

Dominican's new challenge

Proposed mini-hospital spurs familiar-sounding arguments

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SANTA CRUZ — Five years ago, Dominican Hospital faced stiff opposition when it announced plans to build the area's second heart-care unit.

Today, battling a proposed mini-hospital that would be located across the street, Dominican is on the opposite side of the fence: arguing that duplication of health-care options could be expensive for the community.

Both sides say the outcome has major implications on the cost and quality of local health care.

Dominican leaders say there's no inconsistency in the apparent contradictions between what they said five years ago and now.

"Today, the environment is clearly different," said Roger Hite, chief operating officer of Dominican Hospital. In 1988, the hospital was trying to put together a comprehensive, integrated health-care system, he said. Such systems, Hite said, will be the wave of the future

under the Clinton administration's proposed health-care reforms.

Wayne Boss, head of the Santa Cruz Medical Clinic, disagrees.

"I think it's directly comparable," said Boss. The Clinic is allied with Sutter Health, the Sacramento-based health organization that wants to build the proposed mini-hospital.

In 1988, it was AMI/Community Hospital, then Dominican's only competition, which argued that there were a limited number of health-care dollars to go around. The county could not support more than one highly-specialized heart-care unit, it said, and challenged Dominican's plans through the county Planning Department, the state Department of Health, and ultimately the courts.

"Dominican went down and said, 'Oh, that's not the power of the county. This is a competitive marketplace,'" said Boss. "They had said competition was the law of the land."

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Hospital competition

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Dominican's arguments in 1988 echo some of the arguments now being made by Sutter Health and Boss's medical clinic, which is among the top health care organizations in the county, in terms of net patient revenues. In the fiscal year 1991-92, the medical clinic had net patient revenues of \$38 million, compared to Dominican's \$109 million for the same period.

In 1988, Dominican argued that health consumers should have a choice. It invoked the free market place of competition. It said the county Planning Department should stay out of health-care decisions, and said that Dominican "respect(ed) the right of other hospitals to add services."

Today, Dominican representatives argue that a competing mini-hospital proposed by a rival health organization could eventually mean higher prices or lower quality health care for Santa Cruz health consumers. It has raised objections throughout the planning process and has asked the Board of Supervisors to look at the public health consequences of the project.

"The question isn't whether competition is good or bad," said John Petersdorf, Dominican's chief

financial officer. "It has a different impact." The impacts, he said, especially in how hospitals shift costs between different types of patients, have changed since 1987.

Petersdorf says Dominican is not trying to stop Sutter from building its maternity and surgical center. Rather, he says, the hospital wants to ensure a level playing field for all competitors.

In recent letters to the Board of Supervisors, which is now considering the fate of the proposed mini-hospital, Dominican representatives warn the board of the "numerous negative side effects" of increased choice.

But in 1988, Dominican argued differently.

"We think it's healthy for people to have a choice," said Bob Swenson, the chairman of Dominican's board of directors, in December, 1988.

This week, Swenson, still a member of the board, said the situation is somewhat like a public utility.

"The basic question is this," he said. "Can this size community support two acute care hospitals?"

The issue then was Dominican's proposed heart surgery center, a highly specialized and expensive facility — which can also be highly

profitable. Dominican had originally opposed adding the heart unit, but after Community opened its unit in 1987, Dominican announced it would put in a heart unit, too.

AMI/Community Hospital was trying to stop Dominican from building the center. Community argued that Dominican's heart unit would be an expensive duplication of services that would hurt the county's overall health system.

Dominican's response included a June 1988 opinion piece by its then-chairman of the Board of Directors, Charles Gilbert.

Gilbert referred to the "competitive free marketplace economics" thrust upon the health care industry by the federal government. The hospital did not want to "adversely impact" other hospitals in the area, he said, but was acting "to keep Dominican strong in a future that promises to be more competitive."

"... We respect the right of other hospitals to add services that they believe will be attractive choices to their patients and supporters," Gilbert said.

Sister Julie Hyer, Dominican's president and chief executive officer said then that Dominican's heart unit was "in the best interest of the community."

Hyer said the county Planning Department should stay out of the cardiac-care decision.

"We believe that local planning departments would be ill-advised to attempt to resolve or mitigate the myriad of issues that will inevitably surface as hospitals make choices about programs they feel will keep them going," Hyer said in 1988.

Ultimately, Dominican prevailed. It opened its heart-care unit in 1989, and eliminated its only north-county rival in 1990 by buying Community and turning it into a long-term care facility.

Dominican was censured for its actions in buying Community by the Federal Trade Commission. The commission essentially told Dominican not to buy another hospital without checking with the FTC first.

Today, the issue is a proposed 62,000-square-foot maternity and surgical center which Sutter Health wants to build practically on Dominican's doorstep. It would adjoin a 12,000-square-foot outpatient clinic recently built by Santa Cruz Medical Clinic.

Dominican is fighting recommendations by the county Planning Department and the Planning

Commission that Sutter's project be approved without a complete environmental impact report. Neither traffic nor public health issues have been adequately addressed by Sutter, it argues.

The county must look at — and lessen — "health care problems associated with the duplication of the better reimbursing services," said Petersdorf, Dominican's chief financial officer.