

# Hospital overhead tops in U.S.

## County's labor costs have Santa Cruz patients paying more, experts say

Hospitals-  
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SANTA CRUZ — A national Medicare study shows hospitals in Santa Cruz County have the highest labor costs in the country, which local health officials say means higher medical costs and insurance premiums for patients.

The Medicare Wage Index study, submitted to the county Board of Supervisors last week, indicates labor costs per patient in

Santa Cruz County hospitals are 36 percent more than the national average.

Salaries were sampled for nurses and other hospital staffers across a range of medical treatments; doctor salaries were not factored into the study.

Santa Cruz County is up from second last year, when Santa Clara County was cited as having the most expensive hospital labor.

The ratings don't surprise Kelly Duffin, chief operating officer of Dominican Hospital, who said hospital labor costs are

commensurate with the area's high cost of living.

"To ensure that we have sufficient nurses, because there's a nursing shortage, we need to pay to get them," Duffin said. "To get people into the community where the median housing price is over \$750,000, it's a challenge."

Following a new union contract in 2005, nurses at Dominican can earn from \$83,000 to almost \$110,000 annual salary after five years of experience. The high salaries set the

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standard for Santa Cruz County, and Sutter and Watsonville Community Hospital leaders followed suit by subsequently raising their wages.

Nationwide, the average annual salary for a nurse is about \$69,000.

The California Nurses Association, the union that represents county nurses, could not be reached to comment Monday.

Local hospitals afford the high cost of

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labor by passing the expense on to patients, explained Larry deGhetaldi, CEO of Sutter Maternity and Surgery Center in Santa Cruz.

Insured residents here can expect to pay higher medical premiums than those in other parts of the country as insurance companies pay higher prices for treatment and charge subscribers accordingly, deGhetaldi said. Uninsured residents also can expect to see higher medical bills than elsewhere in the United States, deGhetaldi said.

The logic follows that in Bismark, N.D., for example, where the study cited labor costs as being 56 percent lower than in Santa Cruz County, patients would pay less for hospital visits.

While the relatively high salaries might

attract nurses to Santa Cruz County, they can "rub salt in the wound" of medical doctors, whose pay is taking a hit because of the area's relatively low Medicare reimbursements, deGhetaldi said.

Although Santa Cruz County's cost of living rivals other counties in the San Francisco Bay Area, it is designated "rural" under federal guidelines. And as a result, doctors here are paid 25 percent less than those in Santa Clara County for every Medicare patient they see.

Medicare is the national insurance program for residents older than 65.

Primary care doctors with 11 years of higher education might earn a starting annual salary of \$90,000 to \$150,000. That's less than both their colleagues over the hill and some nurses they work with, who might have only two years of advanced education, deGhetaldi said.

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## Highest hospital labor costs

Nine of the nation's top 10 regions with the highest hospital labor costs are in Northern California, according to the Medicare Wage Index study.

1. Santa Cruz-Watsonville.
2. San Jose-Sunnyvale-Santa Clara.
3. Oakland-Fremont-Hayward.
4. San Francisco-San Mateo-Redwood City.
5. Salinas.
6. Santa Rosa-Petaluma.
7. Vallejo-Fairfield.
8. Napa.
9. New York-White Plains-Wayne, N.Y.-New Jersey.
10. Sacramento-Arden-Arcade-Roseville.

SOURCE: Medicare Wage Index