

Capitola Health Center

Health center's journey into controversy

Capitola facility spurned by hospital it wanted to help

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CAPITOLA — A couple of years ago when a group of local doctors got together to solve some local health care problems, they never dreamed of the controversy they would create.

This group became the Independent Practice Association of 40 doctors who are behind plans for Capitola Health Center, a 24-bed inpatient hospital, outpatient surgical center and medical office building.

The county's two other hospitals, both nonprofit, and the county government are looking at the new kid on the block with suspicion. The hospitals fear losing the most lucrative type of patients to the new, for-profit facility due to be built in three years.

But some of those involved in the venture said they originally joined together to:

- Save the financially troubled Watsonville Community hospital.
- Make things economically feasible for doctors in solo practice and in small group practices.
- Cut the cost of health care.

Dr. Steven Smith, in solo practice in

Watsonville, was among those approached two years ago by local developer Doug Byrd and Chuck Madden, a former hospital administrator in Beverly Hills and Modesto. They said an outpatient surgical center was "the wave of the future," Smith said.

"I got involved in the project because I thought it was the salvation for Watsonville Hospital," said Smith. "The hospital was offered a 50 percent share in the (outpatient surgical) project, but unfortunately, it has rejected the offer and has fought it and continues to fight it. I think that will have dire consequences."

Smith said by having a share, the hospital would have increased its number of patients. The outpatient facility will attract patients from the north county which the South County hospital now doesn't get, he noted.

The hospital turned down the offer because of lack of information and because it could mean loss of patients, according to Cory Allen, Watsonville Community's public information officer.

Concerned about environmental and health care effects, Watsonville Community and the county appealed the Capitola Planning Commission's approval of the Capitola Health Center.

Dominican Hospital also has voiced concerns about the project's effects on health care.

Doctors say that they fear reprisals from the hospitals for getting involved with the association. For this reason, Madden said, some doctors won't go public over their

involvement.

Smith said he and other south county doctors who started the association "have been cast in the light of pirates, trying to stab (Watsonville) hospital in the back."

He said he has heard from anesthesiologists who say they are being pressured by the hospital because they are members of the association.

Allen, Watsonville Hospital's public information officer, said the anesthesiologists were told, "If you choose to get involved in other ventures that would affect your availability to the hospital, the hospital may have to look for other ways to provide that service, such as contracting."

It isn't just an outpatient surgical facility that the hospitals are worried about. The doctors have expanded their plans for the project located on five acres at the intersection of Bay Avenue and Highway 1 to include the inpatient hospital and doctors offices.

Doctors in solo practice or with small groups of physicians need the association and the new hospital because they are hurting economically, according to Smith and Dr. Larry Lenz.

They are not getting the lucrative contracts from insurance companies and health services organizations that larger organizations get, said Lenz.

"It is like mom and pop drug stores standing up to a Lucky," said Smith. "They have more services. They can price their services better. They don't have the scale problems of overhead that solo practitioners have."

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— Dr. Steven Smith

For example, Santa Cruz Medical Clinic has an exclusive contract to treat members of Take Care, a health maintenance organization. These Take Care members, 11,892 at last count, mean that many fewer patients for other doctors.

In the last year, according to Madden, 12-14 doctors in solo practice have left the county. By comparison, in the last year Santa Cruz Medical Clinic has added five physicians.

"Most of those who we have lost have been from South County," said Smith. "Two of them were personal friends of mine. They just couldn't make ends meet."

Lenz, a member of the five-doctor Harbor Medical Group, said, "We are a fairly busy group, so we haven't felt the impact as far as actual patient numbers ... but we do feel the impact as far as economics."

"The more lucrative contracts go to big-

ger organizations," said the obstetrician and gynecologist, the only member of his office in the association.

The Independent Practice Association plans to contract with at least two HMOs, according to Madden.

The association already has contracted with Amerimed in Southern California to set up a health maintenance organization for MediCal patients, said Madden, and it is working on contracting with another HMO.

HMOs cut costs, said Patricia O'Brien of Capitola Health Center, because they are focused on managed health care. One physician manages a patient's care for years, thus cutting down on duplication of services.

And an HMO for MediCal patients will cut costs because these patients, whose bills are paid by the state, would no longer have to seek care by going to expensive hospital emergency rooms. Few local doctors will take MediCal patients because of low reimbursement from the state.

MediCal patients in the HMO would be able to sign up with one of the association physicians, Madden said.

The outpatient surgical facility will be less expensive to patients because it won't be linked to a large hospital, Smith said.

"We want a facility that will be clean and neat and separate from the hospital where we can charge what the patient should be charged, rather than being charged a cost to support the rest of the hospital."