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Doctors doubt Petaluma hospital analysis

Medical group says review doesn't explain facility's operational losses

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A physicians group remains unsatisfied by a review of Petaluma Valley Hospital's finances that found the institution was not being "plundered" for profits by its managers within the larger St. Joseph's Health System.

Conclusions in the review done for the Petaluma Health Care District, which owns the hospital, are not supported by the data collected by an Oakland-based consultant, said Dr. Bob Ostroff of South Sonoma County Medical Group.

He called for an independent analysis into charges he raised earlier this year that St. Joseph's was diverting surgical procedures and money to Santa Rosa Memorial Hospital.

The hospital reported operational losses last fiscal year of about \$1.2 million.

"We want to see how they came to their conclusions," Ostroff said. "We don't see this data and their conclusions following one another."

Last week, consultants for the health care district presented initial findings of a review that had been conducted over the past few

months. A full report is expected to go to the health care district board next Thursday.

The review, which involved interviewing doctors and hospital managers and looking at financial documents, found there was no deliberate attempt to bleed Petaluma Valley, which is managed by St. Joseph's along with Santa Rosa Memorial and other hospitals.

Consultants looked at surgical volume from 2000 to 2008, accounting procedures and such things as workers' compensation insurance rates, said the district's chief executive, Daymon Doss.

It found surgeries had decreased, but they were not going to Santa Rosa Memorial, the county's trauma center, Doss said.

It did not explain the decrease, but Doss said Kaiser Permanente was taking a larger portion of the market share.

The report also found no evidence of shifting cash or under-reporting income, Doss said.

There were no unusual billing or collections practices, he said.

"Some physicians felt there were deliberate acts causing diversion of patients or money," Doss said. "This report clearly shows that is not the case."

Despite overall high marks, the review contained some criticism.

It said that although St. Joseph's will have spent about \$15 million in capital improvements since 2004, it may have underfunded operating room spending, Doss said.

Also, the review said workers' compensation rates were above average and could be eroding profits, Doss said.

But physicians who helped determine the scope of the review challenged the assertions and said it didn't go far enough in explaining

why Petaluma Valley Hospital was operating at a loss.

Ostroff said the review failed to make comparisons to similar-size hospitals like those in Novato and Ukiah that are operating in the black.

Some kind of follow-up was needed, Ostroff said. His group was preparing a detailed response for next week's board meeting.

"If you're going to try to fix Petaluma, it seems to make sense to look at successful models in similar hospitals," Ostroff said. "They left out the single most important thing. That was extremely disappointing."

But Doss said the initial fears have been answered. He acknowledged further market research could be helpful.

"We need to move on now and call upon physicians with concerns to work directly with us," Doss said. "The district and St. Joe's will continue to look at all the issues."

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