

# Clinic criticizes Capitola Health Center study

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SANTA CRUZ — A report on the proposed Capitola Health Center swallowed its first public dose of criticism Wednesday at a Public Health Commission meeting.

One of the main critics, Santa Cruz Medical Clinic, helped pay for the \$20,500 report along with the county, Dominican Hospital and Watsonville Community Hospital.

Santa Cruz Medical Clinic, a group practice of 100 physicians, is particularly concerned about the results of the report because the clinic is supporting development of another small hospital in Santa Cruz by Sutter Health of Sacramento.

Wayne Boss, the clinic's president and chief executive officer, urged commissioners to keep an open mind about the Sutter Health proposal "and not to be swayed by the clearly inaccurate study."

He's concerned that any policy decisions made by the county on the basis of the report could affect Sutter Health's plans. The commission made no decisions Wednesday, postponing the discussion to Sept. 6.

The report, authored by San Francisco health consultant Lucy Johns with health economist Thaine Allison, looks at how the 24-bed hospital and outpatient surgical center could affect local health care providers. It concludes the health center would bring about deficits at both existing hospitals.

Boss criticized the report for not discussing the effects on the managed care programs. Santa Cruz Medical Clinic contracts with Take Care, a managed care program that provides insurance to employees of member businesses.

He said if Dominican remains a monopoly in north county and decides not to give discounts to managed care programs, it would cost local consumers and businesses another \$9 million a year in health care costs.

Boss also took issue with the report's conclusion that there is room for competition here as long as it offers a full range of hospital services and cost-effective care.

"...These may be mutually exclusive objectives given the cost to build a full service hospital at \$60 million to \$80 million as well as the inappropriateness of duplicating the very high cost of services offered at both Watsonville and Dominican hospitals," he said.

Commissioners also heard from Chuck Madden, one of the developers of the health center, and from Drs. Bob Morris and Martin Mea-

cham, two local physicians who have invested in the health center.

Johns defended her report, saying "everything in there is documentable and defensible." When her objectivity was questioned, she responded that she knew nothing about the situation before starting the study and that she insisted on total editorial control.

Boss and Madden both questioned the finding that Capitola Health Center's projected labor costs of 37 percent of total expenses was too low. When adjusting labor costs to be more in line with the two local hospitals, Johns

found that the health center would not be able to charge the lower rates it is professing.

Among reasons given for lower labor costs were: the less-expensive type of services the health center will perform, the smaller size of the center, the purchase of outside services such as laundry and accounting, and the cross-training of employees to perform many functions.

Boss also noted that a similar hospital in Fresno has labor costs in line with those projected by Capitola Health Center.

Both Meacham and Morris said

their interest in controlling health care costs prompted them to invest in the health center and become part of its independent physicians association, which will contract with managed health programs.

The report, in contrast, states that the existing hospitals may have to raise their rates or cut services to the poor because of deficits caused by construction of the center.

Morris questioned Johns' statement that she interviewed physicians involved with the health center. He said he asked all 50 members of the Independent Phy-

sicians Association and no one admitted talking to Johns, perhaps out of fear of retaliation from hospitals.

"I wouldn't have minded talking to you because I believe this is a righteous project and I was dying to talk to you and so were other physicians," he said.

As operator of eight clinics, Morris said he needs Dominican and Watsonville hospitals. He doesn't believe Capitola Health Center will cause such deficits at local hospitals that they will have to close.

Johns replied that the report never says the hospitals will close.