunities, including:	
• Reduction of administrative inefficiencies in clinical and support functions to optimize clinician time on patient care	→ Improve Clinical and Support Processes
• Optimization of staffing ratios to provide appropriate level of care	→ Improve Clinician Staffing and Retention
• Implementation of chronic care programs, where not utilized, to insure efficient treatment of persistent conditions	→ Improve Clinical and Support Processes
• Provide sanitary, adequately equipped and accessible facilities for patient care	
• Improve pharmacy formulary guidelines	
• Improve utilization of beds in acute care hospitals and correctional treatment centers	
• Implement preventive care / inmate education programs, where not utilized, to improve inmate health	

Implement Institutional Transformation

I will create a sustainable correctional health care delivery organization that provides a standardized, adequate level of quality health care to all inmate patients

Implement Institutional Transformation

- Set Institution Mission
- Develop Long Term Health Care Model for CDCR

- Build Consensus
- Prioritize Process of Change

- Transform Institutional Systems

Process	Goal
Set Institution Mission ▪ Determine a clear mission for all employees at HCSD ▪ Set acceptable expectations for constituents (Custody Staff, Inmates, State, etc.)	Effectuate Culture Change
Develop Long Term Health Care Model ▪ Structure Strength and Weaknesses of the current system and its resources ▪ Construct a set of Opportunities with focus on internal, governmental and outside constituents (unions, government agencies, etc.	Institutional Transformation Goal: Determine sustainable California Model
▪ Identify Threats within any solution; Create possible roadmap to deal with barriers ▪ Develop a final recommendation for the California correctional health care model (e.g. University-Model, Decentralized System, Centralized & Outsourced, etc.)	Institutional Transformation Goal: Build a sustainable California Model

Implement Institutional Transformation

I will focus on building a wide base of cross-functional support and buy-in to achieve the most effective implementation

Implement **Institutional Transformation**

- Set Institution Mission
- Develop Long Term Health Care Model for CDCR

- Build Consensus
- Prioritize Process of Change

- Transform Institutional Systems

Process	Goal
Build Consensus ▪ Take input from all constituents and integrate ▪ Communicate clear goals for the California System	→ Institutional Transformation Goal: Align Mutual Interests
▪ Educate and train HCSD staff on implementation and strategy ▪ Build sustainable internal "cross-boundary" implementation teams ▪ Negotiate with key constituents (employees, unions, state, care-givers, custodial staff, inmate/patients, etc.) ▪ Develop ties with potential partners, build alliances and negotiate terms	→ Institutional Transformation Goal: Develop a Partner Base
Prioritize Process for Change ▪ Define milestones ▪ Develop optimized process plan for implementation ▪ Prepare for accreditation process	→ Institutional Transformation Goal: Optimize internal and external resources

Implement Institutional Transformation

The Institutional Transformation will be a continuous process which I will plan, implement and monitor, while insuring that HCSD will become a sustainable institution as soon as possible

Implement Institutional Transformation

- Set Institution Mission
- Develop Long Term Health Care Model for CDCR

- Build Consensus
- Prioritize Process of Change

- Transform Institutional Systems

Process

Transform Institutional System

- Manage communication and set the stage for innovative leadership
- Align processes for optimal result, interacting with the custody delivery model
- Prioritize implementation for health care quality assurance and feedback times
- Educate and train partners and internal constituents for the correctional health care delivery model
- Prepare HCSD staff for independent management team

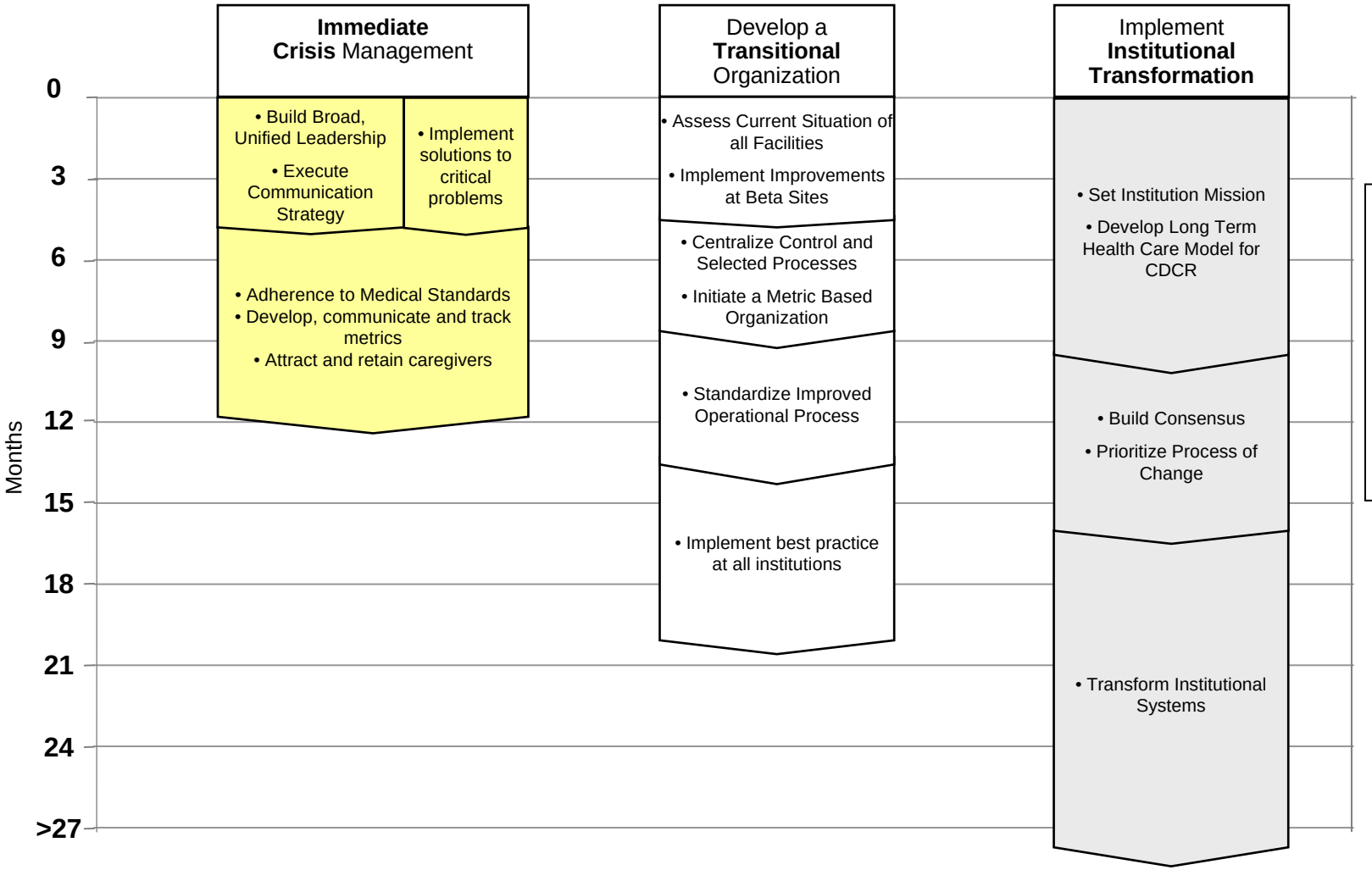
Goal

→ Institutional Transformation Goal: Deliver Permanent Solution

→ Institutional Transformation Goal: Insure self sustainability

Implementation Steps

I will use a simultaneous approach which will provide for efficient and measurable implementation of improvements and transparent oversight for approval by, and communication to, the Court



Managed by an Executive Medical Management Team with leaders accountable for different functional groups, a coordinated approach to short-term solutions and successful institutional transformation can be achieved.

Examples of Milestones in Quality of Health Care

Goals	Key Action Items	Selected Milestones
Improved Clinician Staffing & Retention	• fill key vacant positions with registry clinicians & selected staff • recruit board certified/eligible physicians • initiate peer recruiting / incentives • implement additional correctional health care training for clinicians • coordinate development of an educational correctional health care program • implement segmentation of clinical work responsibilities (Physician, Nurse Practitioner, RN, etc.)	• vacancy Rate <20%,<10%,<5 % • physicians are 100 % board certified/eligible • registry usage < 600,000 hours • x training hours / care giver group • certifications level for care giver • staff turnover < 5%
Improved Clinical Processes	• improve scheduling and time / process management • align custodial and health care scheduling / process • optimize utilization of referrals (internal & external) and telemedicine • integrate centralized pharmacy system with medical records • improve management of CTCs and Acute Care Hospitals	• # of inmate/patient encounters per provider • # of clinical enrollments • timeliness of follow-ups • < 1% dispensing errors
Standardize Clinical Policies & Procedures	• implement medical record documentation system • develop consistent implementation for all policies and procedures • adhere to follow-up requirements in key program areas (chronic care, offsite emergency, sick call, specialty services, urgent-emergent, etc.) • dedicated staff for Peer / Mortality Review	• diminishing tolerance for missing medical records • # of chronic care programs • # enrolled / seen per chronic care program • # of out patient care days
Improved Support Processes	• develop an optimized pharmacy management system • align administrative responsibility to enhance clinical productivity • optimize contract management process	• 90% of prescription lead time <24 hours • reduce open contract time <2 months • supply and equipment lead time <x days (dependent on category)

Examples of Milestones in Quality of Health Care

Goals	Key Action Items	Selected Milestones
Proactive Communication	• develop reporting systems and efficient communication platforms • initiate cross-institutional communication tools • set standards for communication to outside constituents (The Court, Plaintive, CDC, etc.)	• deliver monthly status report, utilizing key metrics, to the court and other constituents
Enhanced Reporting & Control System	• quarterly review and external control of program expenditures • promulgate metrics and performance indicators to appropriate constituents via web-based communications link	• deliver quarterly report by auditor to the court • access to weekly/monthly metrics
Develop Accountability System	• transformation into an optimized organization structure • develop steering committees • implement personnel evaluation program • implementation of system-wide metric tracing system	• monthly presentation of team achievements • # of completed personnel evaluations undertaken
Develop Leadership System	• fill key administrative and clinical positions • Align responsibilities to empower/reward respective staff • educate staff on improved processes • utilize metric based management to drive performance improvement	• vacancy of key staff <20%,<10%,<5 % • time to implement new organizational structure • Identify and educate key internal leaders for institutional transformation
Effectuate Cultural Change	• actualize system wide mission statement • meet with Inmate Family Counsel, Wardens, etc. to address key concerns • align interdependent quality of service expectations (i.e. custody and health care)	• # of internal staff complaints • effectiveness of strategy meetings between custodial and health care staff • # of family/inmate complaints

Requirements for Success

To deliver a sustainable long term quality health care delivery system, I will need to insure that it I have the ability to make critical decisions and take actions on an expedited basis, including:

Clinical Operations

- No sacred cows -- Ability to effect change at every functional level
- Freedom to contract with private and public service providers

Support Operations and Organization

- Ability to make changes to the current HCSD organization and leadership structure to align them with functional service deliveries

Human Resources

- Ability to hire permanent employees on an expedited basis, without unnecessary constraints imposed by the current HR process, which can sometimes delay hiring for months
- Ability to collaborate and negotiate with unions
- Ability to terminate employees that are uncooperative and non-compliant with action plans, polices and procedures formulated by the Receiver

Financials/Contracting

- Ability to negotiate, enter into contracts and fill contracting needs outside of guidelines by the Department of General Services, which are cumbersome, time-consuming and sometimes lead to the use of lower-quality vendors
- Ability to control all aspects of the HCSD budget

Leadership & Execution

- Full ability to implement and execute improved processes
- Unlimited leadership and responsibility for all HCSD related resources and actions

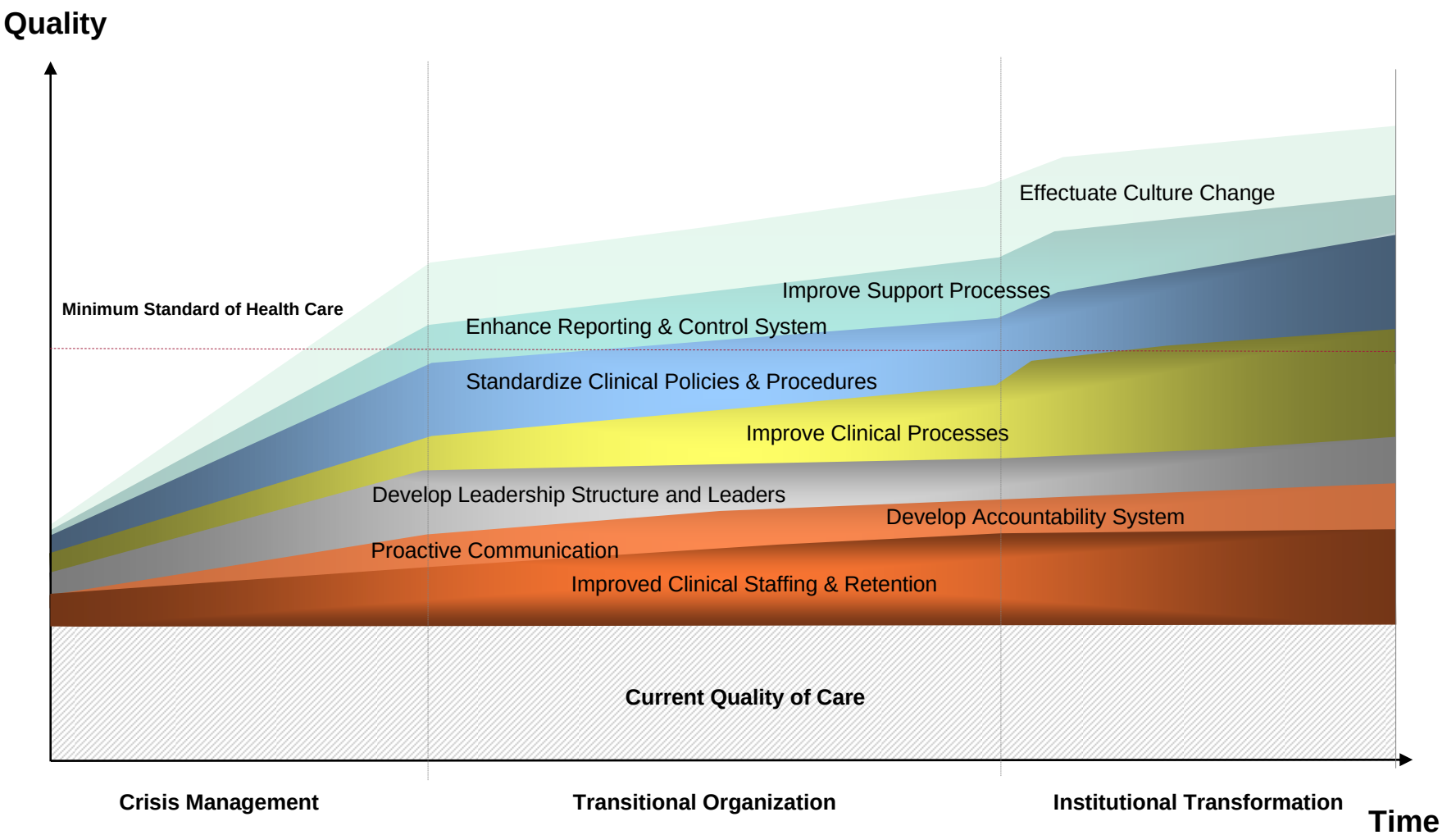
Requirements for Success – Meeting the Challenges

I have identified selected potential challenges and developed mitigation plans to address them.

Selected Challenges
▪ Constituents try to resolve problems with “MEGA” approach
▪ Recommended changes may be limited due to legal constraints
▪ Implementing immediate Quick Hits
▪ Old infrastructure inhibits the installation of modern technology
▪ Inmate skepticism
▪ Currently targeted medical standards are dysfunctional
▪ Custodial requirements constrain the implementation of some improvements
▪ Lack of internal and external constituent “buy in”
▪ Selecting/integrating existing CDCR leadership
▪ Financial constraints imposed by the HCSD budget
▪ Opposition from unions
▪ Low opinion of quality of medical staff by corrections
▪ People in the “dark”

Result: Increased Quality of Delivered Health Care

Throughout the Receivership period, there will be a focused improvement in the quality of patient care driven by changes to:



Result: Sustainable Health Care Delivery System

I will deliver a sustainable, quality health care delivery model to fit the specific needs of California:

A system that delivers undisputed quality health care, providing:

- **Timely access** to health care and medication for all patients
- Application of **appropriate diagnoses and treatments** by **qualified, properly trained clinicians**
- A **continuity** of compassionate and appropriate health care from arrival through discharge
- Provision of care in **cooperation with custodial staff** and **patient security concerns**
- Adequate facilities, supported through **efficiently managed** and **health care accredited** operations

Sustainable Health Care Delivery System

A functional division within the California Department of Corrections and Rehabilitation:

- Satisfactory **conclusion of all class action lawsuits**
- Effective HCSD **metric-driven leadership structure** with the ability to assess, define and address issues as they arise
- **Culture of teamwork, effectiveness, responsiveness**
- **Effective communication**
- **Efficient use of resources**

Detailed Performance Metrics (Cont'd)

Below is a sample of additional performance metrics that the Receiver may use to track performance

Chief Medical Officer	Human Resources
1 Diagnostic Intake Process: a) Medical classification b) Diagnostic procedures 2 Quality of Care: a) Oversight of access to care: (i) Sick call (ii) Urgent care (iii) Emergent care (iv) Specialty care (v) Outside hospitalization b) Intensive disease management c) Pharmacy / medication administration d) Preventive care e) Mortality review f) Morbidity review 3 Standards of Care: a) Medical grievances b) Credentialing c) Compliance with accepted standards d) Policies & procedures e) Peer reviews f) Provider education programs 4 Negative Outcome Evaluation: a) Self injuries b) Preventable deaths c) Assaults by mental health inmates d) Infectious disease transmission 5 Risk Management: a) Pharmacy audit results b) Clinical audit results c) Regulatory compliance reviews d) Policy & procedure implementation e) Lawsuit intent notices f) Lawsuit reviews g) Inmate complaints h) Family complaints	1 Internal Resource Tracking: a) Staffing patterns by provider b) Recruiting by provider c) Retention by provider d) Interview process e) Monitoring of staffing ratio requirements f) Monitoring & oversight of policies & procedures g) Licensing / credentialing h) Negative terminations 2 External Resource Tracking: a) Hours covered by staffing agencies 3 Training Requirements: a) Compliance with accepted standards b) Compliance with accredited & licensing organizations c) Training and Feedback

Detailed Performance Metrics (Cont'd)

Below is a sample of performance metrics that the Receiver may use to track performance

Operations

1 Internal Clinic Productivity:
- a) Diagnostic intake process
- b) Sick call
- c) Urgent care
- d) Emergent care
- e) Referrals

2 Provider Productivity:
- a) Patient encounters
- b) Chart review
- c) High acuity monitoring log review
- d) Staffing ratios
- e) Process time improvements

3 Pharmacy Performance:
- a) Prescriptions filled per pharmacist
- b) Prescriptions filled per support staff
- c) Clinical interventions per pharmacist
- d) Patient profile reviews per pharmacist
- e) Prescription delivery time
- f) Medication availability
- g) Non formulatory requests / fulfilments

4 Plata Process Metrics

5 Patient Safety:
- a) Provider errors
- b) Pharmacy errors
- c) Onsite accidents (e.g., patient falls, etc)

6 Staff Safety:
- a) Compliance with universal precautions
- b) Assaults, violent incidents, etc

7 Documentation:
- a) Missing charts
- b) Incomplete charts
- c) Illegible charts

8 Utilization Management:
- a) Request for specialty care by provider
- b) Use of internal medical bed space
- c) Use of external medical bed space
- d) Formulatory compliance
- e) Adherence to best contracting practices
- f) Medical facility readiness

9 Medical Transportation:
- a) Appropriate record availability
- b) Vehicle availability
- c) Correctional escort availability
- d) Rate of completed scheduled appointments

Detailed Performance Metrics (Cont'd)

Below is a sample of performance metrics that the Receiver may use to track performance

Supply Management	Information Management	Finance
1 Contract Management: a) Contract vacancy b) Length of open bids c) Cycle times d) Improvements in New Contracts 2 Pharmacy Supply Chain: a) Delivery / shipment times b) Emergency needs c) Stock replacement d) Value of prescription inventory on hand 3 Supplies Availability: a) Consumable medical supplies b) Equipment	1 Records Management: a) Incomplete / missing records b) Medical chart availability improvement c) % of files in electronic format d) Medical records FTE reduction e) Inmate scheduling f) Inmate referral g) Order turnaround time improvement h) Results reporting time improvement i) Duplicate testing reduction (i.e., lab, radiology, etc) j) Specialty care and outside services documents k) Sick call encounters l) Urgent care encounters m) Emergent care encounters 2 Enhanced System Utilization: a) Electronic records progress report b) Telemedicine progress report c) Email implementation progress report d) Payroll system progress report e) IT system structure: (i) Downtime % (ii) Committed response time (iii) Call resolution time (iv) Critical errors (v) Hardware / software avg. age (& version) (vi) Number of software applications by functional area (vii) Data protection (viii) User satisfaction measurements (ix) Average full time FTE's (x) IT Costs by cost categories	1 Healthcare Delivery Costs per Inmate, including: a) Physican costs per inmate b) Mental costs per inmate c) Dental costs per inmate d) Prescription costs per inmate e) Inpatient days & costs by category (e.g., pneumonia, respiratory, etc) f) Outpatient days & costs by category (e.g., cataract, biopsy, etc) g) Procedure costs by category (e.g., MRI, mammogram, etc) h) % of corrections budget expended on health care i) Medication cost by type (e.g., HIV, antibiotics, etc) 2 Staffing Costs: a) Provider recruitment cost b) Locum Tenens, registry costs, etc c) Average provider salary 3 Financial Performance Monitoring (Budget to Actual): a) Expense control: (i) Personnel expenses (ii) Consulting expenses (iii) Pharmaceutical expenses (iv) Litigation / settlement expenses (v) Workers compensation (vi) IT expenses (vii) Other b) Cash flow analysis c) Key financial metrics (e.g., days payable outstanding) d) Budget development

Dennis I. Simon

Managing Principal

Dennis Simon is a nationally recognized turnaround professional who has successfully improved the results of a number of organizations in healthcare and a variety of other industries throughout the United States. He is Managing Principal of XRoads Solutions Group, a national firm specializing in the areas of financial and operational turnarounds, debt restructuring, and the management of companies in transition. Mr. Simon has held the positions of Chief Executive Officer, Chief Restructuring Officer in numerous major and middle market companies where he has been engaged to guide his clients' sustainable revitalization.

Mr. Simon has a long and successful healthcare track record including:

- Served as Interim Chief Executive Officer for Intrepid U.S.A., a $200-million revenue health care service company that provides home health care and supplemental staffing services, independent living services, and rehabilitation and assisted living options throughout the US, primarily in the East/South Eastern regions.
- Served as CRO for Fountainview, a leading operator of long-term care facilities and a leading provider of a full continuum of post-acute care services, with a strategic emphasis on sub-acute specialty medical care with revenue in excess of $500 million.
- MedPartners where Mr. Simon was appointed to advise the creditors' committee in this precedent-setting case of a California HMO. The committee included doctors, HMOs, and institutional providers and ex-officio members of CMA and HSAC. The initial claims in this bankruptcy/receivership case were over $1 billion and potential litigation opportunities among the HMOs, providers and parent company were significant. His role included assessment of parent company litigation issues, parent credit worthiness, assessment of state/parent company transactions, claims assessment and negotiations related there to.
- Chief Executive Officer of a 5-hospital group parent company with hospitals located in the eastern United States. This for-profit hospital group has approximately 6,000 license beds, including over 750 beds licensed for long term care.
- Chief Operating Officer of an $850 million New York stock exchange, multidisciplinary healthcare company. The Company owned three HMO's (commercial, Medicaid and POS product lines). Under Mr. Simon's watch, the information technology systems supporting medical billing services business were rationalized and the appropriate business platforms were implemented. Further in the emergency room management (the largest in the USA at over 300 locations), under Mr. Simon's guidance, medical directorships were redesigned, a national business was regionalized, compensation programs were reorganized, the net-to-practice decline has been reversed, malpractice insurance rates dramatically improved, etc.

Mr. Simon has worked extensively in a variety of industries. Some significant case representations include:

- Farmland – A $10 Billion cooperative. Mr. Simon designed and led the company's restructuring.
- Amerco – Parent company of U-Haul International, a $2 Billion truck rental operation. Mr. Simon led the company's restructuring.
- Winn Dixie – A $ 7 Billion retail grocery chain. Mr. Simon served as Turnaround Advisor to the company where he assisted management in identifying and executing a strategy to reorganize the company around a "core footprint" of stores, downsizing G&A to fit the footprint and other cost reduction activities, vendor relationships, liquidity management, business planning and the development of its growth strategy

Mr. Simon leads a team of highly performance oriented professionals which operate within a cohesive and effective culture. This requires collaboration or compromise on the one hand and decisiveness or leadership on the other. Mr. Simon earns the respect of those he leads, in part because he uses a well developed metric driven methodology to openly communicate with all connected constituents and he is masterful at recruiting, motivating and retaining highly competent professionals and providing clear goals and the necessary resources to assist each of them in succeeding in large, disparate, complex and decentralized organizations.

Personal Motivation

Mr. Simon has involved himself in improving the conditions of the under-represented, whether they are youngsters affected by dyslexia or the aged and infirmed. Mr. Simon is known to the CDCR and reasonably believes he can be an effective partner with them in overcoming the crisis, improving the quality of medical care to the inmate population, transforming the culture and return the program to the CDCR smoothly.

Mr. Simon's career is filled with examples of leading service businesses with all the complexities of competing factors, instability and lack of past leadership to become a highly effective and superior organization.

Academic Training

- M.B.A. (with Distinction), Harvard University, Concentrations: Finance and Marketing, 1971
- Doctoral Studies in Economics, Tufts University, 1966
- B.A., American International College Major: Economics, 1965

Professional Experience

- XRoads Solutions Group: Managing Principal, August 1997 to present
- Price Waterhouse LLP: Senior Managing Director, National Health Care Restructuring – Team Leader, January 1992 to July 1997
- Buccino & Associates: Executive Vice President and Western Regional Managing Director, October 1990 to January 1992
- Independent Consultant: January 1988 to October 1990
- Cambridge Capital Group: Chief Executive Officer, 1979 to 1987
- Newport Equity Funds: Marketing Vice President, 1974 to 1979
- Linkletter Enterprises: Executive Vice President, 1971 to 1974

X Roads SOLUTIONS GROUP

Court Supervised Appointments

- Receiver for Han Mi Golf: Took possession of and managed golf retail outlet and golf driving ranges. Negotiated with lenders and landlords. Improved operations.
- Receiver for Long Beach Marina Hotel: Took possession and managed this 250+ bed hotel. Negotiated with labor unions and lenders.
- Assignee, Western Federal Holdings: Managed litigation
- Receiver for Izalco: A check cashing company which Mr. Simon took possession of and managed, until its sale on behalf of the State Banking Commission
- Trustee for the Triad Corporation, a health care organization he returned from the brink of extinction to become a vital contributor in its community

Board Representations

- Intrepid USA - 2004. A $200-million revenue health care service company
- Western Federal Holdings - 1985-1988. $2B bank holding company
- Coastal Physician Group - 1996. Non-Voting Member Board of Directors and CEO of an $850MM NYSE firm and primary interface with securities analysts, press, potential acquirers, audit committee, litigation combatants and lead in strategic matters.

Community Affiliations

- Member of Board, Prentiss School, Americas largest Learning Academy for Dyslexic Children
- Nominee to the Board of Directors of Heritage Foundation (home for the aging)
- Board Member, Los Angeles Bankruptcy Forum
- Past Member of Board, Israel Academy, a learning institute
- Past Member of Board of Trustees for University of California, Irvine, Child Development Center
- Past Member of Board of Trustees, Turnaround Management Association
- Past Member of Board of Directors of Harvard Business School Alumni Association of Orange County

Advisory & Executive Positions

Mr. Simon has acted as a senior executive, advisor, or advisor to the stakeholders of numerous under performing companies in California including:

- City of Hope National Medical Center
- Cherokee International LLC
- Checkmate Staffing
- Chevy's
- Dayrunner
- Edwards Theatres Circuit, Inc.
- El Camino Resources
- e-Toys
- Frederick's of Hollywood
- FountainView, Nursing Home
- Impath, Americas largest oncological laboratory
- Covenant Care, Nursing Home
- Geologistics
- Global Health Sciences
- Hamburger Hamlet
- Krause's Furniture Stores, Inc.
- LA Gear, Inc.
- L.L. Knickerbocker Co, Inc.'
- Prandium
- Premier Laser Systems, Inc.
- Superior Gold & Coin
- Meris Laboratories

Mr. Simon has managed law firms, litigation and settlement in various matters as a Trustee, Receiver, CRO and CEO including, but not limited to:

- Proxy disputes
- Securities violations
- Commercial contract disputes
- Preference claims
- Union Disputes
- Fraud investigations
- Shareholder disputes
- Lender liability issues
- Healthcare receivables fraud claims

Speeches / Articles

April 2005 - The Journal of Private Equity, and Institutional Investor Publication, Article on "Pension-Funding Potholes"

April 2004 - Director & Boards Magazine, Article on "In Splitting Leadership, Look at CEO Ownership"

Spring 2004 – Institutional Investor, Article on “The Economic Groundhog Saw his Shadow: Expect an Extended Season of Corporate Restructuring”

Winter 2004 – Directors & Boards, Article on “In Splitting Leadership, Look at CEO Ownership”

Fall 2003 – Institutional Investor, Article on “Lost in the Shuffle: Inside Ownership and Corporate Governance Reform”

March 2001 – The Deal Maker’s Journal, Article on “Heeding the Warning Signs of a Roll-Up in Trouble”

April 1999 – San Francisco, California. Bankruptcy Sales and Acquisitions Conference – Forging Profit Opportunities From Troubled Companies. Moderator of Panel: “Case Studies in Distressed Health Care Provider Sales and Acquisitions.”

March 1998 – Los Angeles, California. American Bankruptcy Institute (“ABI”) – 6th Annual ABI Bankruptcy Battleground West - Panelist on “Restructuring the Business: Practical Approaches to Financing and Financial Issues Involving Troubled Companies.”

October 1997 – Los Angeles, California. Los Angeles County Bar Association – Panelist on “Will Chapter 11 Cure Health Care Issues?”

September 1997 – Current Issues and Approaches to Valuing Underperforming Companies

May 1997 – Carlsbad, CA. 9th Annual California Bankruptcy Forum Conference at La Costa – Moderator of Panel, “ER: Financial Crisis in the Healthcare Industry”

February 1995 - Vail, Colorado. Price Waterhouse Annual Conference Panelist - “Making the Healthcare Fix Stick.”

May 1993 - Banking Law Institute and the Bank Lending Institute - speech on topic of "Recognizing and Dealing with Loan Defaults in a Consensual Manner".

April 1993 - Association of Building Contractor - speech on "Revitalizing Underperforming Contractor Companies".

February 1993 - Vail, Colorado, Price Waterhouse Annual Conference - Panelist on "Reengineering as a Turnaround Tool".

January 1993- Surety Underwriters Association - speech on the subject of "Turnaround Issues for Underperforming Contractors".

Spring/Fall 1992 - San Diego Transcript - 10-articles series on bankruptcy and workouts, co-authored with Colin Wied, partner of Snell & Wilmer.

December 1992 - American Bankruptcy Institute - Annual Conference, San Diego, CA - panelist on "Negotiations with Secured Creditors".

December 1992 - First AM&E Church on behalf of Project Rebuild Los Angeles - topic of speech was "Starting Your Business the Right Way".

November 1992 - Orange County, CA - F.E.I. speech "Reengineering - the Turnaround Core."

Strategic Background

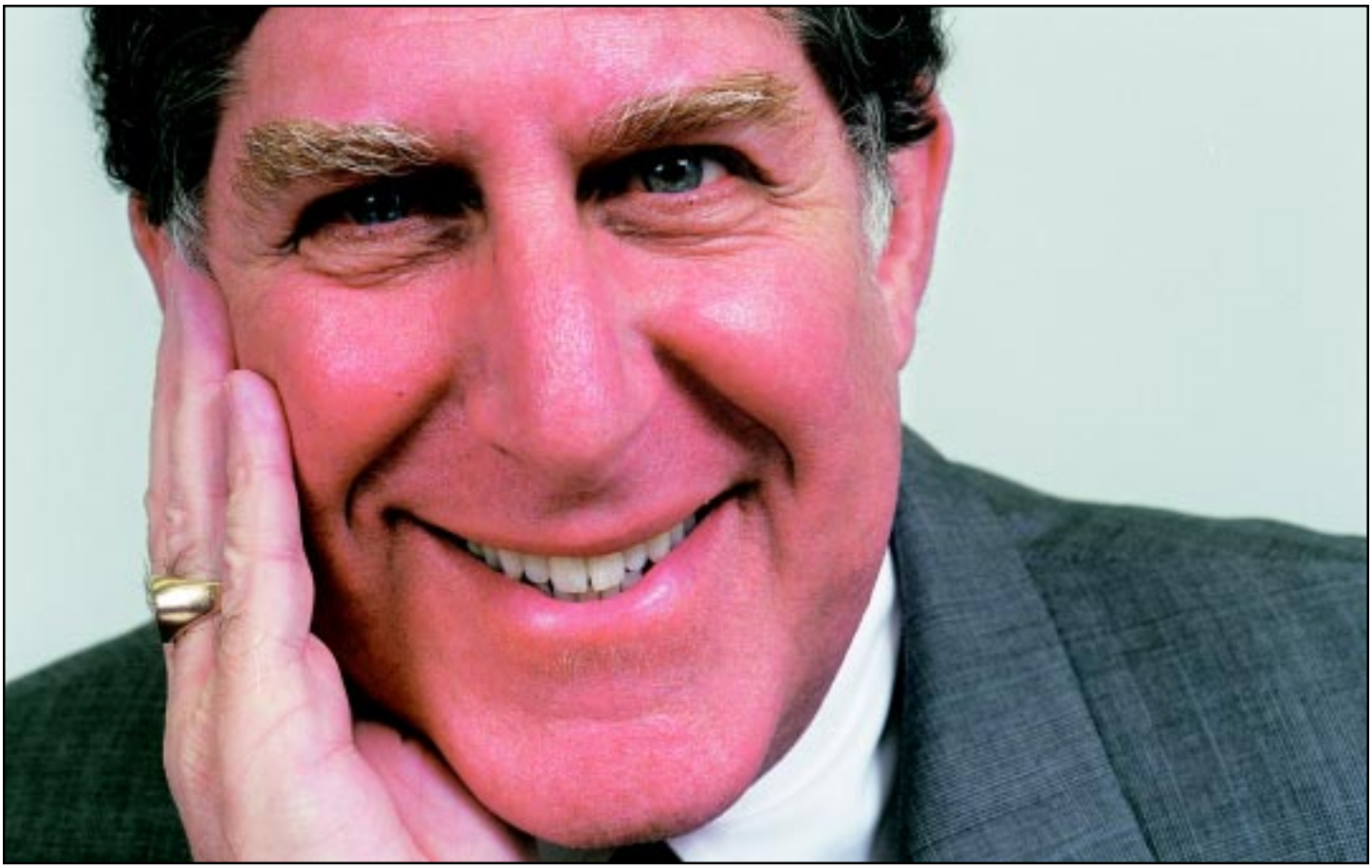
Mr. Simon enjoys the challenge of creating value in under-valued organizations by providing his unique leadership and management skills needed to quickly and effectively address critical situations. He has crafted XRoads' turnaround methodology; a highly analytical, comprehensive approach that integrates human, patient, financial and operational perspectives, while relying heavily on a hands-on intense, collaborative style. By producing clear strategies supported by productive information systems and a results-oriented organizational culture, his XRoads team of professionals leads troubled enterprises toward sustainable quality improvement and efficiencies.

Mr. Simon established XRoads to distill his experiences into a world-class turnaround firm committed to sustainable improvements for all constituents. His efforts have attained national distinction as The Beard Group, publisher of Turnaround and Workouts magazine, has named XRoads as one of America's Top Turnaround Firms for the eighth consecutive year 1997-2006.

THE BUSINESS LIFESTYLE MAGAZINE • JUNE 29, 2000

OC METRO

SAVING COMPANIES IN TROUBLE



Dennis Simon and Crossroads ride to the rescue.

BY DEBBIE L. SKLAR

Newport Beach businessman Dennis Simon does not wear shocking blue tights or a satin cape to rescue the distressed — he has his own special tools for assisting those in need. In this case, it's helping companies stay afloat. Since 1997, Simon's company, Crossroads, has been providing experience, support and solutions to the stakeholders of undervalued companies. Crossroads specializes in providing leadership and management expertise to companies that are, for a variety of reasons, underperforming. In extreme cases, a company is dangerously close to financial collapse. Rather than being a corporate raider, Simon is a turnaround artist.

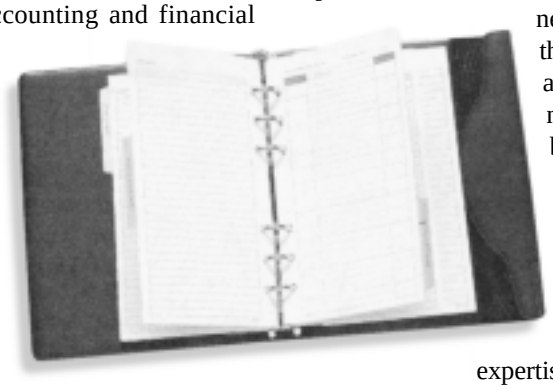
About one-third of Crossroads' clients want to improve their company's value because they are underperforming — and the stakeholders want a better performance. "Turnarounds on our end generally take

between six and 18 months," Simon says. "Management has contacted us because they either need to supplement or replace their team. Our contribution to the process is unique because we go beyond the typical financial consultant's role and supplement experience with a hands-on operational knowledge that is key to achieving optimum value."

Some of the companies that have reaped the benefits of Crossroads' unique methods include the Florida-based Outsource company, Anaheim-based Lyle Parks Jr. Inc. and Irvine-based Day Runner.

According to Garry Meier, chairman and CEO of Outsource, a company that leases employees to manufacturing facilities based in Del Ray Beach, Fla., Crossroads stepped in a year ago to help the company change directions. "We employed them to develop a performance turnaround and a corporate restructure," Meier says. "We also brought them in to help augment or supplement the executive management of the company."

Crossroads sent in several associates to supplement the accounting and financial areas of the company. Crossroads also sent in principal J.G. "Pete" Ball, who continues his role as interim COO for Outsource. He has more than 20 years of experience in providing interim management ranging from serving as the CEO to the CFO. Prior to becoming involved in the turnaround of underperforming companies, Ball was an executive with E.I. DuPont, Textile Fibers Department. "Crossroads is responsible for the ongoing viability of the company and we have nominated Outsource, as well as Crossroads, as candidates for the turnaround of the year award through Chief Financial Magazine," Meier says. "They have done a phenomenal job for us and we couldn't be more pleased."



Help from an expert

About 10 years ago Lyle Parks Jr., CEO of the construction company bearing his name, approached Simon for help.

"He's still helping me today as a consultant because I think he has a brilliant mind," says Parks, who will celebrate 40 years in business this year. "He goes into a company and in a very short time he can tell you what's wrong and what you need to do. He knows what to do, how to do it and he gets it done."

Two decades ago, Simon told Parks what he needed to do in order to help his employees feel more financially secure. "We needed to make this more of a smooth-running construction company that could handle salaries and bonuses so everyone was treated equally," he says. "Bottom line: it's not how smart I am in running the business, but it's how smart the people are that I put around me that makes the company successful." Parks says it took Simon about 30 minutes to evaluate the company's problem and implement a solution. "He told me what I needed to do to turn things around, I did and now we're running smoothly — business is great," he says. "Since then my motto has been do what I do best and hire the rest."

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Crossroads has expertise across a number of business sectors including consumer products, energy, healthcare, Latin American operations, manufacturing, retail, technology and software, and transportation and distribution.

The goal at Crossroads is to help companies choose optimal financial and operational alternatives when facing critical business junctures. Simon says, "Whether you're an investor, corporate officer, director, or creditor of an undervalued company, we can provide the highest quality response to the stakeholders to effectively guide them on the correct path through complex, difficult and often uncharted business environments. We save companies and increase their value, whereas a corporate raider buys the company when it's cheap and wounded. We parachute in to help; we're the good guy."

So good in fact, that Simon says his company of 50 employees is the second largest of its kind — only one notch below the Detroit-based Jay Alix & Associates — a 20-year-old company. While its headquarters is in Newport Beach, Crossroads also has offices in Connecticut, New York and Texas.

What it's all about

Surrounded by sports memorabilia including a signed basketball in a Lucite case bearing the autographs of net legends Wilt Chamberlain and Bill Russell, Simon says "Historically, this industry has been small boutiques. We're big because we're willing to base our own compensation on results. Our mission is to provide the expertise of seasoned and results-oriented professionals to stakeholders of undervalued companies. Our goal is to help them achieve maximum value in the shortest amount of time."

Once contacted, Crossroads first assesses the situation, then determines an action plan, followed by telling the stakeholders what would be effective in saving the company. "It could range from buying new systems to the sale of business units or the entire business," Simon explains. "What we do is step in and implement."

Clients have included stakeholders of Econo Lube N'Tune, Global Health Sciences, Einstein/Noah's Bagel Corp., MedPartners, Zenith Electronics Corp. and Flintlock Ltd.

A few months ago, Irvine-based Day Runner Inc. contacted Crossroads to help elevate its place in the market. Simon's company responded with the placement of John Ausura, who now serves as the interim CEO working side-by-side with Day Runner's chairman. "I am the turnaround manager," he says. "Since Crossroads placed me here, things are going well. We have a great board of directors and a motivated work force. I would have to say that the restructuring plan is right on target and everyone seems to be pleased so far."

The Day Runner role is Ausura's sixth turnaround company. He is a senior turnaround executive with 20 years of corporate experience in Fortune 100 companies and banks. "It's a fast-paced business to be in [turnarounds], and you have to be able to make decisions quickly and efficiently. I like it because it is unique, but there is a lot of stress involved. You also have to be in tune with people, and you have to be a bit of a 'Jack of all trades.' "

Simon adds that 70 percent of the companies he helps are public and report between $100 million and $900 million in sales revenues. "We were brought in to assist and

improve with Day Runner's profits. We are there to supplement, not take over," Simon says. "Day Ru1nner is a solid company, we just hope to leave it more solidified than when we found it."

It takes experience

The "saving process" is not something that happens overnight, Simon stresses. He himself, as well as his staff of executives, are constantly on call and anything can happen at a moment's notice.

"We have executives who go and work at a company for anywhere between a year and two years, complete the task and then they move on," Simon says. "It's a wonderful, invigorating position for someone to be in. Most action-oriented executives have the tendency to get bored after the first three months on a new job — not here. This is the type of place where something is always happening. We've had meetings over the weekend where we're in a room for 48 hours without a break plotting strategy."

Timing is everything

When timely financial decisions must be made, a financial adviser has to quickly grasp the critical facts facing a troubled company — cash position, enterprise value, market position, loan covenants, and available alternatives. "Crossroads is equipped to handle a full range of advisory assignments across a variety of industries."

These include due diligence, advisory studies and viability assessments, lender negotiations, representations of creditors, bankruptcy proceedings and out-of-court restructuring, mergers and acquisitions, company sales and asset divestitures and corporate strategy.

"Going beyond the traditional financial advisory role, our professionals isolate financial and operations issues that have the potential to immediately improve a stakeholders' value," Simon says. "Our depth of business experience lets us quickly diagnose and respond to these issues whether they are in the warehouse, on the factory floor, in the store or in the executive suite."

In the past three years, Crossroads has assisted many retail operations. Fredricks of Hollywood is one example. "Whether a retail organization is in a turnaround or dealing with the challenges of growth, we work to identify and implement the key operational improvements required to maximize results," Simon says.

With extensive industry experiences as former chief executive officers, chief fin ancial officers, chief operating officers and executives in merchandising, information, logistics, store operations and human resources, Simon says Crossroads has talented professionals who can get the job done. The company offers a variety of services including supply chain management, growth management and business integration, market segmentation evaluation, cost reduction initiatives and corporate revitalization.

Crossroads also offers information technology (IT) assessment and implementation for high-tech companies. "Our information technology professionals are keenly aware of the critical role that an effective information system plays in establishing a company's future success," Simon says. "We focus on building appropriate information systems to help companies remain or become competitive."

Crossroads specializes in providing corporate finance solutions and options for middle-market companies. Partnering with a team of investment banking professionals, the company provides clients with assistance in obtaining financing from third parties including bridge loans, mezzanine financing, equity placement and different types of debt placement.

Once upon a time

Simon, 58, began his career after earning his MBA at Harvard University and doing doctoral studies at Tufts. The oldest son of a former New York kosher caterer and clothing retailer, he says, "I always dreamed of being a lawyer. I wanted to be Robin Hood in the legal world."

Instead, when he started taking courses as an undergrad he quickly became intrigued with economics and finance. "I had some wonderful professors who I gravitated toward and they sent me in the direction of economics." Simon began his business career by landing a position with Heublein Inc., the parent company that once owned Kentucky Fried Chicken and Grey Poupon mustard. Simon was involved with acquisitions for three years before leaving for Harvard. Coming to California in 1971, he got started by linking up with the entertainer Art Linkletter.

"I met him one day when I went to hear him speak. We struck up a conversation, and I landed a job with him and his son, Jack," Simon recalls. "I helped them buy and sell businesses; one of the most enjoyable was Vellobind, it was a fun transaction. They manufactured binders that hold reports together."

Four years later, Simon left the entertainer for a mortgage company, where he stayed until the late 1980s. He then became a partner with Buccino & Associates, where he helped turn companies around. One of his biggest cases involved Code-a-Phone.

In 1992, he joined Price Waterhouse, where he spearheaded the western region turnaround practice until 1997. "One day I had a revelation that I could start my own company," he recalls. "I thought Price Waterhouse was a fine firm for what they did, but what they do comes out of an audit background. The structure is efficient for some, but not appropriate for turnarounds. There is a lot of chaos in turnarounds. I think there comes a premium with wisdom and maturity, and accounting firms do not really fall into that category. I wanted to start a firm offering that." And that's what he's done with Crossroads. **OCM**

Debbie L. Sklar is an Orange County-based freelance writer. E-mail: debbiesklar@hotmail.com.

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