

Hospital ends 2nd straight year in black

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Watsonville Community Hospital operated in the black for a second year, ending with a profit of more than \$1.2 million for fiscal year 1992-93, hospital officials have reported.

The turnaround, which began the year before, followed two years of financial losses for the hospital.

Hospital CEO John Friel credited higher reimbursement rates and continued efforts to cut costs for the good financial showing, and John Nacol, chief financial officer, said things look even better for the current fiscal year. He estimated that the hospital has made a profit of \$1.4 million since July.

On the revenue side, the hospital reported \$77,813,000 from patient services for the last fiscal year. Unreimbursed care and other deductions came to \$33,000,000, and salaries, benefits, insurance, utilities, depreciation and interest on debt totaled \$44,543,000. Revenue from other sources came to \$992,000, bringing the total profit to \$1,262,000.

The previous year, the hospital reported an income of \$67,639,000. Unreimbursed care and operating expenses came to \$27,329,000; salaries and other costs were \$39,883,000. Revenue from other sources was \$209,000, but the hos-

pital lost money in a medical equipment business, a joint venture with Dominican Santa Cruz Hospital, to the tune of \$54,000. Total profit was \$582,000.

(The equipment business, Mid-Coast Medical, made a profit of \$273,000 for the hospital last year, Nacol said.)

For the fiscal year that ended June 30, 1991, the hospital reported a loss of \$689,000. The year before, it had lost \$1,491,000.

The hospital's assets also increased from \$45,347,000 for fiscal year 1991-92 to \$56,901,000 for last fiscal year. The increase is due in part to money advanced to the hospital for its new building.

Friel said patient revenues have increased partly because the hospital no longer has a contract with Medi-Cal, a fact that results in a higher reimbursement rate. The hospital has also been able to negotiate higher rates in contracts with various insurance companies, he said.

The hospital may have also been able to attract some new, paying patients, Friel said. Hospital officials say they once figured they were losing about 25 percent of their market share — or people who are in the hospital's service area — to Dominican or other hospitals. Through programs such as

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a remodeled, reconfigured birthing center, the hospital has been working at getting those people to come to Watsonville instead. Friel estimated that the hospital is now capturing 85 percent to 87 percent of its market share.

The increase in inpatient revenues has occurred even though there's been a dip in inpatient volume. In fiscal year 1991-92, the hospital had 26,930 "patient days"; in 1992-93, it had 26,723 patient days.

Improvements to the hospital's chemotherapy program and the addition of two oncologists has increased the number of cancer patients the hospital serves, Friel said.

"Outpatient chemotherapy services have skyrocketed," he said.

According to figures provided by Nacol, total outpatient treatments increased from 17,802 in fiscal year 1991-92 to 18,349 in fiscal year 1992-93. Outpatient tests also increased from 23,882 to 24,673.

Business has increased for the hospital's home health-care service. At the end of the previous fiscal year, the home health-care service opened an office in Santa Cruz, with the idea that physicians who practice at both hospitals could refer their Santa Cruz patients to it. Dominican Santa Cruz Hospital doesn't have a similar program.

According to Nacol's figures, the home health service made 27,300

visits last year, up from 17,218 visits in fiscal year 1991-92.

Friel said no major cost-cutting measures are planned for this year, but on-going programs that look at patient care quality and cost-effectiveness continue. Among the changes made during the last year was a retrofit of lights, the replacement of boilers and water pipes, and a re-negotiation of gas rates that reduced utility costs by \$11,000 over the previous year.

The hospital also helped launch an urgent care business, Health First, staffed by its emergency room doctors and aimed, in part, at trying to reduce the number of non-emergency visits to its ER. Friel said there has been a slight dip in ER visits, but nothing significant yet.

Other projects the hospital is involved in include ongoing recruitment of doctors to the area. During the last fiscal year, it helped bring five doctors to Watsonville: three internists, one pediatrician and one surgeon.

The hospital is also working on developing a 12-acre site it owns in Aptos. So far, plans involve using nine acres for 60 townhomes and three acres for two medical buildings. Friel said the hospital is talking with the county about the possibility of including retail businesses in the medical buildings, which Friel believes may make the project more marketable.

To avoid tying up hospital capital, Friel said the hospital is looking for developers to invest in the project.