



Hazel Hawkins

MEMORIAL HOSPITAL

April 7, 2023

REBUTTAL TO JOHN CHADWELL'S ARTICLE

Dear Editor:

John Chadwell's recent article, **Hollister residents say Hazel Hawkins Hospital lacks transparency**, offers a disappointing, and at times factually inaccurate, review of Hazel Hawkins efforts to save health care in San Benito County. In the interest of advancing fully informed community discussion, we feel compelled to correct the record on six inaccurate or misleading statements in the article.

First, the article contains inaccurate claims concerning the District's liability for deferred payroll tax liability under the CARES Act. The article relies heavily on the supposition of Mr. Bernosky—a frequent critic of Hazel Hawkins who features regularly in Mr. Chadwell's articles. Mr. Bernosky incorrectly assumes that the unpaid liability may concern both the employer's and employee's share of payroll tax. Not true. The payroll tax liability deferred under the CARES Act only relates to the employer's share. Mr. Bernosky is also incorrect that Hazel Hawkins "received the nastiest letters from the IRS." Wrong. The IRS has yet to provide a notice concerning the deferred payroll tax liability. Mr. Chadwell claims the liability is "over \$2 million," which is an overstatement of almost double the amount.

The truth is Hazel Hawkins' financial condition permits it to request an abatement of the tax liability for "reasonable cause," which is exactly what Hazel Hawkins will do. The article wrongly claims the decision is "troubling" and "makes the situation 100 times worse." In fact, it is the responsible move for Hazel Hawkins to take advantage of its right to request that it not have to pay the tax liability.

The inaccurate claim that employees' share of payroll tax liability might be unpaid was rightly worrisome to our dedicated employees. They deserve access to accurate and impartial facts. That is why Hazel Hawkins management has given regular updates to its employees about the status of efforts to save Hazel Hawkins. It is also principally why Hazel Hawkins felt compelled to write this letter to correct the record for its employees and the community.

Second, as is common in Mr. Chadwell's reporting, the article offers significant editorializing, including claims that members of Hazel Hawkins' management "were models of the non-transparency their critics have claimed." Mr. Chadwell's opinion does not appreciate the context. As Hazel Hawkins has made public—and Mr. Chadwell has reported—Hazel Hawkins has been involved in state-mandated mediation that involves strict confidentiality provisions. Management's efforts to carefully describe their meetings with participants in the mediation process was cautious because state law requires it. Couching it as something else without admitting Hazel Hawkins' known confidentiality obligations is misleading.

Third, the article claims that management has "whipsawed" the community with information about its financial state. False, in November 2022, Hazel Hawkins was at risk of imminent closure. The article suggests that shortly thereafter, Hazel Hawkins "suddenly found \$11 million." The timeline is contradicted by BenitoLink's own reporting. One week before Mr. Chadwell's article, BenitoLink published **Hazel Hawkins withdraws anticipated closure notice**. That article, based on Hazel Hawkins' press releases, confirmed the effort to bridge the \$11 million funding gap took from November 2022 to February 2023 and cited each of the sub-categories that made up the budget gap. The largest category was \$6.8 million in cash from revenue enhancing and cost saving operational enhancements. Far from sudden, Hazel Hawkins' budget efforts have been deliberate, methodical, and regularly reported.

Fourth, the article claims that "only seeking a buyer" are "an incredibly risky play." Hazel Hawkins has repeatedly confirmed that it is looking at **any potential deal** structure involving a strategic partner or

buyer. Ms. Casillas explained the benefits of either transaction structure in a February 24, 2023 BenitoLink column. The insinuation that Hazel Hawkins has an alternative is wrong. Hazel Hawkins hired nationally recognized restructuring consultants well-versed in distressed health care. These independent advisors have confirmed: Hazel Hawkins cannot exist independently and continue providing the same services it does now. Preserving the same level of health care for the community requires a transaction.

Fifth, relying once again on Mr. Bernosky, the article repeatedly levels transparency criticisms at Hazel Hawkins. To be clear, since the November declaration of fiscal emergency, Hazel Hawkins has done the following:

- The board has held ten regular and special public meetings.
- Hazel Hawkins has issued eleven press releases updating the public about the status of its financial circumstances. Ms. Casillas and board member, Jeri Hernandez, have also written guest columns in BenitoLink with updates.
- Hazel Hawkins publicly posted Frequently Asked Questions concerning the District's fiscal emergency declaration and the status of Anthem negotiations.
- Hazel Hawkins issued two public WARN notices and one WARN withdrawal notice to its employees providing updates in the District's efforts to resolve its financial crisis.
- Hazel Hawkins has held four town hall forums to provide updates to employees in person.
- Hazel Hawkins held a joint public forum on January 23, 2023 attended by about 150 community members.
- Hazel Hawkins' management and advisors have presented at meetings of the San Benito County Board of Supervisors and meetings of its Intergovernmental Committee.
- Hazel Hawkins management and advisors have participated in two months of confidential mediation with key constituents.
- Hazel Hawkins has publicly posted its complete audited financial statements for fiscal years 2020, 2021, and 2022 on its public website.

These and other transparency initiatives are all omitted from Mr. Chadwell's article.

Sixth and finally, Mr. Chadwell's article repeats an irresponsible demand that Hazel Hawkins' board or management should all resign "en masse." In the midst of providing patient care in a financial crisis, it is hard to imagine anything that would be more irresponsible. Moreover, it pays no deference to the fact that thus far, Hazel Hawkins has successfully delivered on its principal mission—provide our community with continued access to quality health care—despite dire financial challenges.

Mr. Chadwell's article serves only to undermine Hazel Hawkins' efforts to secure health care for the community, to foster meaningful community dialogue, and to support the hard work of its health care providers. In this critical time, we need to focus on facts not speculative rhetoric.

Sincerely,

Hazel Hawkins Memorial Hospital