STATE OF CALIFORNIA
FAIR POLITICAL PRACTICES COMMISSION
1102 Q Street • Suite 3050 • Sacramento, CA 95811

November 5, 2024

Karen Arnold
[redacted]

Jessica Grinberg
Via email: [redacted]

Re: No Action Closure Letter, In the Matter of Karen Arnold and Jessica Grinberg, FPPC No. 2019-01736

Dear Karen Arnold and Jessica Grinberg,

The Enforcement Division of the Fair Political Practices Commission ("Commission") enforces the provisions of the Political Reform Act.[1] This letter arises from a sworn complaint and an anonymous complaint alleging conflicts of interest with respect to governmental decision(s) made by Karen Arnold ("Arnold") and Jessica Grinberg ("Grinberg") in their capacities as Members of the Board for the Mendocino Coast Health Care District ("MCHCD"). After a review of the available evidence, the Enforcement Division is closing these complaints with this letter as discussed below.

No public official at any level of state or local government may make, participate in making, or in any way attempt to use her official position to influence a governmental decision in which she knows or has reason to know she has a financial interest.[2] A public official has a financial interest in a decision if it is reasonably foreseeable the decision will have a material financial effect on the official's interest, such as an interest in a business entity.[3]

MCHCD is a California Healthcare District, a type of jurisdiction created to respond to the specialized health needs of the jurisdiction. MCHCD owns a hospital and in 2019, the District sought to identify and contract with a new partner to lease and run the hospital. The District created a Request for Proposal for this purpose and in late 2019, Adventist Health Mendocino Coast was selected as part of that process. On November 22, 2019, the District voted to place the ultimate decision on the ballot. This ballot measure appeared on the March 3, 2020 ballot and was approved.

Arnold and Grinberg were both public officials and both participated in the Request for Proposal project and voted on the governmental decision to place the question of hospital's management on the ballot. Both have economic interests that could potentially create a conflict with

[1] The Political Reform Act is contained in Government Code sections 81000 through 91014, and all statutory references are to this code. The regulations of the Fair Political Practices Commission are contained in sections 18104 through 18998 of Title 2 of the California Code of Regulations.
[2] Section 87100.
[3] *See* Regulation 18702.

respect to decisions related to the Hospital. Arnold has an economic interest in the nonprofit organization, Mendocino Coast Clinic, through her income as an employee there. This health care center operates a general family health service and could, in theory, compete with the Hospital's family health clinic or could contract with the Hospital. Grinberg has an economic interest in her business, Align Orthotics & Prosthetics ("Align"). Align has had a longstanding contract with the Hospital as a provider of durable medical equipment ("DME") such as splints, walkers, crutches, etc.

It is reasonably foreseeable that a decision impacting the running of the Hospital could have a financial effect on the two financial interests at issue. Under the regulations, the next step in the conflict analysis is to determine whether the financial effect is material.[4] Under the materiality standard in effect when the vote was made in November 2019, the financial effect is material only if the decision may result in an increase or decrease of the business entity's annual gross revenues or the value of the entity's assets or liabilities in an amount equal to or more than $1,000,000 or five percent of the entity's annual gross revenues and the increase or decrease is at least $10,000. Alternatively, the effect will be considered material if the decision may cause the entity to incur or avoid additional expenses or to reduce or eliminate expenses in an amount equal to or more than $250,000 or one percent of the entity's annual gross revenues and the change in expenses is at least $2,500.[5] Here, the governmental decision at issue is the District's decision to contract with Adventist Health to operate and manage an existing Hospital. There is insufficient evidence to prove that the change in management company would have a material financial effect on either business entity. Therefore, there is insufficient evidence that either official had a conflict of interest in the November 22, 2019 decision.

The Enforcement Division received a second anonymous complaint regarding Grinberg's "undisclosed and exclusive use of Hospital space to store her business' orthopedic devices." The complainant further noted that Grinberg did not pay rent for the use of the space. The investigation determined that Grinberg's business, Align, has a longstanding contract with the Hospital regarding the supply of DME. Align is the only Medicare supplier located within 50 miles of the hospital. The contract, which does not provide for payment to either party, is a common arrangement between hospital and vendor; this arrangement, according to the Hospital administrator, "provides a benefit to hospital patients for which [DME] has been ordered by their treating physician and ensures that patients do not need to drive long distances to obtain necessary medical equipment." The contract provides that the Hospital will store equipment in a secure location and when the devices are prescribed by a treating physician, the Hospital will provide information to Align that allows Align to charge the patient or the patient's insurance for the DME. Align is an independent contractor to the Hospital. The current contract in effect was signed in 2016 and is automatically renewed each year unless one or both parties agree to terminate.

The Enforcement Division found no evidence that Grinberg has influenced this contractual relationship in her capacity as Board Member. The Act requires officials to report the name of their business interest, a general description of the business activity, the fair market value, the nature of

[4] Regulation 18700, subdivision (d)(2).

[5] Regulation 18702.1, subdivision (2) for a business entity, Regulation 18702.3, subdivision (3) for a nonprofit.

the investment, and, if applicable the date the investment was acquired and/or disposed of.[6] Grinberg properly reports her economic interest in Align. There is insufficient evidence of a violation of the Act with respect to this complaint. Based on the investigation, the Enforcement Division has found that there is insufficient evidence of a violation under the Act.

If you have any questions regarding this letter, please contact me at tgilbertson@fppc.ca.gov or by phone at (279) 237-5960.

Sincerely,

Theresa Gilbertson
Senior Commission Counsel
Enforcement Division

cc: Sworn Complainant, Jacob Patterson

[6] Section 87206.