

Inadequate State, Federal Payment Rates Forcing Hospital Closure, Officials Say

By David Gorn
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Doctors Medical Center in San Pablo, about 10 miles north of Oakland, is slated to shut its doors at the end of July, unless some kind of deal can be worked out to keep it operating.

East Bay voters in November rejected an initiative to temporarily save the not-for-profit public hospital. The same voters passed two parcel taxes over the years to keep Doctors running, but they eventually said "no" to additional funding that would plug part of the hospital's \$18 million-a-year deficit.

State officials and hospital administrators from nearby medical facilities are still meeting to try to keep the emergency department, which serves about 40,000 people a year, open.

There are many contributing factors to the financial death spiral at Doctors Med Center, according to said Eric Zell, chair of the West Contra Costa Healthcare District board of directors, which oversees Doctors Medical Center. But there is one fundamental and underlying reason it cannot remain economically viable:

"It's the Medi-Cal and Medicare reimbursement rates," Zell said. "The rates are just too low."

Zell added, "The payer mix is 80% Medicare/Medi-Cal and about 10% uninsured. There's only about 10% private pay, and that's not enough to keep us going."

The Finances of Expected Loss

According to hospital officials, Doctors is paid 60 cents for every dollar it spends to treat each Medi-Cal patient and just 90 cents on the dollar for every Medicare patient.

When you're looking at 100 patients a day and you lose money on 90 of them, the losses mount quickly, according to John Gioia, a longtime district supervisor on the Contra Costa Board of Supervisors.

Most medical facilities have a payer mix with a much higher percentage of people with commercial health insurance to mitigate the losses of their Medi-Cal, Medicare and uninsured patients, Gioia said.

"Most places have a lot more commercial pay to make up for it," he said.

And when you have such a large population of people living at poverty level, that also means the residents of western Contra Costa County don't have much money to try to underwrite the hospital.

"How do you support having emergency room beds in a community that can't afford to keep a full-service hospital?" Gioia asked.

Part of the answer, Gioia hopes, might come from nearby medical centers with a vested interest in keeping Doctors' doors open. "Nobody wants this patient mix," Gioia said. "By far, the most important element to the community here is the emergency room."

Other Hospitals Closed or Merged

Doctors Medical Center is one of the few remaining stand-alone small district hospitals left in the state, Gioia said. "There have been many places like this, hospitals like this in similar circumstances," he said. "Many have closed, dozens of them in California. They've either closed or affiliated with someone else."

In fact, he said, there used to be three special health care districts, each with a small hospital, in Contra Costa County. "There was Los Medanos up in Pittsburg, that closed. It's now an outpatient facility run by the county," Gioia said. "There was Mt. Diablo, that was absorbed by the John Muir Medical Center, it became the Concord campus of John Muir."

And then there was Doctors, which didn't affiliate with a larger system and has stayed open -- till now.

"This hospital represents a larger problem and issue," Gioia said, referring to the access issue that would emerge in the west county if Doctors does shut down. "This represents a larger problem and issue," he said. "Is there a model that's more sustainable?"

Raising the issue of sustainable cost, of course, also raises the question of the payment rates that could make a facility functional, even if it only provided services to Medi-Cal and Medicare patients.

"What hospitals do is rely on commercial reimbursements to make up the loss, but that kind of loss you can't make up," Gioia said.

"It's impossible," he said. "Ask a merchant. How do you stay in business if only 10% of your customers pay?"

Legislative Relief?

For Loni Hancock, the "Aha!" moment about the state's health care system came in the form of a letter from her health insurer.

Hancock is a state senator representing the San Pablo area where Doctors Medical Center is based, and that letter in June was the start of a small odyssey through a health insurance rabbit hole.

"I was told my doctor was no longer in the plan," Hancock said. "They told me, we've assigned you to a doctor in San Francisco. But I'm in Berkeley."

She spent a lot of time on the phone after that letter. "It took me hours and hours of sorting it out. What plan would I have to enroll in to keep my doctor? Would I really have to travel across the Bay to see a doctor?" Hancock said. "They sent to many places, many calls, and then there were clerical errors, and I had to do it all over again."

But the hassle isn't what got to her. "It made me think, what happens to other people who have to do this? What happens to someone who can't speak English well, or doesn't feel entitled to care?"

That pursuit of a personal health plan is a microcosm of the countless hours she has spent trying to find a legislative or administrative fix for Doctors, Hancock said.

"The Contra Costa Board of Supervisors has given them about \$6 million," Hancock said. "That should buy them about three months. And the hospital council in the area (Sutter, Kaiser and John Muir) has contributed another \$100,000 to look at models for what can happen next."

The choices still on the table, Hancock said are threefold: A downsized hospital with an ED; a stand-alone ED; or just an urgent care facility.

"It would be devastating for this hospital to close. It is the only ER for miles around," Hancock said.

"I think this is a failure of our health care system," Hancock said. "We need to have a single payer health system. Or we need to restore Medi-Cal reimbursement rates."

A representative of the state Health and Human Services agency has been actively participating in finding a solution for Doctors, Hancock said. "At the moment, I hope the hospital council does its work, and we come up with an amended plan."

But at its root, Hancock said, it shouldn't be up to hospitals in the area to pick up the slack for low Medi-Cal and Medicare rates.

"Look, it's a great health care system for employed, insured people," Hancock said. "But this is not a health care system for people who are poor."

Hancock said one of the priorities of the next legislative session is to restore the 10% provider reimbursement rate reduction that was passed during the 2011 financial crisis in California.

"Hopefully [the hospital council] will help keep access to care open for these people who desperately need it," Hancock said. "And in the Legislature, we'll work for reimbursement rates that are adequate, so people can find care in California."

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