

Argus Courier - Doctors group plans surgery center

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## **DOCTORS GROUP PLANS SURGERY CENTER**

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In a controversial move that could have strong implications for the Petaluma community, the South Sonoma County Medical Group announced last week that local doctors are partnering with a Texas-based health organization in an attempt to create an ambulatory surgery center in a building on Southpoint Boulevard.

Surgeons and specialists from Petaluma, Sebastopol, Sonoma and Marin County and Cirrus Health — a Dallas-based health services organization that specializes in developing ambulatory surgery centers — hope to utilize a portion of the building at 1304 Southpoint Blvd. that houses the Argus-Courier, the University of Northern California and Petaluma Health Center offices.

Medical Realty Group, an affiliate of Cirrus, submitted an application for a minor use permit on Aug. 15, and Cirrus Group, a sister company of Cirrus Health, is negotiating to buy the building. Around 20 physicians, including about a dozen from Petaluma, have expressed interest in becoming part-owners of the surgery center.

The new surgery center would utilize 10,500 feet of space, and include 13 pre-operative rooms and post-anesthesia care units, four operating suites and a procedure room. Doctors who want to establish a practice in the area would rent offices in some other areas of the partially unoccupied building.

The surgery center could be up and running within eight to 10 months, said Bob Ostroff, president of the SSCMG, adding that it would provide a big boost to local health care.

“SSCMG physicians have found themselves in the position of referring their patients to doctors in other cities for tests and procedures that used to be available in Petaluma. The new ASC will give SSCMG the ability to recruit new surgeons and specialists,” Ostroff said.

“The development of the ASC also will give SSCMG the ability to provide the highest quality surgical and diagnostic care for our patients, and at the same time reduce the cost of that care significantly. Surgeries and procedures done in an ASC generally cost between one-third to one-half of the cost of the same procedure done in a hospital,” he added.

Surgery centers typically are less expensive than hospitals, partially because overhead costs of hospitals are higher and a larger portion of patients are well-insured.

The planned surgery center was made possible by the federal government lifting a 30-month Congressional moratorium on physician-owned surgery hospitals in August 2006.

Daymon Doss, CEO of the Petaluma Health Care District, expressed apprehension over the plans.

“I’m concerned, and regret that physicians have decided to work directly and collaboratively with this for-profit entity from Texas,” he said. “It isn’t known what impact this venture would have on Petaluma Valley Hospital, which the health care district primarily tries to help.

“I’ve heard hopeful thoughts from physicians that in the long term, this could be helpful to the community, but examples around the state prove otherwise.”

Cirrus has been much more successful in large metropolitan and urban areas than in cities such as Petaluma, he said.

“I don’t believe that our district has enough critical mass to have both a full-service hospital and a surgery center. Around 110,000 people live in the district, and 40 to 45 percent of them belong to Kaiser. Establishing this surgery center could be a lose-lose situation for physicians and the hospital,” he said.

Jim Suver, vice president of operations and chief administrator of Petaluma Valley Hospital, feels that the surgery center would be highly detrimental to the hospital.

“It would cause a tremendous loss of revenue that could impact other services,” he said.

Some critics argue that physicians who own a stake in specialty centers are more likely to refer the better-insured and healthiest patients requiring the most lucrative procedures to centers that they own. This, in turn, could further strap struggling community hospitals by leaving them to care for the sicker, less-insured patients with more complicated health issues.

Ostroff feels that Petaluma Valley Hospital initially would suffer some loss of revenue, but ultimately would benefit from the surgery center.

“There will be an initial drop-off in outpatient surgery, but the hospital will end up doing better in the long run, because the surgery center would attract more doctors to the area, and more doctors means more admissions for the hospital,” he said.

“At first, there would be a hiccup, but the surgery center ultimately will improve local health care,” added Wayne Fairchild, a consultant for the SSCMG who was the previous vice president of operations at the hospital. “Many serious surgery cases in which more extensive care is needed, such as a 55-year-old man who has a heart attack, would be more appropriate for the hospital than the surgery center.”

Kristen Swilley, physician relations specialist for Cirrus Health, also feels that the surgery center will strengthen local health care.

“I realize that some people are inherently concerned that the surgery center could create problems for the hospital, but I think that it will improve it by bringing new services to Petaluma,” she said.

Doss isn’t convinced that a surgery center would boost other health-care businesses in the area.

“If it brings more surgeons to Petaluma who would also do inpatient services at the hospital, that would be wonderful, but it’s also possible that these surgeons would bring their patients to do outpatient surgery at the center, and do inpatient surgery back at their own cities,” he said.

The SSCMG initially approached St. Joseph Health System of Sonoma County administrators about collaborating to establish a surgery center. St. Joseph administrators eventually proposed that SSCMG manage the surgery center at

PVH, but not share in ownership and profits, as the SSCMG had requested. So, the SSCMG declined.

“St. Joseph didn’t want to partner with physicians,” Fairchild said. “Local surgeons then wrestled with the matter, and thought about it long and hard before deciding how to move ahead with another plan. No one wants to hurt the hospital, but the physicians are concerned with better meeting the needs of the community.”

“We know that part of the exodus of Petalumans out of town for their care has to do with the ability to receive outpatient care for less money in Santa Rosa and Marin County,” Ostroff added. “We believe that the opening of this new facility — along with the availability of new, competitive insurance plans — will begin to address fundamental reasons why Petalumans exit the city for their medical services.”

Doss hopes that the physicians will reconsider establishing the surgery center, and renew discussions with St. Joseph over a possible collaboration.

“The surgery center isn’t a done deal. The health care district isn’t there to stop the SSCMG, but we would like to move them to a position where they will re-open discussions with St. Joseph,” he said, adding that Suver and George Perez, president and CEO of St. Joseph Health System of Sonoma County, intend to thoroughly review the hospital’s pricing structure.

“At this point, any conversation between the SSCMG and St. Joseph would have to include Cirrus,” Ostroff said.

Suver emphasized that St. Joseph’s focus will be to continue to try to work exclusively with the doctors.

“Cirrus is an out-of-state organization. Our intent is to find ways to work with physicians to help improve health care in Petaluma,” he said, adding that he and Perez met with Ostroff and other local physicians last week and hope to continue the discussions.

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