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BGR's Spotlight on Local Government Issues

Troubled Hospital Lease Process Symptomatic of Jeff Contracting Ills

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Jefferson Parish officials are seeking to lease the parish's two publicly owned hospitals – East Jefferson General Hospital (EJGH) and West Jefferson Medical Center (WJMC) – to an outside operator. The officials contend a lease will help ensure the hospitals' long-term viability in the face of financial pressures.

Each hospital has a 10-member board of directors appointed by the Parish Council and parish president. The parish also has an umbrella hospital board (Third District Board) that is comprised of the two hospitals' boards of directors. The Third District Board advises the Parish Council on matters relating to the hospitals. Last year, the Third District Board hired consultant Kaufman Hall & Associates, Inc. (Kaufman Hall) to help solicit prospective lessees for the hospitals. The Parish Council must approve any lease.

The proposed 30-year lease is poised to become the largest and most important financial transaction in the parish's history. Unfortunately, the selection process is in total disarray. The two hospital boards are hopelessly divided on which suitor to recommend to the Parish Council, and the council has been struggling with the issue for months.

Underlying the disarray is a failure to follow good contracting practices. Contracts like the hospital leases should be awarded to the firm that performs best on an evaluation committee's scoring of relevant criteria. For that reason, it is important that the criteria be clearly articulated and align with the goals and objec-

tives for the contract. The criteria should be weighted based on their relative importance. A scoring system should be established to minimize subjectivity in ranking the proposals, and the government should select the highest ranked proposal or terminate the process. Finally, the selection process should be transparent to encourage accountability and public trust.

In this case, the proceedings have been shrouded in secrecy, making it difficult for the public to discern what the process is. Based on information BGR gleaned from limited responses to its public records requests, there appear to be 18 criteria for evaluating the proposals. However, there are no weights assigned to the criteria, making it impossible to establish an objective scoring system to rank the proposals. This is a recipe for an overly subjective selection process.

The importance of weighted criteria and the problems caused by their absence have been clearly articulated in Kaufman Hall's *Written Responses to Jefferson Parish Council Resolution No. 121828*:

"...[I]t is the relative weight that the Third District Board or the Parish Council members attach to each of these separate goals and objectives that is critical to answering the question of which suitor would be the best partner for EJGH and WJMC. Depending upon how the various factors are weighted, the answer of which suitor would be the best partner changes dramatically. In the course of Kaufman Hall's analysis of the various proposals, we can and have made the case that, depending on how you weight the identified factors, any one of the parties that are still under consideration can be viewed as the candidate that is best suited to meet the needs of the local community."¹

The troubled hospital leasing process provides yet another example of the pressing need to establish rational and objective standards for

¹ Kaufman, Hall & Associates, Inc., *Written Responses to Jefferson Parish Council Resolution No. 121828*, p. 2.

awarding contracts in Jefferson Parish. As BGR has previously documented, the parish's procurement processes stand far apart from best practices, in large part because they give council members an unusual degree of discretion in awarding certain types of contracts. (See [Private Services in the Public Interest: Reforming Jefferson Parish's Unusual Approach to Service Contracting](http://www.bgr.org/reports) at www.bgr.org/reports.)

Council members have rightly stated that the hospital lease contract will probably be the biggest decision they will ever make on the council. The fact that such an important decision-making process could fall into disarray is telling. It is time for the Parish Council to implement the fundamental contracting reforms that the parish so desperately needs.

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