

# Kaiser-Dominican negotiations at impasse

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Months-long negotiations between Dominican Hospital and Kaiser-Permanente Corp. have stalled, delaying the planned opening of a Kaiser medical clinic in Santa Cruz County.

The company has proposed opening a satellite clinic to better serve the estimated 6,500 county residents who subscribe to the low-cost Kaiser health plan. To do so, it must first enlist a local hospital to provide backup emergency and maternity care.

A nearby Kaiser clinic would be good news for people like 63-year-old Sylvia Knapton, a Santa Cruz resident who has to drive Highway 17 to the nearest Kaiser clinic in Santa Clara for her weekly allergy shot.

Knapton and a handful of other Kaiser subscribers, tired of the long and treacherous commute for routine health care, have campaigned for a local Kaiser clinic for the past 10 years.

Most of the local Kaiser members enrolled in the pre-paid health plan through their Santa Clara County employers, then moved to Santa Cruz when they retired or found homes in the area.

A local office of the multi-million dollar Oakland-based health-care corporation would not be good news for local doctors and hospitals, however.

They are competing in an

already-crowded health market, according to Ed Colvin, executive director of the Santa Cruz County Medical Society. The area has an ample supply of doctors and the abundance medical services has caused doctors' incomes to dip over the last several years, Colvin said.

The two Santa Cruz hospitals, Dominican and Santa Cruz Community, are also engaged in a battle for larger shares of the local health-care market. The battle intensified recently with the announcements that

Kaiser has tried to retain competitive advantages in its negotiations with Dominican, said Rick Hite, Dominican executive vice president.

Negotiations toward a mutually beneficial agreement have been tricky. Kaiser executives are reluctant make concessions to Dominican, but at the same time the company needs the cooperation of a local hospital to enter the Santa Cruz market.

The state Department of Corporations, the agency regulating health-maintenance

plans, has not yet decided whether Kaiser should become a competitor. At the same time, Dominican would suffer more if Kaiser entered the market through a contract with Dominican's main competitor, Santa Cruz Community Hospital.

Not surprisingly, negotiations have stalled over questions of cost and control. Kaiser has requested that Dominican provide hospital services at a discounted rate. Dominican officials have refused.

For one thing, Hite said, Dominican's rates are reasonable, running about 25 percent lower than those charged by most hospitals under contract with Kaiser. More importantly, Dominican can't risk offering discounted rates until it's known how much it costs to serve Kaiser patients, he said.

It would take several years of working with Kaiser doctors to gather the information the hospital needs to calculate possible discounts, the Dominican official said.

"Kaiser, in effect, in their zeal to get into the marketplace, would like to shift as much of the risk as possible on us," Hite said.

Kaiser has also proposed using Dominican for a minimum of hospital services and would refer patients to Kaiser hospitals throughout the San Francisco Bay Area for specialized services.

That strategy would be the least costly for Kaiser, which can provide specialized services more cheaply at its own

hospitals than through contracts with Dominican. To keep Kaiser from undercutting its own hospital services, however, Dominican has insisted the contract include all services

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Dominican is able to provide.

According to Hughes, however, Kaiser won't accept such an inclusive contract. He explained, "That would relinquish all management opportunities we have to control costs and quality of patient care."

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"We're really sort of stalled and waiting for Dominican to come back with an alternative," Hughes said.

Hite sees it differently. He said, "I think the ball is back in Kaiser's court. We keep going back and forth. I suspect we'll have several back-and-forths before negotiations are completed."

Having been unsuccessful so far in reaching agreement with Dominican, Kaiser officials

have reportedly approached Santa Cruz Community of about a possible contract. Hughes refused to comment on the status of Kaiser's talks with Community Hospital.

Community Hospital Director Ann Klein said this morning that, "At this juncture, I have to tell you no comment. I will not confirm or deny it (that negotiations with Kaiser are taking place)."

Santa Cruz City Council member John Laird, one of the group actively lobbying Kaiser to open a clinic here, perceives Kaiser's overtures to Community Hospital as a tactic to pressure Dominican to concede.

"I think Dominican feels they're being reasonable and Kaiser just needs to roll over on some issues," said Laird, who is not a member of the Kaiser plan himself. "We want to put pressure on both to come to an agreement. I think both sides will give a little and come to a resolution."

At least from superficial appearances, however, Kaiser's alleged pressure tactics don't seem to be working.

"They have to do what's right for them," Hite said. "If Santa Cruz Community will make them a better deal, then economics will prevail. I think they prefer to do business with us. We're a quality hospital and will be more attractive to their enrollees. I think they intuitively know that or they would not have come to us first."

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both hospitals would establish regional heart centers providing a full range of cardiac care, including open-heart surgery.

A Kaiser spokesman said, however, the desire to grab a share of the Santa Cruz market is not the prime motive for moving into the area. Rather, the company has recognized the need to provide better service for its existing members, said Bob Hughes, associate director of public affairs.

Despite that disclaimer,

organizations, won't allow Kaiser to open a satellite clinic unless the company can also offer hospital services for emergencies.

In other communities, Kaiser has satisfied this requirement through contracts with local hospitals.

On the other hand, Dominican officials are leery of providing the entry Kaiser needs to open shop in Santa Cruz. In so doing, the hospital would be aiding a corporation that would ulti-

REFERENCE

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