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Doctors Medical Center grapples with grim budget

By Sandy Kleffman

SAN PABLO -- Doctors Medical Center is struggling with a \$15 million annual operating deficit and without a quick cash infusion, it may have to declare bankruptcy for the second time in five years, its leaders said Monday.

As the West Contra Costa hospital strives to keep its doors open, it also faces a state-imposed March 2012 deadline to submit a master plan to replace its main patient tower to meet modern seismic requirements.

A new hospital would cost roughly \$100 million.

Just doing the planning for a new hospital, including selecting its location, deciding how many beds to build and determining what services should be offered would cost an estimated \$350,000 to \$400,000 during the next year and a half, said Ralph Lotito of Brewer Fraser Holland Lotito Architects. The entire planning process could take several years.

He urged hospital leaders to begin the process soon to ensure that state deadlines can be met.

These were among the sobering facts provided to the Doctors' governing board Monday night during a special meeting to discuss the hospital's financial plight.

No decisions were made, but board members stressed that they will explore all options. Even if the hospital has to declare bankruptcy, there are no plans to close it.

"Obviously, we want to keep this hospital here and we want to keep it funded," said board member Eric Zell.

Hospital leaders noted that they are in discussions with Kaiser Permanente and John Muir Health to see if those institutions will help out. After Doctors declared bankruptcy in 2006, Kaiser provided \$12 million over three years, and John Muir contributed an additional \$3 million. Those subsidies have ended.

Board members said they also plan to seek legislation to change a new state formula that has resulted in a significant drop in funding for Doctors this year and in the future. But even if they succeed, it would probably be next year before a change could be implemented, and the hospital needs help before then, said board Chairman John Gioia.

After the meeting, Zell said he expects that Kaiser and John Muir will make a decision within the next few weeks.

Among the options hospital leaders will explore is whether they can help return Doctors to financial health by constructing a new, possibly smaller facility and reconfiguring services. But they must first figure out how to pay for that, and how to keep the doors open until that can be accomplished.

Doctors operates the largest emergency department in West County and is considered an important safety net for area residents. It recently received a \$10 million advance from Contra Costa County, which will be repaid with \$1.5 million interest over four years with revenue from the hospital district's property taxes.

The drop in state funding is a result of legislation and a new funding formula that spreads the money over more California hospitals. Instead of the \$12 million annually Doctors received in 2008 and 2009, it is likely to receive only \$2.3 million this year and \$1.2 million in 2012, Chief Financial Officer Rick Reid said.

The financial uncertainties are worrying patients, a doctor told board members. He called for transparency as hospital leaders debate what actions to take.