

Watsonville hospital faces \$6 million cut

Staff layoffs expected

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WATSONVILLE — Watsonville Community Hospital must cut \$6 million from next year's budget in the next three weeks, and a number of employees are expected to be laid off.

Hospital president John Friel would not estimate how many staff members must be cut. He said three consultants and five cost-cutting committees of hospital staff are examining every way possible to cut the budget without cutting programs or employees, but with 60 percent of the budget going to labor, there undoubtedly will be a number of layoffs.

"It's not an easy thing to do, and we hate doing it," said Friel on Friday. "Everything is on the table. We've gone over the budget, line item by line item, looking for po-

■ *Hospitals pursue affiliation with Watsonville — Page A2*

tential cuts."

The cutback represents 11 percent of the hospital's \$52 million budget. Friel said the goal is to have the decisions made by June 15, giving employees two weeks notice before the new budget cycle begins July 1. The cost-cutting team is already halfway to its \$6 million goal, he said. It is examining every expenditure, from insurance policies to utilities to pharmaceuticals to prosthetics and implants, he said.

While Friel will make the ultimate decision about where the cuts will come from, he's invited comment from each of five committees from various parts of the hospital

staff.

The cuts come after a year of declining revenues that Friel attributes to belt-tightening by the various entities doing business with the hospital, ranging from state and federal agencies to local health maintenance organizations and private insurance companies. Like other hospitals around the country, Watsonville's bottom line has been hard-hit by the increasing move toward managed care. And Watsonville, which serves the county's poorest population, has been especially vulnerable.

Hospitals traditionally have relied on their profits from private-pay patients to cover the expense of caring for those who can't pay their bills. But the buffer of extra revenues has shrunk dramatically as insurance companies, government agencies and HMOs pressure hospitals to shorten stays and rely more heavily on outpatient procedures.

The hospital will not turn away indigent patients in its drive to cut costs, Friel assured. "We don't do a wallet biopsy or an economic interview of the patients," he said. "Our mission is to take care of the people who come to us for care, and we will continue to do so."

The average stay at Watsonville Community Hospital has dropped from 4.9 days in 1992 to 3.9 days this year. That's a more significant cost than it may seem, because the first day or two involves a much greater expenditure of time and resources on the part of the hospital than subsequent days.

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of \$1 million, cutting about a dozen positions. They hoped for the best in the first quarter of 1997, but the situation continued to decline.

"We said in November, if we didn't make enough of an adjustment, we'd have to re-evaluate this," Friel said. "It was pretty clear when we closed the books in March, it hadn't been enough. The managers said, 'I don't know where I can come up with another nickel.'"

The hospital was forced to dip into the reserves it is required to maintain by the state government agency that underwrites its loans, and it can no longer do so, Friel said.

The hospital had to increase its mortgage under the state Cal Mortgage program in 1992 by \$20 million when the state backed out on its share of emergency relief. The state requires a minimum \$4 million reserve to back the loan. The hospital is down to \$4.5 million in reserves, Friel said.

Increasing the pressure is Watsonville's new hospital construction. Friel said he does not expect the cuts to affect the hospital's scheduled opening date of next Jan. 1. The new hospital will have only 100 beds, however, and a complete outpatient pavilion, compared to the current 130 beds — a

reflection of the greater emphasis on outpatient care.

Watsonville has also experienced a dip in occupancy rates over the past five years, sometimes dropping to 40 full beds in its 130-bed facility. Over the past year, its occupancy averaged 58.7 beds, compared to an average of 73.6 in 1992. The hospital has 823 employees, some of whom are part time. By comparison, Dominican Hospital in Santa Cruz has a budget of \$110 million, 270 beds and 1,300 employees. Its average daily census last month was 170 beds.

Hospital staff have questioned the need to spend money on consultants during the belt-tightening. Friel would not say how much the consultants are charging, calling that "proprietary information." He defended the expenditure, however, saying that the consultants bring a necessary expertise to the job.

"Anytime you hire a consultant, people complain that you're taking money out of the organization," he said. "I consider it very appropriate; it's what we need to help us get the job done."