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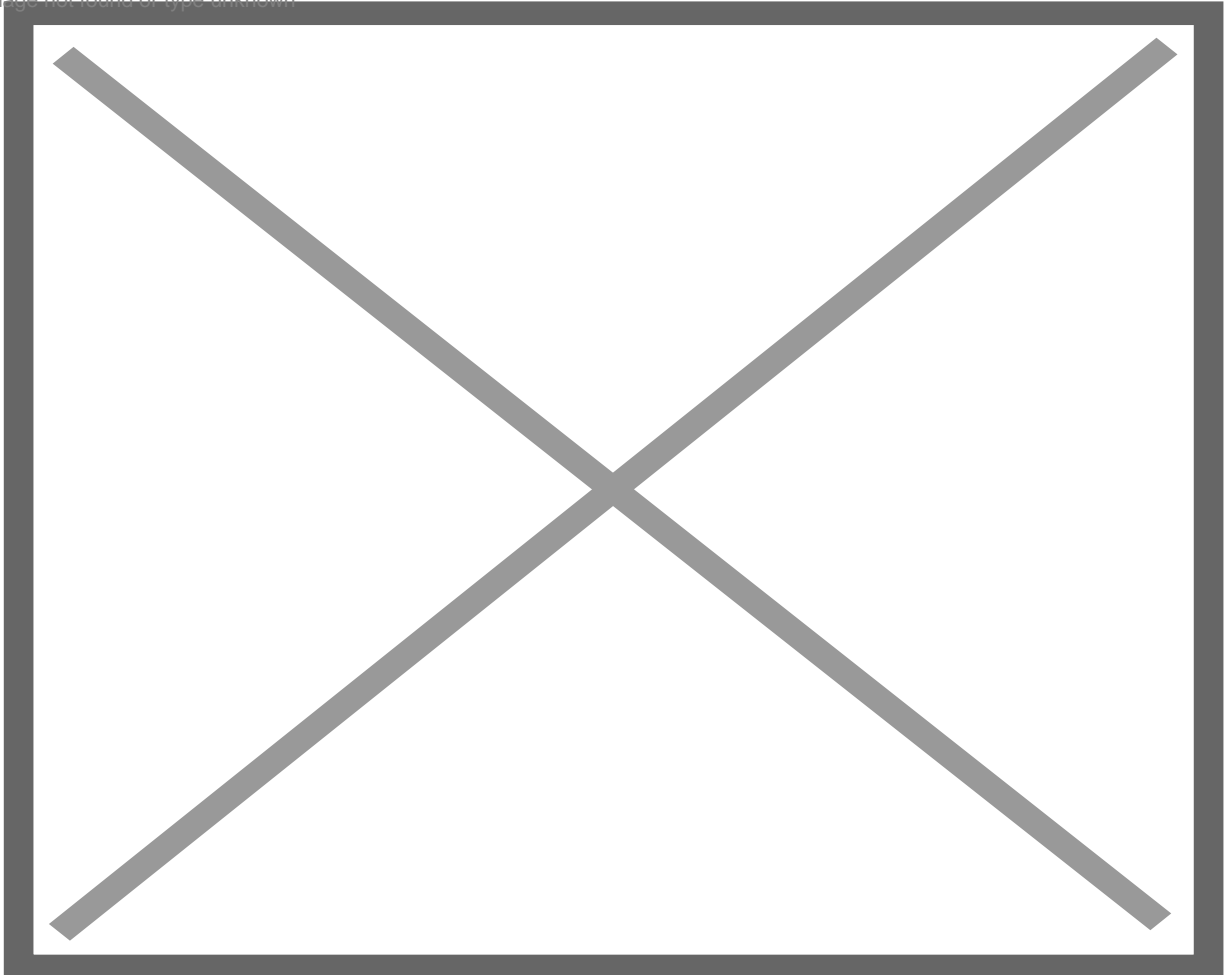
Former JFL Executive Sues Hospital for Wrongful Discharge, Claims Financial Mismanagement and Retaliation

Christopher Lewis alleges wrongful discharge after refusing to transfer restricted federal funds; lawsuit details alleged financial mismanagement at JFL Hospital.

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Janeka Simon **February 11, 2025**

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From left to right, Hazel Philbert, Daryl Smalls, and Douglas Koch are key figures in a lawsuit accusing JFL Hospital leadership of wrongful discharge, financial misconduct, and misuse of federal funds.

A former senior executive at Juan F. Luis Hospital has filed a lawsuit against the hospital and the Territorial Hospital and Health Facilities Corporation, alleging wrongful discharge, violations of the Whistleblower Protection Act, and financial mismanagement.

The civil complaint, filed on Monday by attorney Lee Rohn, details serious claims regarding the hospital's handling of funds, improper directives from leadership, and retaliation against the plaintiff for refusing to engage in unlawful financial practices.

According to the complaint, Christopher Lewis was hired into the accounting department at JFL in 2018. By 2023, he was the senior vice president of finance. By April of that year, "the COVID pandemic had ended, and the stay from removing persons from the Medicaid rosters that were no longer qualified had expired," the lawsuit says. However, as Mr. Lewis claims in his complaint, an employee of the Department of Human Services "failed to do the massive removal of non-qualified Medicaid persons."

As a result of that reported failure, the payment of Medicaid claims from JFL became inconsistent between October 2023 and April 2024. This, the lawsuit says, had knock-on effects that ultimately resulted in a \$3 million loss of revenue for the hospital.

The ramifications of this loss unfolded in several ways, the lawsuit says. One of these was reportedly an improper directive from the executive branch of government in 2023, to use federal dollars earmarked for other purposes to pay outstanding vendor invoices. Approximately \$1.2 million was needed because improper documentation resulted in a reported refusal by the Federal Emergency Management Agency to foot those bills, and thus the opening of JFL North was in jeopardy. Former CEO Douglas Koch passed the directive down to Mr. Lewis, the lawsuit says, promising that the funds would be returned within months.

Approximately a year later, the money taken from the hospital's American Rescue Plan Act funding source had not been returned, and Mr. Lewis threatened to resign and disclose the improper directive if the money continued to be withheld, his claim for wrongful dismissal states. Some of the money was replaced in the ARPA account, but the lawsuit says that between \$200,000 and \$500,000 remains outstanding to this day.

By April 2024, Mr. Lewis had apparently had enough. "Plaintiff threatened to resign because JFL Hospital was financially not able to make the next payroll, there was no accountability for financial mistakes, failure to properly document procurements, and no progress had been made in solving the hospital's dire financial condition," the lawsuit declares.

Even with JFL in this perilous state, external actors reportedly continued to hamstring the hospital's ability to regain its financial footing. Mr. Lewis's complaint accuses Temporary Hospital Redevelopment Team leader Darryl Smalls of blocking the access of a JFL staffer to information that could help the hospital achieve greater success in receiving FEMA reimbursements and payments.

Mr. Smalls is also accused of taking other actions that cumulatively resulted in increased expenses for JFL, as well as reductions in the amount of FEMA money coming in.

Through it all, Mr. Lewis says in his lawsuit that he sent correspondence and initiated meetings with relevant officials to raise the alarm about the hospital's ongoing financial difficulties. One such email was sent on October 9, 2024, titled "Payless Paydays," the lawsuit says. In the missive, "plaintiff pointed out that several months earlier he had informed the Board that if proactive

measures were not taken, there would be a shortfall during the first month of the fiscal year.” He reportedly pointed out the continuation of the misclassification of JFL's Medicare compensation, arguing that it was costing the hospital a million dollars each year. “A similar problem had occurred in Guam, and when they corrected it, they received a multi-million dollar settlement,” according to the lawsuit.

In the email, “plaintiff pointed out that...nothing had been put in place to address the lost and delayed reimbursements, which would have brought in significant revenues and had likely cost JFL Hospital FEMA funding and would continue to do so in the future.” Drastic changes were needed in order to meet the October 2024 payroll deadline, Mr. Lewis reportedly warned, pointing out \$4.7 million dollars in potential revenue that had been squandered by failing to follow up on outstanding requests for funds.

Mr. Lewis followed through on his resignation threat on November 18, 2024, stating in his lawsuit that “nothing was being done to correct the finances of JFL Hospital.” However, before his final day on January 10, 2025, he claims that then-interim CEO Hazel Philbert, like her predecessor Mr. Koch, made an inappropriate request.

Towards the end of November, Mr. Lewis reportedly alerted Ms. Philbert that the payroll account urgently needed to be funded by just over \$1.2 million. “He pointed out that the restricted accounts cannot be used for payroll. They included ARPA funding, current FEMA funding and past FEMA funding, which was owed to others.” Mr. Lewis preemptively refused to transfer money from any of these funds to meet payroll, “as it was illegal to do so,” according to the lawsuit.

Ms. Philbert reportedly asked him to move funds out of restricted accounts anyway, and Mr. Lewis promptly reported the matter to the Legal and Human Resource departments. He also reportedly sent a second email requesting that Ms. Philbert acknowledge that her senior vice president of finance was advising against the transfer. The response? “Please proceed to complete payroll to avoid a payless payday this week,” the lawsuit claims Ms. Philbert wrote back.

In another piece of correspondence, sent to Ms. Philbert on November 26, 2024 and copied to members of the JFL board, Mr. Lewis reportedly again outlined the hospital's precarious financial position and continued failure to act to mitigate revenue losses. He pointed out that JFL's billing and coding vendors were either currently withdrawing their services or likely to do so in the near future, and he blamed senior management for the lack of firm decision making that had brought the hospital to such a critical juncture.

According to the lawsuit, there was no real response to that email apart from continued pressure from senior management “to improperly allow them to access bank accounts and federal funds to use those funds improperly.”

After resisting these advances for some weeks, Mr. Lewis was eventually processed out from his position on January 3, days before his official end date. In his exit interview on January 10, “he explained that the reason for his resignation was the unethical decisions by CEO Philbert and lack of action by the Territorial Board of Directors,” the lawsuit said.

According to the complaint, as a final example of the lack of executive competence displayed by Ms. Philbert and JFL senior management, the work email account of Mr. Lewis was reportedly shut down prior to him being able to transfer access to the JFL Hospital accounts to a temporary successor. This apparently resulted in the hospital being unable to access “Medicare accounts and other restricted accounts” for some time, and caused other ripple effects such as “difficulties with

payroll and other payments.”

Mr. Lewis accuses JFL of wrongful discharge, violation of the Whistleblower Protection Act, breach of duty of good faith and fair dealing, defamation, and causing damages to taxpayers. He is seeking a jury trial and asks for damages – both compensatory and punitive – to be assessed against the hospital.

As of press time, there has been no response to the suit from the defendants.

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