

# Santa Cruz hospital merger may be good thing

By BOB SMITH  
STAFF WRITER

## Report says costs could go down

Dominican Santa Cruz Hospital could close newly acquired AMI/Community Hospital without adversely affecting the availability of hospital beds in Santa Cruz County, a county report says.

And, instead of costing the public more money as the number of hospitals in Santa Cruz County is cut from three to two,

the AMI/Community acquisition may actually lower publicly and privately funded health-care costs in the county.

The bottom line was that health care was a losing proposition for both Santa Cruz-based hospitals in 1989.

These conclusions were

reached in an analysis completed this week for the county's Health Services Agency by Eleanor Littman of Nursing Associates, a Soquel consulting firm.

AMI/Community Hospital was a poor competitor in the three-hospital health-care field before its acquisition.

Littman's report says AMI/Community lost \$3,468,927 in fiscal year 1989, \$1,166,837 in 1988 and posted a skimpy profit of \$74,569 in 1987.

Dominican also lost money in 1989 - \$965,000. But it made money in the two previous years - \$1,386,000 in 1988 and \$1,194,000 in 1987.

On an average day between October 1988 and September 1989, there were 223 people hospitalized in Santa Cruz County, for an overall occupancy rate of 45.9 percent.

AMI/Community, with 180 beds, managed to fill only 23.8 percent (43 patients). By comparison, Watsonville kept 60.2 percent (70

patients) of its 117 beds full and Dominican reported 58.3 percent (110 patients) of 188 beds full.

National hospital planning standards, Littman's report said, have traditionally used an 80 percent occupancy rate as the minimum efficient level of utilization.

See MERGE page 11 ▶

## MERGE

▶ From page 1

"Using a minimum occupancy rate of 80 percent, Santa Cruz County hospitals require a total of only 279 beds to meet the needs of persons seeking acute care services in the county," the consultant said.

"The Dominican Hospital campus's existing 188 acute care beds would accommodate the combined AMI/Community and Dominican average patient census of 153 patients at 81 percent occupancy.

Dominican's option to shift non-acute services such as restorative care (37 beds) and/or chemical dependency (22 beds) to the AMI campus further assumes its ability to meet all acute care needs without adding additional beds.

In terms of its market share, AMI/Community, the county report shows, captured only 14 percent of all "hospital patient days." Dominican had a 58 percent market share and Watsonville, 27 percent.

"In comparison to a 14 percent share of patient days, only 8 percent of the Medi-Cal patient days were at AMI/Community," the report says. "Sixty percent of the Medi-Cal patient days were at Dominican and 32 percent at

Watsonville.

AMI/Community also fared poorly in the outpatient department. In 1989, the report says, there were 70,250 emergency room visits in the county. AMI/Community had a 17 percent market share, compared to 42 percent for Dominican and 41 percent for Watsonville.

Costs were also higher at AMI/Community. AMI/Community reported "gross expenses per patient day" as \$1,187. "This is 60 percent higher, than the gross expenses per patient day at Dominican Hospital, 47 percent higher than Watsonville Hospital and 49 percent higher than the Mid Coast regional average," the consultant said.

Hospital charges per patient day - the costs billed to the patient, an insurance company or a public plan such as Medi-Cal or Medi-Cruz - were \$1,928 at AMI/Community as compared with \$1,157 at Dominican and \$1,173 at Watsonville. The Monterey Bay regional average was \$1,281.

Medi-Cruz costs - the county's funded health-care program for people who don't qualify for Medi-Cal but don't have their own health insurance coverage - were also higher at AMI/Community. The same was reported for visits by members of the county's self-insured health plan for employees, retirees and dependents. The per-day costs at Dominican averaged \$1,233 and \$1,741 at AMI/Community.

"The higher charges at AMI/Community reflect the lack of

economies of scale in a smaller hospital, the cost of 'nonprice' competition, as well as the for-profit pricing of AMI," Littman said.

One result of the hospital acquisition, the report said, is that Watsonville Community Hospital may see a small rise in the numbers of babies delivered whose mothers want a tubal ligation (sterilization) performed as part of either a Caesarean or vaginal delivery. Although Dominican president Sister Julie Hyer said Dominican will honor commitments made to pregnant women for sterilizations before the March 9 purchase of AMI/Community, the hospital will halt those procedures shortly.

That will leave Watsonville as the only hospital in Santa Cruz County permitting the sterilization procedures. In 1989, 118 tubal ligations were performed for inpatients at AMI/Community, 58 as part of a Caesarean delivery, 54 following vaginal delivery and six in conjunction with other surgical procedures. Eighty were performed on an outpatient basis.

The Dominican ban is also sending North County obstetricians south to apply for privileges at Watsonville so that they can deliver babies there and perform the sterilizations, when requested. By comparison, Watsonville Hospital said that 89 ligations were performed there last year.

Staffwise, however, someone is going to be hurt as the two hospitals begin to merge their oper-

ations, the report said.

"It is not possible to merge the two hospital staffs without either substantially reducing the status and privileges of employees who worked at AMI/Community or diminishing (to a somewhat lesser extent) the status and privileges of all Dominican employees," Littman said.

"Nurses at both campuses who do not have regular positions are the most vulnerable to nursing budget reductions."

Hyer said yesterday, "There will be an impact on the working force. That is the unfortunate impact of a merger or acquisition. Dominican is committed to handle it in a fair and sensitive way."

There will be changes on both sides.

"A new culture must be created," Littman, the consultant, said. "Because Dominican is the larger hospital and acquired AMI/Community, it can be expected that the new culture will be dominated by Dominican Hospital. However, there are substantial changes for Dominican as well. First, Dominican Hospital has a new role as the community hospital in north Santa Cruz County. Second, it will be a significant administrative change for Dominican to operate on two campuses.

"Finally, Community Hospital staff bring many strengths, especially in areas such as labor and delivery, from which Dominican could benefit."

### CALIFORNIA CREMATION SOCIETY

For free brochure on complete services, call or write: (no salesman will call) P.O. Box 452, San Jose, CA 95103.

998-4066