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Sutter
Hospitals

Contract for new hospital delayed

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Developers of a proposed 30-bed hospital in Live Oak wanted to sign a contract with Santa Cruz County yesterday, but county supervisors decided to hold off for at least seven weeks.

Sutter Health's proposed contract prompted opposition from the expected sources - competitors Watsonville Community and Dominican Santa Cruz hospitals, plus several doctors from Santa Cruz and Watsonville.

Sutter, which plans a maternity and surgical hospital next to Skyview Drive-In, offered to commit at least 5 percent of its net revenues to care of indigents.

To opponents, Sutter's proposal is "skimming" off the more lucrative procedures, and leaving high-cost services - such as running emergency rooms - to the full-service hospitals such as Dominican and Watsonville.

Sutter's presence would upset a "tremendously fragile system" of health care in the county, Dominican Chief Financial Officer John Petersdorf told the board.

In a lengthy letter to supervisors, Dominican questioned whether the 5 percent indigent care would be Sutter's fair share. Dominican spent 8.4 percent of its revenue on indigent care last year, and is over 9 percent this year, according to the letter from Sister Julie Hyer, Dominican's chief executive officer.

There are enough beds at Watsonville and Dominican to serve the county's needs for years to come, said Elinor Hall, head of the county's Health Services Agency.

"The issue becomes one of economics," said Hall, who did not endorse or oppose the Sutter development proposal.

Sutter Health would have "a limited impact on Dominican and no impact at all on Watsonville," said Kent Sherwood, senior vice president of Sutter Health, a non-profit, Sacramento-based chain of clinics and hospitals.

John Friel, Watsonville Com-

munity's chief executive officer, took issue with Sherwood, saying Sutter could draw some patients from Watsonville.

Sutter's contract offer is a good faith gesture - such a contract is not required. It comes just before a series of land-use hearings on Sutter's plan to change the county General Plan and build on land next to Skyview Drive-In on Soquel Drive. The supervisors who listened to Sutter's offer yesterday will also be the ones to make land-use decisions.

Supervisors put the contract issue off until April 27 so that they can seek answers to a number of questions raised yesterday.

They include a legal analysis of the contract; information about the makeup of Sutter's local board of directors (yet to be chosen); what type of patients will be served at Sutter; and the issue of "competitive technology."

Howard Schwartz, a Santa Cruz orthopedic surgeon, said Sutter isn't offering anything that isn't already offered in Santa Cruz County. Duplicating services, he said, could lead to higher costs.

Bob Keet, a Santa Cruz internist, charged that Sutter's project is a joint venture with Santa Cruz Medical Clinic, and that only clinic doctors will be inclined to refer patients to Sutter. Keet said Sutter would provide "only very limited boutique services."

Supervisor Gary Patton said he wanted to see more information on the relationship between the clinic and Sutter.

Sutter has a one-third interest in the company that owns the clinic's assets, Sutter attorney Tina Brown said after the meeting.

If everything goes smoothly, Sutter could open in 1995, company officials said. That's the same time another mini-hospital, Capitola Health Center, is planning to open.

The Capitola Health Center approved the project in December, with the condition it can't be built until the freeway interchange at Bay Avenue is widened in 1995.