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# Hospital review reveals no 'plundering'

## Major health-care leaders pledge to work together to address problems

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Leaders of major health-care groups are in agreement that a review of financial and operational aspects of Petaluma Valley Hospital did not reveal any previously alleged "plundering," and the head of the Petaluma Health Care District now hopes that all local providers will be able to work together as well as further explore some issues raised by the study. Dr. Bob Ostroff, president of the South Sonoma County Medical Group, charged at a PHCD board meeting on Jan. 10 that St. Joseph Health System is "plundering" the hospital by operating it for its own interests. The PHCD board subsequently hired HFS Consultants of Oakland to perform a review, and its results were presented by vice presidents John Pfeiffer and Richard Parsons at a special meeting of the health-care district board of directors on June 12. A printed report of the consultants' PowerPoint presentation was available at the meeting, and a more complete written report will be distributed at the PHCD board meeting on June 26. "The review addresses the issues raised by Dr. Ostroff," said Daymon Doss, CEO of the health-care district. "It clarifies St. Joseph's policies and procedures, and shows that there has been no diversion of patients or (medical) procedures from PVH to Santa Rosa Memorial Hospital. "I'm hopeful that the review has successfully addressed the trust issue, and that the health-care district, physicians and Petaluma Valley Hospital will be able to work together. As any good report might, this one raised several new questions, and I think we can work together to

answer them.” Ostroff is satisfied that the review successfully answered his allegations, and said the SSCMG doctors “will be happy to meet with St. Joseph administrators in the future.” “Our executive committee asked the consultants to look at things that we thought were benefiting Santa Rosa Memorial Hospital at the expense of Petaluma Valley Hospital, and the results show that they’re not occurring,” he said. Jim Suver, vice president of operations and chief administrator of PVH, hopes that the findings will result in greater collaboration between St. Joseph and the South Sonoma County Medical Group. “The allegations were not supported by the report, and I’m hopeful that we all will now move forward for the good of the hospital,” Suver said. “If the review removes a hurdle from the SSCMG working together with us, it will have been worthwhile. But if it results in more allegations, it won’t serve any purpose and will be a deterrent from what needs to happen at the hospital.” After being hired to perform the review, HFS Consultants met with the PHCD board’s provider-relations committee, top PVH administrators and the South Sonoma County Medical Group’s executive committee, among others, and began focusing on four areas: surgery, corporate charges, revenue deductions and insurance costs. The consultants found that PVH’s surgery volume increased markedly from 2005 to 2007 — mainly because St. Joseph recruited two new physicians and purchased surgical scopes — but that the number of surgeries has considerably declined since its high point in 2000. They state that “SRMH has exceeded the minimum capital funding required by the lease for the hospital as a whole,” but found that “there has not been enough investment for a strong surgery program at PVH.” HFS Consultants found that over the past five years, the amount of corporate charges to PVH was a little less than St. Joseph’s cost of delivering those services, and state, “In summary, we did not see SJHS/SRMH taking any ‘profits’ from PVH.” In the revenue deductions section, the consultants wrote, “Over the past three years, the method used to compute contractual allowances and bad debts is extremely detailed and thorough, and properly states expected payments without significant bias.” The consultants also concluded that self-insurance costs in 2007 seem reasonable compared with what similar employers

are paying, and that PVH was paying reasonable worker's compensation rates until they past two years, but "probably should re-evaluate the program." The health-care leaders agree that the report successfully addressed the contentious issues, but that further study is needed in some other areas. Doss and Suver both feel that the worker's compensation issue needs to be studied, and Suver also feels that St. Joseph's corporate budget process needs to be clarified. Ostroff contends that the review would have been more useful if the consultants had compared PVH with two similar-size hospitals also operating within health systems — Novato Community Hospital (in the Sutter system) and Ukiah Adventist Hospital. "Our executive committee asked the consultants to do this comparison, but they didn't," Ostroff said. "This was a missed opportunity, because these hospitals are more financially successful than Petaluma Valley Hospital, and we could have learned from them." Doss feels that given the scope of their review, the consultants covered the necessary issues, but says that the comparisons Ostroff suggests also should be made. "But there are several differences between Novato Community Hospital and Petaluma Valley Hospital that account for the financial disparity, so when comparing them we need to be sure we're comparing apples and apples instead of apples and oranges," he said. He feels that the health-care community needs to explore why Petaluma Valley Hospital isn't making a profit. "This review was an excellent first step, but if St. Joseph is doing a good job, what is the problem?" Ostroff said. "We need to figure out what's wrong at Petaluma Valley Hospital, and figure out how to correct it. This isn't a criticism of St. Joseph or the Petaluma Health Care District. Maybe the doctors aren't doing the right surgeries. We just need some answers." Suver feels that one basic answer is that PVH needs to attract more patients. "We have the ability to be more financially successful, but this will require more volume. That's one reason we need to work together with the SSCMG," he said. (Contact Dan Johnson at [dan.johnson@arguscourier.com](mailto:dan.johnson@arguscourier.com))