

Hospitals - PURCHASE

Dominican buys rival hospital

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SANTA CRUZ — Dominican Hospital has bought Community Hospital for about \$12 million.

According to Sister Julie Hyer, president and chief executive officer of Dominican, the future of Community — which as of today is called the Dominican Community campus — is still up in the air.

"It's going to remain a health-care facility, but speculation (about what kind) is way too early," said Hyer. "For the next 30 days we're really going to be taking our time and looking at the facility. Everything is status quo for the next 30 days."

Dominican announced in mid-January it was exploring the possibility of buying Community, which was put on the auction block in

mid-December by its previous owners, American Medical International. Dominican said it wanted to survey local response to such a purchase.

In a prepared statement, Bob Swenson, chairman of Dominican's Board of Directors, said, "We listened carefully (to the community) and heard a broad range of opinions. Some people raised concerns about the purchase; some

agreed the move would benefit the community; many asked questions.

"We have taken this action with deliberate caution," Swenson said.

But the speed of the sale surprised many members of the medical community, coming less than two months after Dominican announced it was looking into the purchase.

Indeed, one week ago Hyer said Dominican still had not decided to

enter a bid for its main competitor.

"When anybody ever asked them, they said they had not made their mind up and that seems to be not the truth," said Wayne Boss, president of the Santa Cruz Medical Clinic.

Hyer said Thursday night that the bid was made earlier in the day and the hospital's board had also given final approval to the deal Thursday.

As the second-largest health-care provider in the community next to Dominican and the base for Takecare, the county's largest health maintenance organization, Santa Cruz Medical Clinic has been critical of the purchase from the day Hyer announced it was a possibility.

"From the physician's point of view I think it's unfortunate for the
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community," said Dr. Jim Beckett, medical director for SCMC. "There's going to be an absence of choice which used to be available and there's a potential for a medical monopoly where many aspects of health care can be determined by one entity."

But Hyer said, "I think the community has choice." She pointed out that Watsonville Community Hospital in south county is an option for care, and said, "We know that about 20 percent of our community leaves Santa Cruz County for health care... and there's a number of outpatient services available within the community and outside the community."

When Hyer first announced that

Dominican was looking into the purchase, she said the hospital was "just beginning a process" of talking to community members about the idea.

Since then one poll of local physicians showed that a majority preferred having two hospitals in north county. And the board of Community Hospital began an effort to bring physicians and local businesses together to purchase the hospital and make it a non-profit venture.

That proposal was motivated by fears that Dominican would have a virtual monopoly on health care if it bought Community. And Boss said Thursday that the Federal Trade Commission still may become involved in the deal because

of a possible monopoly.

"It was my understanding that they would seek approval from the Federal Trade Commission," Boss said. "They obviously have not done so, but that doesn't mean the Federal Trade Commission can't come in and reverse (the sale)."

Dominican made no announcement of the sale until after it had been registered at the County Recorder's Office Thursday afternoon. Members of both hospitals' staffs were still being notified Thursday night.

The deal will undoubtedly have both immediate and long-term impacts on the county's health-care system. In immediate terms, Community Hospital has more than 300 employees whose jobs depend on

what Dominican decides to do with the hospital. And where Community Hospital was a source of taxes for the city of Santa Cruz, Dominican is a non-profit hospital and pays no property or income taxes.

In the longterm, critics have claimed that the purchase could drive health-care prices up as a result of lack of competition. Local employers have also expressed concern about insurance rates and the future of Takecare, which insures thousands of local residents and is based at the Santa Cruz Medical Clinic.

But Hyer stressed the positive Thursday, saying, "We're going to continue to serve the community and continue to provide the highest quality of care at the best value."