

Hospital report yields details

HOSPITALS - Watsonville
\$3.6 million set aside for hospital foundation

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WRP 6-8-98
WATSONVILLE — A dramatic reduction in the amount that the federal government reimburses hospitals for the treatment of Medicare patients helped lower the purchase price of Watsonville Community Hospital from \$71.6 million to \$58 million. From that sale price, \$3.6 million will go to the Watsonville Hospital Foundation.

Those figures are cited in an application sent last week to the attorney general's office for review. The application was also released Monday to the public library on Union Street.

Perusers of the mammoth document, which consists of 2,144 pages in five bound volumes, will find a wide range of materials related to the sale.

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The materials include a community assessment report, information about the hospital's competitors, news articles on the hospital, surveys of local health care consumers, minutes of hospital board meetings, and public meetings on the proposed sale of the institution. They also include, on page 35 of the first volume, the original and revised purchase price numbers and the discrepancy between them.

The document sets the final purchase price at \$58.6 million, which is arrived at by the addition of the \$50 million in assets to \$8.6 million in working capital. Of the \$8.6 million, \$5 million will go to the hospital, and \$3.6 million will go to the

hospital's foundation, according to Bob Hardison, the senior vice president of buyer Community Health Systems.

Hardison said this morning that the balanced budget act that goes into effect July 1 dramatically reduces the amount hospitals will be reimbursed for Medicare patients.

Hardison also said that the sale of the hospital is expected to benefit Watsonville by creating a windfall to the hospital's foundation, by adding to city tax revenues when the hospital becomes a for-profit institution and by bringing management expertise to the local institution.

Hardison also said that the hospital will continue to be run by a local board of directors to insure that local needs come first.

"We will have a local governing board in the agreement made up of

citizens of Watsonville and members of the medical staff representing different departments and John Friel," said Hardison. "No one from CHS is on the board."

Charles Moody, an administrator for Santa Cruz County Health Services Agency who has been at the forefront of efforts to ensure that the sale benefit all Pajaro Valley residents, said this morning that he is concerned that the hospital foundation, which will benefit from the sale, is not broad-based enough.

Moody also said that the foundation should be restructured in order to take better advantage of tax laws that would allow it to keep more of the revenues generated by the for-profit hospital.

"They seem to have chosen a structure that is less advantageous," said Moody.