

Are two hospitals necessary?

By JAMIE MARKS
and STEVE SHENDER
Sentinel Staff Writers

SANTA CRUZ — Does Santa Cruz need Community Hospital?

That question is answered with a resounding "yes" when asked of present and past employees.

"The community at large has a vested interest in having two hospitals," said one former employee. "It keeps the prices in line, offers a wider variety of services and ultimately benefits the consumer."

Some say that although they think Dominican is a good facility, they believe the public needs an alternative to the Catholic-run hospital. They fear women's health services — such as abortions, which Dominican doesn't perform — could suffer if Community closed its doors.

And, they say Watsonville Community Hospital in south county is running at about 87-percent capacity and can't sustain the overflow that would be created if Community were to shut its doors.

Community Hospital Executive Director Jean Adams insists his institution is not going to fold. And he denies the hospital is in financial trouble. He says American Medical International Inc., Community's parent company, is committed to serving the Santa Cruz public for years to come.

When asked whether Santa Cruz needs two hospitals, Dominican Hospital Community Relations Director Frank McGovern answers in the affirmative.

"There are two sides to that answer," replied McGovern. "The first is, 'Can the community support two hospitals?' The second is, 'Is it safe *not* to have two hospitals and not to have a competitive (market) environment?'"

McGovern points to the rise of emergency-care centers as new variables that are adding a lot of "innovative" and "vibrant" responses to the "business side — for lack of a better word" of the health-care system.

"With all the competition among health-care providers, no hospital can sit as a monopoly anymore," said McGovern.

Indeed, in the Central Coast region, the dominance of one hospital chain — AMI — has proved that consumer costs are apt to be higher in a one-company town.

AMI operates three of San Luis Obispo County's five hospitals (and two of three in the city of San Luis Obispo). All three facilities, French Hospital and Sierra Vista Hospital in San Luis Obispo, and Arroyo Grande Hospital in Arroyo Grande, charge substantially more per stay than any hospital in Santa Cruz and Monterey counties.

And more significantly, the difference between costs and charges at AMI's San Luis Obispo County facilities is greater than it is at Community, and substantially larger than cost-charge differences at other Monterey Bay area hospitals.

In the last quarter of 1983, according to the latest figures from the California Health Facilities Commission:

- French Hospital charged patients an average \$6,149 per stay, against costs averaging \$3,597.
- Arroyo Grande charged an average \$5,792 per stay, against expenses of \$3,762.
- Sierra Vista's per-stay charges averaged \$5,408, versus average per-stay costs of \$3,198.

San Luis Obispo County's other two hospitals reported both lower costs and lower charges than did the three AMI-run facilities in the last quarter of 1983.

San Luis Obispo General, the county-run hospital, charged an average \$3,110 per stay, against average per-stay costs of \$2,276.

Twin Cities Community Hospital, a privately run facility in Templeton, reported charges of \$3,851 per stay, versus costs of \$2,170.

The figures suggest that where hospital care is subject to near-monopoly conditions, both charges to consumers and costs are higher, and that hospital cost savings are unlikely to be passed on to the public.

The Federal Trade Commission contends that AMI has a near-monopoly in San Luis Obispo County.

In July 1983, an administrative law judge upheld FTC staff contentions that AMI was attempting to monopolize the San Luis Obispo market, and ordered the Beverly Hills firm to divest itself of French Hospital.

The judge also said that AMI could not acquire hospitals in other communities where such purchases would give it more than a 20-percent market share, without prior federal approval.

The case was heard by the full FTC board in February and a decision is expected this summer.