



Contra Costa County supes approve debt waiver plan to help preserve full-service DMC

December 2, 2014 by Mike Aldax

One of several funding hurdles facing an ambitious plan to preserve a full-service Doctors Medical Center (DMC) through 2019 was overcome Tuesday after the Contra Costa County Board of Supervisors voted to forgive \$12 million of the hospital's debt.

By a 4-1 vote, supervisors temporarily suspended an ongoing \$3 million repayment to the county, and by a 3-2 vote permanently waived three additional repayments of \$3 million over three years. The debt forgiveness is contingent upon DMC securing the rest of the \$18 million the hospital needs annually to remain as a full-service hospital.

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The board's action is one part of a five-year, eight-part plan proposed by the West Contra Costa Healthcare District to keep the San Pablo safety-net hospital open. The financially struggling hospital is slated to run out of cash and close its doors early next year, according to the district.

In addition to debt forgiveness from the county, the so-called 5X8 plan would also require the passage of a parcel tax, the procurement of additional contributions from hospitals in the region, increased donations from a reinvigorated DMC Foundation, and more cuts to DMC's payroll and employee benefits.

The plan also relies on \$15 million in community benefit funds tied to the Chevron Richmond Refinery Modernization Project.

Supervisor John Gioia, who proposed the county's debt forgiveness plan along with Supervisor Federal Glover, said he hopes Tuesday's vote inspires action from other community stakeholders.

"It is my hope that it will cause the other East Bay hospital systems to step forward" with additional funding, Gioia said.

Last month, however, the Hospital Council Northern and Central California expressed doubt about the longterm viability of the 5X8 plan. The Hospital Council is a member of a regional planning group that has instead pitched proposals for a more financially sustainable alternative to DMC that preserves essential care. The regional hospitals contributed about \$24 million in direct aid to DMC over the past several years in an effort to keep the hospital afloat.

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The 5X8 plan relies upon several other uncertain funding sources. It assumes voters who rejected a parcel tax in May that would have covered DMC's annual deficit will agree to a less expensive tax proposal on the June ballot.

It also assumes the \$15 million from Chevron Richmond will be available in time to save the hospital. That funding won't be available until construction begins on the Modernization Project, which is being held up by lawsuits from environmental groups that could take months to years to resolve.

Opponents say the plan also doesn't ensure DMC has adequate funding sources beyond five years, and doesn't take into account the estimated \$100 million needed to seismically retrofit the hospital by 2020.

Gioia countered that the plan would offer stakeholders more time to develop a sustainable model based on a changing healthcare industry. One goal of the 5X8 plan is to stabilize DMC so that it can be integrated into a larger hospital system, he said.

The 60-year-old DMC has had financial problems for years, mainly related to the low reimbursement rates from the hospital's many MediCare and Medi-Cal patients.

Earlier this year, the hospital was forced to dramatically reduce services, diverting all ambulances to other hospitals and reducing the number of beds. Voters had previously passed two parcel taxes to keep DMC afloat: a 2004 tax for \$52 per parcel and a 2011 tax for \$47.

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