

# **+PIKEVILLE MEDICAL CENTER**

## **To Whom It May Concern:**

I am aware that an anonymous group of people in the community have been circulating some financial information about me and my family in relation to Pikeville Medical Center. The information being circulated includes amounts that the hospital has paid over the course of 5 years as salary to me - or people who have a connection to me - and amounts paid to businesses in which I or someone in my family have had or do have an interest. I presume this is a misguided attempt to somehow embarrass me or cast a cloud of suspicion over me and the hospital. Sadly, I don't think the timing of this effort is a coincidence. I am 80 years old, and my wife died 6 months ago. In the last year I have also lost a son-in-law and a couple of my best friends. Many people know that I have been dealing with serious health challenges. I have always said that a leader becomes vulnerable when a weakness - either real or perceived - becomes apparent. It appears this anonymous group thinks they are exploiting a weakness. And while I do not generally respond to anonymous communications, I'm making an exception in this instance. I want to set the record straight so that there is no misunderstanding.

First, it should be noted that the information being shared is not and has never been secret. It is publicly available on the hospital's tax returns just as it is for any tax-exempt, non-profit company. By federal law, there are various ways the public may access this info. As always, the hospital and I are, as a matter of routine, very transparent about these issues. Secondly, the information they're talking about is a 5-year total, although the federal government does not look at the information that way, nor is it reported in 5-year increments.

Next, with a hospital the size of PMC in a small community the size of Pike County, it is inevitable that the hospital will hire relatives of a member of the board of the directors or will do business with a company that has some relationship to a member of the board. To guard against impropriety, PMC employs KPMG, a large, nationally-known accounting firm, to evaluate transactions between the hospital and members of the board of directors, key employees, and/or their family members, including some doctors. KPMG has indicated that each transaction evaluated contains reasonable compensation for services being performed for the hospital. In keeping with good corporate governance principles, the hospital does not obtain any other services from that particular accounting firm. Evaluation of these transactions is the only service they provide to the hospital.

As to members of my extended family being employed by PMC, there are several points to be made. The hospital has over 3,000 employees, and my family members account for less than one-half of one percent of that total. PMC is the only hospital in town and, since PMC also employs most of the doctors in our community, there are not many other employment choices here for healthcare professionals. For that matter, PMC is the largest employer in Pikeville of any kind and has been named one of the "Best Places to Work" in the state and the country multiple times. It is only natural that people in our community, whether they be patient care professionals or individuals with other skill sets, would want to work for PMC. PMC always tries to hire the best person for the job and the fact they are related to someone on the board does not exclude them from consideration. Those members of my extended family who are nurses were already working at PMC before marrying into my family. Additionally, I have never made hiring decisions regarding members of my family. Those decisions were made by other members of the PMC management team specifically to keep me out of that process. The nurses who are related to me in some way have not been paid any differently than other nurses at PMC and those who work or have worked in roles other than patient care are paid amounts that are not only reasonable for their position, but also generally less than other people are paid for a similar role.

My own compensation as CEO is set by the hospital's board of directors and the board's compensation committee. The board utilizes compensation surveys containing amounts paid to CEOs of hospitals all across the country to set my pay. My salary is nowhere near the top of the scale for CEOs of hospitals the size of PMC. I have never asked for a specific amount of compensation, but simply accepted what the board offered. CEO is not a job that I ever sought. When initially asked by the board to be the CEO, I turned it down because I didn't think I was qualified. For the first 2 years that I held the job, I took no salary at all. I feel that I have led PMC to considerable success during my tenure as CEO. We have impressive facilities and equipment and have expanded greatly over the years. We have recruited qualified, hard-working doctors in all major specialties. We have won numerous quality awards and become affiliated with the Mayo Clinic. We have achieved the only Level II trauma center designation in the state. Patient volumes have substantially increased and, as a result, we have expanded our workforce to care for the additional patient volume which, in turn, provides much needed, well-paying jobs in our local community. Our employees spend their money locally which supports local businesses and provides economic growth to the area. At a time when other hospitals are closing and laying off employees, Pikeville Medical Center has thrived. Of course, there have been times of temporary financial downturn for PMC, but during those times, I have voluntarily taken a substantial cut in my pay. This has always been at my own direction. For example, during the downturn that the hospital is currently experiencing, I asked members of senior management to take a 10% pay cut, but I voluntarily reduced my own pay by 20%. I also directed that EKB's advertising be cut by 20%.

The information being circulated also relates to the amounts paid over the years for advertising to East Kentucky Broadcasting and for legal services to East Kentucky Law Group. Again, there are several points to be made. Hospitals need to advertise their services. I view advertising expenditures as an investment. More money is brought into a business through the customers generated by the advertising than is spent by the business on the cost of the advertising and I certainly believe that has been PMC's experience. East Kentucky Broadcasting is a logical outlet for local advertising. They cover our local market more thoroughly than any other advertising outlet. The hospital pays the same advertising rates as other businesses that advertise with East Kentucky Broadcasting. East Kentucky Broadcasting is not the hospital's only medium of advertising. We also utilize billboards, print ads, radio, and television advertising purchased from companies other than East Kentucky Broadcasting. It also should be known that I do not personally direct the buying of advertising from East Kentucky Broadcasting, nor do I decide how much advertising is purchased from East Kentucky Broadcasting or any other media. That has consistently been handled by the hospital's chief operating officer so as to intentionally exclude me from it.

As for legal services, my late wife, Pam May, was the owner of East Kentucky Law Group. Pam became the chief legal advisor to the hospital long before we ever went on our first date and she was hired by the board of directors, not me. Prior to that first date, I sought and received permission from the executive committee of the board to date her. We later disclosed to the board our intention to marry and offered that one of us would resign. The board rejected that offer. I never set the rates for Pam's law firm and never saw the bills. The information being circulated also does not consider the countless number of volunteer hours that Pam donated to the hospital during her life. Finally, East Kentucky Law Group has never been the only law firm that PMC uses. Law has become nearly as specialized as medicine. Both when Pam owned the law firm and today, it is necessary for PMC to routinely engage multiple law firms, both around Kentucky and from other states, to provide specialized legal services on specific matters affecting PMC's business. Those firms are in larger cities and generally charge rates considerably higher than East Kentucky Law Group.

I also must note that the amounts paid to East Kentucky Broadcasting or East Kentucky Law Group are not a representation of the amount of profit to the owners of those companies. Both of those businesses have multiple employees who are not related to me. Like any business, they incur many different costs in providing services to their customers, including wages, taxes, insurance, equipment, supplies, and physical facilities. To focus on the amount paid to these businesses as if it amounts to profit is both inaccurate and unfair.

In summary, I do not know what those who are circulating information about me expect to gain, but I want the members of the public to know that the hospital is and has always been transparent about transactions involving board members, their family, or businesses related to them and that the hospital also implements safeguards and good corporate governance practices to ensure that those transactions are reasonable and compliant with the law. I have said all I plan to say about this situation, other than to extend an invitation to the anonymous group of people who have raised this issue. If they truly have the betterment of our community and the best intentions for PMC in mind, I invite them to come out from behind the curtain of anonymity for a positive and frank discussion. Until then, I leave you with this old saying: The Native Americans said you never shoot an arrow into the chief until he is mortally wounded. Well, folks...I'm not mortally wounded.



  
**Walter E. May**

*President/CEO, Pikeville Medical Center*