

Sale of Watsonville hospital is finalized

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WATSONVILLE — The sale of Watsonville Community Hospital is final.

Officials announced Friday that Community Health Systems of Brentwood, Tenn., has purchased the 100-bed hospital and its assets for \$55 million.

The proceeds will allow the hospital to pay its debts, as well as leave between \$12 and \$15 million for a community health trust.

The deal was finalized Friday morning.

The sale ends years of community ownership for the hospital that now becomes part of a for-profit corporation.

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It should also temper the debate over whether the sale is good for the community.

Patients will see no changes, hospital officials stressed.

"It should be a seamless transition," said John Friel, the hospital's chief executive officer.

The hospital's name will remain the same, as will the nurses and doctors who care for the South County's ailing and injured.

The 103-year-old hospital will be stronger as a result of the sale, Friel said, adding CHS has committed \$10 million over the next five years to recruit physicians and expand services, including cardiac diagnosis and rehabilitation, emergency room

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services and obstetrics and gynecology services.

"We look forward to being good corporate citizens and continuing the tradition of excellence in health care established by Watsonville Community Hospital," Michael Portacci, vice president of CHS, said in a prepared statement.

CHS owns and operates acute-care hospitals in non-urban markets. The company currently owns, leases or manages 39 hospitals in 15 states.

The sale is expected to enhance WCH's prospects of long-term survival.

The hospital has struggled in recent years, largely because of declining hospital reimbursement from governmental and commercial payers. The overall use of the 100-bed hospital has also dropped as a result of increasing competition.

The hospital had an operating loss of about \$5 million in 1996-97, according to an independent report on the sale.

The terms of the deal were approved last week by the state Attorney General's Office.

The health trust is a significant component of the deal, according to health officials.

The earnings from the trust will be available for health-care grants and other needs. It is a unique program that is especially important in a city like Watsonville, where access to health care is an issue for many poor families.

CHS has also committed to providing indigent care at the same level as in the past, costing roughly \$800,000 a year.

Many community members expressed concern that a sale jeopardized health-care services in the Watsonville area.

There were lingering concerns, said Margo Hunter, staff attorney with Consumers Union, the independent, nonprofit publisher of Consumer Reports.

The group wanted to see the agreements for emergency-room services and indigent care strengthened, she said.

"I think the community will wait and see what happens when CHS takes over and make sure services continue," Hunter said Friday.

The Pajaro Valley Coalition to Save Community Health Care, a watchdog group monitoring the sale, has also said the consequences of the sale will only be known in time.

Coalition leaders have vowed to keep the group alive to watch how CHS manages the hospital.