

Tennessee firm to buy hospital

Hospitals - Watsonville Hospital

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WATSONVILLE — Watsonville Community Hospital officials are in final negotiations to form an alliance with a Tennessee-based health care company.

The board of directors of the Watsonville Community Hospital

announced today that they have signed an exclusive letter of intent to sell with Community Health Systems.

Although terms of the agreement have not been disclosed, hospital officials say proceeds from the sale will be used to establish a local foundation for the benefit of the

Watsonville community.

John Friel, president and CEO of Watsonville Community Hospital, said he was delighted with the development. "One of the criteria we established was to find an alliance which would strengthen our ability to continue to serve our communities and enhance our ability to

thrive," Friel said, "particularly in this ever-changing health care industry and the growing managed care market."

Community Health Systems owns and operates 38 acute care hospitals in 16 states.

"Our mission at CHS is to support and provide resources to ex-

pand services, recruit needed physicians and bring efficiencies which allow community hospitals to continue their mission of providing quality services at reasonable costs," said Wayne T. Smith, president and CEO of CHS in a prepared statement.

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"Other than certain economies of scale we bring through purchasing contracts, information systems and other operational efficiencies, our philosophy is that health care is a local issue and should be managed locally," Smith said.

Friel said he plans to stay on as president and CEO, and explained that the sale must go through several stages before it is finalized.

"This is the start of a process known as 'due diligence,' in which both parties will make a very thorough review of each other, studying contracts and reports and including visits to their corporate offices in Tennessee," Friel said. "Also during this period of time the Cali-

fornia Attorney General's office will review the transaction. That office will then conduct a hearing in Watsonville in the next couple of months." If the sale is approved, hospital officials are hoping to complete the transaction by March 31.

Butch Cole of Service Employees International Union (SEIU) Local 250, a local labor representative who works at the hospital sat in on the preliminary negotiations, expressed relief when informed that CHS would be taking over. "This is great news," Cole said. "Of the organizations we looked at, they were the most community and labor friendly of all the other candidates. They agreed to all the union contracts and in my opinion they will be an advantage to the community." Cole said that since they are a for-profit company, CHS will be paying

taxes, which will also help the community.

Friel said that this arrangement will allow the hospital to be governed by a local governing board as it is today, while enjoying the advantages and resources of a large organization, enabling the hospital to develop additional programs, strengthen those that currently exist and address some of the "patient out-migration" — when people must leave the community to receive care which is not available locally.

"We had a community forum last month and we are going to schedule another one within 30 days," Friel said. "The community is invited to attend so we can give them the opportunity to learn more about this arrangement, and how WCH will operate under their direction."