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Crisis of the Week: AAC Holdings Deals With Patient Death

By Ben DiPietro



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This week's crisis tackles the problems facing AAC Holdings Inc., where company president and board member Jarod Menz and four other present or former employees were charged with [second-degree murder](#) following the death of a patient at one of its addiction-treatment centers. News of the charges handed down by a grand jury in California sent the company's [stock price tumbling](#).

The company issued two statements calling the charges "unfounded" and "[without merit](#)," and saying "[sadly, deaths occur in this industry](#)" and that it would share more information when it is able to do so.

Examining the company's statement, the crisis experts were asked to share their thoughts on how AAC responded, what it did well, where it stumbled and how it should proceed.

Jolie Balido, president, Roar Media: “A common challenge for companies in these crisis situations is the information they can share is limited by patient privacy and confidentiality regulations and ongoing litigation or investigation. Thus, it is difficult to set the record straight immediately, as the public cannot get the full story. Any association with such sad, tragic news can send stock prices tumbling.

“AAC has done some things right in its statements: emphasize there was no wrongdoing, highlight its record and reaffirm its mission. More sympathy for the patient and a reaffirmation they will fight the allegations should have been included in the Aug. 4 statement, as folks who read one statement may not have read earlier ones.

“I question the benefits of distributing statements [only] via wire services, as this can increase visibility and introduce this news to people who had not heard about it. Unless there is a disclosure or legal requirement, AAC should [also] consider providing statements to reporters already developing stories and directly to key stakeholders.

“As AAC indicated, ‘Sadly, deaths occur in this industry, as they do in health care settings.’ Knowing crises occur, it is critical for companies to have positive media coverage and pre-existing relationships with media—before crises occur. It is helpful if reporters already have knowledge of your company before they are assigned to write stories. It is also helpful to have well-respected, credible brand ambassadors in the industry or community ready to advocate on your behalf.

“For now, AAC should continue working through the process, provide updates as appropriate, and based on the outcome develop a communications strategy to rebuild.”

Andrea Bonime-Blanc, chief executive and founder of GEC Risk Advisory: “This is yet another example of how precarious reputations are in our age of hyper-transparency. In today’s age it is paramount that companies anticipate and regularly scour social media about themselves even when there is no crisis.

“In this case, the communications were not perfect, reflecting either or both an unpreparedness for a crisis and/or an inability to see beyond the four corners of the business. People who don’t work in the healthcare field or deal with human pain, suffering or death on a regular basis do not take kindly to the notion that ‘sadly, deaths occur in this industry,’ which while true smacks of insensitivity.

“The rest of the company’s statement isn’t much better, as it goes into chapter and verse about how many people are admitted or die every day of drug abuse and how it is ‘an epidemic in this country, affecting millions of people with a \$600 billion societal cost.’ Indeed, their statement shows no sensitivity for or acknowledgment of the loss of this particular life to family and friends.

“The difference between a crisis having a severe or material impact on a business versus a more resilient and sustainable outcome has everything to do with two critical things. One, does the business know its risks well and has it implemented the right programs to mitigate and deal with those risks? And, two, does the business have the right, well-rounded crisis management team and plan in place,

including top-notch public relations and communications personnel and other critically important players like the general counsel, CEO and others?

“Crisis management is about being prepared for the kinds of risks a business is exposed to, having the right scenario-trained, cross-disciplinary team in place to handle it and exercising common sense about what you say and how you say it to the broader world around you. From the facts that we know from this case, it doesn’t look like much of this was in place at AAC.”

Anthony D’Angelo, APR, fellow, PRSA: “Charged with murder, AAC has given zero indication it cares about customers’ well-being or anything at all beyond protecting itself so that it can continue its dramatic growth.

“ ‘Sadly, deaths occur in this industry’ is so oblivious a statement it would be comical if it weren’t tragic. The antidote for this horrible situation is both simple and excruciating. Come clean now by divulging all the facts before others do.

“If employees, even company leaders, did wrong, replace them. If the company’s policies and procedures are [bad], change them, noting that the company is reforming itself so that it can safely and reliably provide addiction services in the future.

“This publicly traded company’s board of directors must decide how it wants to react and be remembered. The officers and directors have fiduciary responsibility, which entails legal and ethical obligations beyond share value.”

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