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County will loan \$10 million to keep San Pablo hospital afloat

By Sandy Kleffman

MARTINEZ -- Contra Costa County supervisors agreed Tuesday to provide a \$10 million advance to Doctors Medical Center in San Pablo, but warned the financially struggling hospital that it must find a way to solve its budget problems.

"At some point, we need a plan that is sustainable," board Chairwoman Gayle Uilkema said before the unanimous vote.

The 247-bed hospital should not expect a cash infusion every few years, Uilkema and other board members said.

Hospital leaders agreed, noting that the money will give them time to rethink their mission while keeping their doors open and continuing to operate the largest emergency department in West County, with 40,000 visits annually.

"It's obviously a critical service," said hospital board member Eric Zell. But he agreed that "we can't do it the same way we've been doing it in the past."

The advance will be similar to a \$10 million loan the county made to the hospital in 2006, shortly after Doctors declared bankruptcy. Doctors has since emerged from bankruptcy and recently repaid the advance with \$1.5 million in interest. But the hospital continues to struggle financially, although its annual deficit has been significantly reduced.

The latest \$10 million advance is to be repaid over four years with \$1.5 million in interest. The money will be used as a match to attract up to an additional \$10 million in federal funding, interim CEO Dawn Gideon said.

Although the county is struggling with its own budget shortfall and cutbacks, county leaders said the loan is possible because the money will come from county reserves and thus will not affect county services or require cuts elsewhere. No one spoke against the proposal.

Supervisor John Gioia, who represents West County and has been involved in trying to save the hospital, said the loan carries no risk to the county because it will be repaid with the hospital district's property tax revenue.

Even if Doctors closed tomorrow, Gioia said, property owners within the hospital district would continue to pay taxes that would be used to repay the county's advance.

The advance comes with a requirement that the hospital change its governing structure, Gioia noted. At the county's request, the hospital board agreed last week to set up a new, seven-member governing body to oversee day-to-day operations. The new panel will be made up of three of the existing five elected hospital board members, two county representatives and two medical staff representatives.

The hospital has had two governing bodies in recent years -- an elected board and a joint powers authority, which included county representatives, set up after the 2006 county advance. Having two governing bodies has been unwieldy and made it difficult to recruit a new chief executive officer, leaders said.

Doctors emerged from bankruptcy with assistance from the state, Kaiser Permanente and John Muir Health. Kaiser provided \$12 million over three years and John Muir Health donated \$3 million. The state kicked in nearly \$30 million through the California Medical Assistance Commission. But those subsidies are ending.

Under the plan, Doctors will receive \$2 million from the county on April 8 to help with its immediate cash-flow problems. It will receive additional money in mid-May, but only if the new governing body is in existence.

Supervisor Federal Glover noted that if the county failed to approve the loan and Doctors closed, the county could incur significant additional expenses as it moved to fill the gaps in health care in West County.

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