

Hospitals - Sutter Hospital Health-care competition heats up

Battles portend changes for consumers

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5-16-93
SANTA CRUZ — Behind the cool, professional face of medical care in Santa Cruz is a growing array of interests battling for a share of the local health-care dollar.

The players include the most powerful elements of the health-care community: hospitals, health maintenance organizations, even doctors.

Health experts disagree about what the growing competition will mean to consumers. But the outcome could mean changes in where you go when you're sick or hurt, who takes care of you and how much it will cost.

Consider the following.

A large Sacramento-based hospital chain, Sutter Health, charges that the only hospital in the northern part of the county is trying to block Sutter's efforts to build a small maternity and outpatient

surgery center.

Sutter says competition gives consumers more choices and keeps prices lower; Dominican Hospital says the choice could wind up costing health-care consumers more money.

(Sutter's requests for an amendment of the general plan, rezoning, and other permits for the center will be heard by the county Planning Commission at 9 a.m. Wednesday.)

Dominican, a 380-bed facility that has served county residents for decades, contends it is not trying to stop Sutter's proposed 30-bed hospital. Rather, say hospital representatives, Dominican wants to ensure no one loses sight of what it would cost consumers to have two hospitals competing in the same small area.

Sutter's hospital, argues Dominican, would take more than its share of well-off patients, while dumping charity cases on Dominican.

Dominican has contested Sutter's pro-

posed charity-care contract with the county, and also has asked the county to require environmental reports on the effect of Sutter's proposed 30-bed hospital.

Sutter has a local ally in Santa Cruz Medical Clinic.

Although they are separate organizations, Sutter owns a one-third interest in a third corporation that owns Santa Cruz Medical Clinic's buildings and assets. Sutter's hospital would be on Soquel Drive next to medical offices now being built by Santa Cruz Medical Clinic.

In response to Dominican's actions, Sutter and Santa Cruz Medical Clinic have asked the Federal Trade Commission to reconsider its proposed decision to drop antitrust charges against Dominican.

The charges were filed in the wake of Dominican's 1990 purchase of its only rival, Community Hospital. Earlier this

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year, the FTC said the deal had violated antitrust laws. In exchange for dropping the antitrust charges, the FTC said, Dominican must agree not to buy any other hospitals in the next 10 years without first consulting the FTC.

But Sutter and Santa Cruz Medical Clinic argue that Dominican is still trying to knock off its competition, and that the FTC should take a stronger position against Dominican.

Santa Cruz Medical Clinic also is keeping a close eye on a contract between Dominican Hospital and TakeCare, the area's biggest health-maintenance organization, which expires July 1.

By law, TakeCare can't do business here without a signed hospital contract. So if the Dominican doesn't renew its contract with TakeCare, the medical clinic's 70 doctors stand to lose their own contract.

Negotiators for Dominican and TakeCare say they expect to sign a new contract in plenty of time.

Dominican is asking both for more money and for changes in the way it is paid to provide hospital services for TakeCare patients.

Dominican now receives a daily rate for each day a patient is hospitalized. That means the longer a patient stays in the hospital, the more money the hospital makes.

Instead, Dominican wants a system that pays a flat fee per patient whether or not the patient is hospitalized. That way, officials say, the hospital has an incentive to keep hospital stays short and save money.

This incentive is already enjoyed by the Santa Cruz Medical Clinic, according to Dominican officials.

Attorneys for Santa Cruz Medical Clinic, however, say they suspect Dominican of trying to get rid of its existing contract and clear the field for a competing physicians' group with ties to Dominican and Watsonville Community hospitals.

The disputes illustrate the growing importance of health-maintenance organizations, known as HMOs.

A typical HMO requires patients to choose from a limited list of doctors. These doctors contract to provide services at a negotiated price, and may offer discounts, compared to what they charge private patients.

Years ago, there was only Kaiser Permanente. Although it had no clinics or hospitals in Santa Cruz,

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it attracted and kept thousands of loyal members who were willing to make the drive to Kaiser facilities over the hill in San Jose.

Now, more than a half dozen HMOs are active in Santa Cruz. The largest here is TakeCare, with some 14,000 members locally, and some 760,000 nationally.

Getting ready to give TakeCare and the others here a run for their money, however, is a billion-dollar Sacramento-based health maintenance organization.

Foundation Health Inc., which has about 450,000 members in California, has applied to state officials to begin selling its health plan here, according to one of its executives.

First-year goals are to sign up some 5,000 to 10,000 members, said Foundation marketing executive Ed Munno. The plan already has a number of Silicon Valley clients, he said, and hopes to be able to draw some of its customers from their employees who live in Santa Cruz.

The \$1.3 billion company has signed contracts with both Dominican and Watsonville Community hospitals, Munno said.

Doctors, too, have their eye on the HMO dollar, and are banding together to attract their contracts — and patients.

The \$5 million contract Santa Cruz Medical Clinic doctors have with TakeCare has not gone unnoticed by doctors at Watsonville Community and Dominican hospitals.

They have formed Physicians Medical Group, and like the doctors at the medical clinic, they hope to draw patients by contracting with health maintenance organizations.

The new group already has signed a contract to provide doctor's services to members through Foundation Health Inc.