

Ex-health care chief got big payoff

By Jim McElhatton. *The Washington Times*
June 20, 2005

A former top executive of the tax-exempt company that runs Prince George's Hospital Center received more than \$500,000 for one month's work and severance before a state and county agreement was reached last year to fund a massive bailout of the financially troubled health care system.

The terms of the severance paid to Dimensions Healthcare System's former chief executive officer, Winfield M. Kelly Jr. -- a former Prince George's County executive and Maryland secretary of state -- had remained confidential until last month, when the company was required to disclose the information in its 2004 tax return.

The public filing shows that Dimensions, which also runs Laurel Regional Hospital and the Bowie Health Campus, reported overall losses of more than \$4.8 million last year.

The tax return also showed that Mr. Kelly received \$454,683 in pay plus \$60,000.17 in benefits and expenses. Mr. Kelly left the health care system in 2003 -- four weeks into the fiscal year that ran from July 1, 2003, to June 30, 2004, according to the tax return.

Dimensions' board of directors paid Mr. Kelly a severance amid increasing financial pressures at the company.

A government report has found that Dimensions lost more than \$50 million between 1999 and 2004. In February 2004, state and county officials agreed to provide a \$45 million bailout to help keep the county's largest health care provider afloat.

Analysts differ on whether Mr. Kelly's severance agreement is unusual given the company's financial woes.

Rick Cohen, executive director of the D.C.-based National Committee for Responsive Philanthropy, said the severance "sounds hefty to me." "That's a bad signal," he said. "That's not a signal that's to the benefit of the bulk of nonprofits working their tails off."

However, Hugh A. Mallon III, president of Baltimore-based Executive Compensation Concepts, which studies pay trends for nonprofit leaders, said the separation could have cost Dimensions millions of dollars if Mr. Kelly took the health care system to court.

"It sounds like a prudent decision, good fiscal stewardship on the part of the board," Mr. Mallon said.

Some county officials said they were troubled by the severance, after a government panel cited

Dimensions' "history of poor leadership" in recommending that the county sever ties with the health care system. Dimensions runs the county-owned health care facilities through a lease deal.

"Why would a private nonprofit company be required to pay that kind of money out?" said Jim Keary, spokesman for Prince George's County Executive Jack B. Johnson, adding that the severance is a "corporate scandal."

A company spokeswoman said Dimensions' board of directors was adhering to the terms of Mr. Kelly's employment contract in paying the severance.

"It was based on the employment agreement," company spokeswoman Suzanne Almalel said. "They felt it was better to pay the severance and move ahead."

"The board is saying they were obligated to pay it out. That's why it was such a big payout."

Mr. Kelly said he worked for nearly a decade without compensation on Dimensions' board of directors before he became chief executive officer for about eight years. When he left, he said, he had a three-year contract in place.

"If I had held to the three-year contract, it would have been a far more expensive separation," Mr. Kelly said. "But in the interest of just leaving here and moving forward, I kept it at just one-year severance. I could have insisted on three years, and everyone would have been more troubled by it."

Mr. Kelly said he and other former executives are blamed unfairly for Dimensions' financial troubles.

"We put [Dimensions] back on its feet," he said. "We ran it very, very well. But then all of the sudden it gets into trouble. But it didn't get into trouble because we did something dumb. It got into trouble because the federal and state payments for poor people had substantively decreased."

In addition to Mr. Kelly's severance, Dimensions reported to the Internal Revenue Service that it paid \$221,414 plus \$31,064 in benefits and expenses to its former general counsel, Steven R. Smith, who also left in 2003.

Mr. Smith now works for the Baltimore-based law firm Ober, Kaler, Grimes & Shriver, which was paid \$650,050 for its legal work on behalf of Dimensions last year.

Dimensions paid the firm more than \$560,000 the previous year.

Tax records for 2003 and 2004 show that Dimensions also has paid outside contractors.

A turnaround firm overseeing the company's finances, Cambio Health Solutions, of Tennessee,

received \$990,000 last year. Its hiring was required as part of the state and county bailout.

Copyright © 2005 News World Communications, Inc. All rights reserved.