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Some Board Member Deals With Maryland Health System Violated COI Policy; CCO Resigns

By Nina Youngstrom

In the wake of revelations that some board members at the University of Maryland Medical System (UMMS) had conflicts of interest, the chief compliance officer and three other executives resigned, and on June 12 UMMS released a report that found that senior leaders made deals with board members that weren't always competitively bid or declared necessary by the full board, including a consulting agreement with the chair of the board's audit and compliance committee.

The events unfolding at UMMS are a cautionary tale about business deals with insiders that aren't reviewed and managed, no-bid contracts, a lack of transparency and the fallout when it all comes to light. For her part, UMMS's chief compliance officer, Christine Bachrach, tells RMC that "I was not aware of the personal services arrangements before they were entered into." However, if compliance officers ever have concerns about financial arrangements, she suggests putting them in writing and making sure the minutes of meetings "reflect the information."

The scandal has rocked UMMS, a nonprofit, university-based regional health care system. In addition to its CEO resigning in April, UMMS announced the resignations of the chief compliance officer, the general counsel, the chief administrative officer and the chief performance improvement officer. It has adopted a new conflicts of interest policy, and board members are required to attest to their compliance with it. The policy prohibits sole-source contracting with board members, who are forbidden to "engage in a personal services agreement, regardless of circumstance." ("Excerpts from University of Maryland Medical System's New Conflicts of Interest Policy," RMC 28, no. 22.) UMMS also froze performance-based executive bonuses for corporate system senior executives. In March, the nine board members with potential conflicts "separated" from the board. If they had personal services contracts with UMMS, the board members resigned and are gone for good. Board members with professional services contracts took voluntary leaves of absence and "will be welcomed back," UMMS said June 12.

CEO Cut Deal With Mayor for Books

According to the report, which was prepared by Nygren Consulting, LLC, nine of the 30 board members "either personally or through other business relationships, had financial linkages to UMMS." For example, one of the board members was then-Baltimore Mayor Catherine Pugh, who resigned from the board in March and is under investigation by the U.S. Attorney's Office for the District of Maryland.

Between 2010 and 2018, UMMS agreed to pay \$500,000 to Pugh for copies of her self-published "Healthy Holly" children's books, which were to be distributed to Baltimore City Public Schools. The CEO at the time, Robert A. Chrencik, cut the deal with Pugh without the board's consent. "Our review has determined that management did not present the book purchases to the Board or any committee for prior approval, as required by then-in-effect Conflict of Interest policies, and the purchase was not subject to any competitive bidding process. In addition, our research uncovered no records specifying the terms of that financial relationship or justifying the need for UMMS

to purchase the books,” the report stated. Although a March 2018 board presentation prepared by the chief compliance officer notes that UMMS bought 20,000 “Healthy Holly” books, “most Board members stated they had no awareness of the arrangement,” according to the report. Chrencik resigned in April.

Other financial relationships with the nine board members are described in the report. For instance, Chrencik entered into an arrangement with John Dillon in 2012 for various services, including working on a capital campaign for Shore Health System and helping the CEO with hospital acquisitions and UMMS expansion. Dillon was on retainer for \$13,000 a month through March 2019, and got more than \$100,000 a year from UMMS. “Most Board members stated they had no awareness of his personal consulting arrangement with UMMS,” the report stated. “While many interviewees agreed that Mr. Dillon’s fund-raising efforts on behalf of Shore Health System were valuable, they also noted that being paid while serving as a Board member was inappropriate. Fund raising is an expectation of all volunteer, non-profit directors.” Dillon resigned from the board in March.

The report said Robert Pevenstein, the chair of the audit and compliance committee, earned revenue on the side from UMMS. His firms, Profit Recovery Partners and The Optimé Group, entered into consulting arrangements with Chrencik and another executive for performance improvement initiatives, and Pevenstein was paid a \$15,000 monthly retainer. He resigned in March. “Mr. Chrencik acknowledged the Board was not told about the contract beforehand, but that it did appear on a disclosure of financial relationship form,” according to the report. “The contract did not go through Supply Chain and the full Board was not apprised.”

The report talked about board member August Chiasera, regional president of M&T Bank, who disclosed annual revenue exceeding \$100,000. The disclosures appeared in presentations to the board audit and compliance committee and executive committee. When UMMS created a syndication for a revolving line of credit, it hired a consultant to vet eight banks competing for the business, including M&T. The decision went to the board’s finance committee, and Chiasera recused himself. The report concluded that “governance practices relevant to the financial relationship between Mr. Chiasera and UMMS appear to have worked as intended.” Chiasera took a leave of absence from the board in March but has been invited back.

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