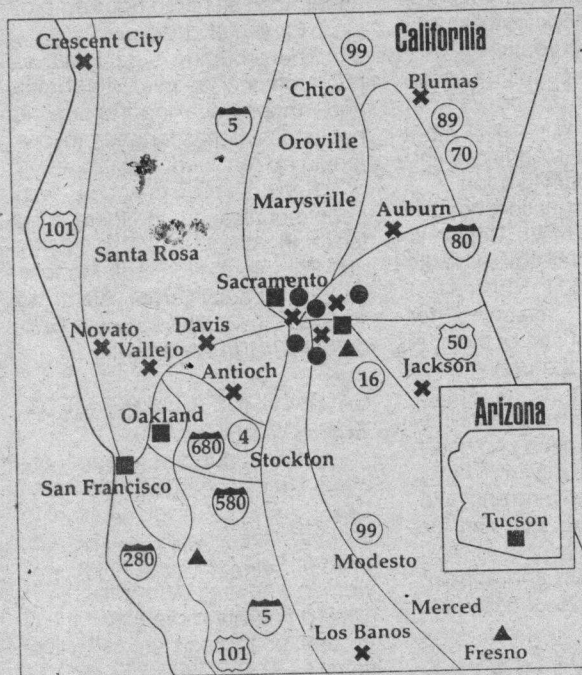


Hospitals

THE SAME, ONLY DIFFERENT—



Others not shown include urgent care clinics, counseling centers, a clinical laboratory, home care company, physical therapy sites, a back rehabilitation program and durable medical equipment supplier.

by Mary Bryant

With Capitola Health Center's bid to open the first 24-bed mini-hospital still active, Sutter Health Care Systems of Sacramento, with the support of Santa Cruz Medical Clinic, is moving closer to proposing a mini-hospital of their own. And, though questions have been raised in a recent county-sponsored report about whether there is enough business to support even one new entry into the hospital market, both projects, based on the popular new

small facility model, seem to be barreling along.

Which leaves one wondering if both are the same—and, if not, what is different?

The simple fact is, after a brief examination of the limited information available from Sutter, it appears that the two health center ideas are similar in operational design, but quite different in concept.

But first, what is Sutter up to, and why would the Sacramento Health Care giant travel so far away from home to build a brand new kind of hospital facility? Let's look at what we know about Sutter and the project so far.

Why Santa Cruz and What Is It All About?

With just under \$600 million in assets, about 7,500 employees and over \$400 million in net revenues in 1990, there is little question that Sutter can afford to build a 30-bed mini-hospital in Mid-County—money is not a concern even though the venture would be unique for the hospital chain.

It is also equally clear that with the support of the 60-some doctors of Santa Cruz Medical Clinic, a new facility would have an immediate advantage in entering a new market, especially if the services Sutter offered were of the typically more profitable outpatient and short-stay variety.

And while these two reasons may be enough for Sutter to consider experimenting with a new design in hospital facilities, there may yet be one more—it seems that someone bothered to ask them.

"The other part of it, don't forget, is we were invited to come and look at this project by Santa Cruz Medical Clinic. They approached us, that's how we came to be looking at this," Steve Heath, Sutter's Director of Communications, said in a recent interview with *The Post*.

Invited, according to the Clinic's President, Wayne

Boss, because residents at the northern end of Santa Cruz county need choice when it comes to hospital care. And, because Sutter, as a regional care provider, has the resources to do the job right.

And regional may be the final key to finding the answer to why the rapidly growing Sutter System would seemingly wander so far from Sacramento.

"I don't know I would agree that it was outside our service area," he said. "It is an area where we have not served previously, but we are a regionally distributed not-for-profit health care system. We have a hospital in Crescent City; we currently have a management services agreement with a hospital in Los Banos. We have a hospital in Navado, in Vallejo, in Antioch, in Davis and in Auburn," Heath said.

"It's a regionally distributed network of facilities in various counties."

And all of this is not to mention the broad variety of services and facilities, including free-standing outpatient surgery centers and a retirement community, that Sutter offers Sacramento doctors and patients.

But, should Sutter move ahead with the project, there

will be some limitations, at least initially, to what choices patients will have.

What's New and What's the Same

Similar to the center proposed by Capitola developers and some local physicians, the Sutter project would only serve those people who do not require critical care. In the Sutter plan, there would not be an emergency room, an intensive care unit, or the specialty services now available at Dominican Santa Cruz Hospital and Watsonville Community Hospital.

Of the 30 patient rooms, there would be 12 set-up as delivery/labor/recovery suites; there would be four operating rooms, for both outpatient and relatively simple inpatient procedures; and a medical office building for doctors from the Clinic.

The office building alone would possibly be a venture with S.C. Medical Clinic, while the hospital itself would be owned by the non-profit institution.

But what about the costs? Capitola developers have made a big point about how they believe they will save a great deal of money for patients, insurance com-

panies and employers. Sutter, on the other hand, is less apt to speculate about prices.

"Without getting into specifics of rates, we believe that we will have a very cost effective facility... I have no way of knowing at this point if what we would charge, for a given procedure, would be more or less than [what] Dominican charges," Heath said.

And, if they do save money for customers, which customers will benefit? Santa Cruz Medical Clinic, for one, is likely to appreciate competition in the hospital market.

As the provider of the popular TakeCare HMO plan for Santa Cruz county, offering aggressive rates for local employers is based, in part, on finding not only efficient ways of providing medical services, but also on keeping costs down for services they don't directly provide. And while the Clinic does currently provide some out-patient surgery work at their four-story Soquel Drive facility, the Clinic still must presently rely solely on Dominican Hospital for in-patient care.

Which may mean that allowing Sutter to assume some of the out-patient business they currently handle, might be a good trade-off to assure local price competition.

"Part of what will happen as the project goes forward is: a lot of what's going on in their [the Clinic's] building on Soquel [Drive], will move into this facility... They [the Clinic physicians] are doing some out-patient surgery now that they would move out of there [the site of the new facility], and free up office space for additional physicians," Heath said.

Still, some decisions are still to be finalized.

Up In the Air

Sutter has yet to complete negotiations in securing

land for the project; however, it is likely that wherever they locate it will be close to Dominican, so that Clinic and North County doctors using their mini-hospital will be near to one of the area's two acute-care facilities.

"We're hoping to be able to get something put together by the end of the month," Heath added.

Also uncertain is whether or not the Clinic would help provide support services. Boss, of the Clinic, said one intention their doctors have is to move the orthopedic services to the new site. And with it would come the need to close to radiology services. And while Heath of Sutter suggests there may be some possibility the Clinic might move present equipment from the Soquel Drive location, Boss is doubtful moving such pieces as a CT Scanner would be appropriate or cost effective. So who would buy the expensive machinery and would offer staff for the support facility would also seem to be a yet undecided issue.

But what is not in doubt in either the minds of the Clinic doctors or Sutter officials, is that there seems to be an ever present desire for alternatives in health care.

Alternative Care

"Data indicates a desire to have an alternative facility where people can go for services in that community," Heath said, referring to a yet-to-be-released opinion survey of county residents, sponsored privately by Sutter.

"We have looked at the market fairly thoroughly and believe that we have something to potentially offer, that are unmet needs in the community."

And the findings would support the trend over the past few years nationally. Cur-

rently the industry standard is to provide choice through competition—more makes for more efficient services—or so the jargon goes. But more, at least according to a recently released report authored by the Lucy Johns for the County of Santa Cruz's Health Services Agency, costs the people who pay for care 'more money, a contention that is based in part on the assumption that present hospitals could not cut operating costs in an amount equal to the revenue they would lose to a competitor, and would subsequently raise prices on other services a mini-hospital would not offer in the market.

In short, the cost of emergency room services would skyrocket, even though the cost for out-patient surgeries might be reduced.

A point that Boss takes exception with, to say the least.

While recognizing that the potential exists for the hospitals to shift prices between departments, he also believes that without competition there is just as much risk for rates to climb. In other words, as long as there isn't activity to keep prices down, that Dominican will eventually fail to aggressively compete for managed care business, an insurance sponsored market that includes hefty discounts for certain large volume insurance providers, and that this figure would represent a loss of \$10 million in annual savings for local companies.

Still, even with so many cards already on the table, the Sutter is not officially in the game. But, with new players in the market, at least it's likely the match will be an interesting one to watch for some time to come. □