

Doctors Medical Center in San Pablo declares fiscal emergency

*By Robert Rogers
Contra Costa Times*

POSTED: 11/12/2013 12:32:16 PM PST

SAN PABLO -- Reeling from yawning gaps between costs and revenues, in need of partnerships and unable to tap state or county funds, the West Contra Costa Healthcare District Board of Directors, which owns and operates Doctors Medical Center, declared a fiscal emergency for the hospital during a special meeting Tuesday night.

The five-member board voted unanimously to declare the emergency after hearing a presentation from interim hospital CEO Dawn Gideon. Gideon said the hospital has been hemorrhaging \$1.5 million per month for the last two years and faces a \$19 million deficit in the current year's budget, a crisis that requires deep cuts, new funding streams and partnerships with other hospitals to avert closure.

"We can't close a \$19 million gap with expense reductions alone," Gideon said.

Without new funds, the hospital is projected to run out of cash and be unable to operate beyond May 2014.

Before the vote, an 11-member group that includes the hospital's Healthcare Board and representatives from Contra Costa County and medical staff heard the presentation and voted unanimously to recommend declaring the emergency.

-more-

About 30 people, many of them employees at the hospital, attended the meeting in the hospital's auditorium.

Last year, the hospital ran a \$17.7 million deficit on a total expense budget of \$155.1 million, according to financial records.

Hospital labor negotiators have been in talks with the two unions representing hospital workers in recent weeks, according to hospital spokeswoman Remy Goldsmith.

Despite the grim forecasts, leaders stressed that the hospital would see no interruptions in service in the short term.

"The top priority is providing excellent patient care," said Eric Zell, chairman of the Healthcare District's elected board of directors. "At no time will services be interrupted."

But the board agreed that without a combination of labor cost reductions, bridge funding from public or private sources and a partnership -- most likely with the UCSF Medical Center in San Francisco -- the hospital's days are numbered.

The latest troubles are not the hospital's first brush with fiscal crisis. In October 2006, the district that runs Doctors Medical Center filed for bankruptcy protection. The hospital emerged from bankruptcy in 2008, thanks in part to infusions of cash from the state.

Voters have also passed two parcel taxes in recent years to save the hospital from earlier fiscal crises.

"We've done a good job of pulling a rabbit out of a hat to save the hospital in the past, so people have come to expect that," said Contra Costa County Supervisor John Gioia, a member of the governing board. "Now there are no rabbits left."

Some members characterized the prospect of a partnership with UCSF Medical Center as a "long shot" and noted that it would not happen before 2015.

"DMC will not survive without a partner," Gioia said.

-more-

Doctors Medical Center serves mostly uninsured and underinsured patients and has long been considered an important safety net for West County residents since its opening in 1954. It is the leading source of hospital care for the area's uninsured, underinsured and Medi-Cal beneficiaries, according to a hospital news release.

In her presentation, Gideon said DMC's finances have deteriorated faster than previously projected due to declining patient numbers and reduced reimbursements from Medicare, widening the deficit despite the hospital shaving 6 percent off operating expenses since 2010.

Gideon said the new health care law, known as the Affordable Care Act, and the sequestration in Washington, D.C., earlier this year exacerbated the hospital's problems, costing it nearly \$4 million.

"We see decreased reimbursement rates, and patients have more choices to go elsewhere" thanks to the ACA and changes in Medi-Cal, Gideon said. Hospital visits are down 22 percent over the last three years at DMC.

Board members were adamant that they would not close the hospital if at all possible.

"The prospect of this hospital closing would be devastating to this community," Zell said.

For now, the hospital is in a fight to survive to 2015, when a partnership with UCSF Medical Center could materialize, but talks have not yet begun.

Gideon said the hospital needs \$15 million in "bridge funding" to reach early 2015, which could come from other regional medical centers that would be deluged with patients if DMC closed.

Contact Robert Rogers at 510-262-2726. Follow him at [Twitter.com/SFBaynewsrogers](https://twitter.com/SFBaynewsrogers).

###