

Docs suspend plans for surgery center

Credit crunch made project too difficult, says chief of medical group

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North Bay physicians are suspending plans to establish an ambulatory surgery center after spending around six months trying to generate enough revenue, said Dr. Bob Ostroff, president of the South Sonoma County Medical Group.

“We ran into a credit crunch,” Ostroff said, adding that the nationwide credit problem was unforeseen when doctors announced plans to create the center. The doctors who invested money in the center have been paid back, with interest, he added.

Ostroff estimated the costs at \$10 million to erect a building for a surgery center and some \$5 million to lease and outfit an existing space.

Although a surgery center now is off the table, Ostroff uses the term “suspend” to indicate that it might become a possibility at some point.

In September, Ostroff announced that a group of physicians from Petaluma and other North Bay locations were partnering with Cirrus Health — a Dallas, Texas, organization that specializes in developing ambulatory surgery centers — to create one in Petaluma.

Initially, the group wanted to establish a center in a building at Southpoint and North McDowell boulevards, and more recently was eyeing two buildings at North McDowell Boulevard and Old Redwood Highway.

Ostroff says that around 20 physicians were interested in investing in the surgery center.

“A lot of work went into establishing a center, so the physicians are disappointed. They had the best intentions for the community,” he said.

Ostroff feels that the surgery center, which would have included office space for physicians, would have provided services at lower costs for local residents while simultaneously helping to recruit and retain doctors.

Board members of the Petaluma Health Care District and administrators of St. Joseph Health System of Sonoma County, which operates Petaluma Valley Hospital, expressed concern that a new surgery center would have hurt PVH by taking some of the most financially lucrative business away from it.

“I can’t say I’m displeased at the news,” said Daymon Doss, CEO of the health care district. “I believe our market is just too small to have a community-based hospital and a surgery center competing for outpatient surgeries.”

A bill introduced by state Assemblyman Jared Huffman, D-San Rafael, this month is designed to protect such general, acute-care hospitals from losing the most profitable services and patients to specialty hospitals.

Under the legislation, before opening, such specialty hospitals would be required to hire an independent contractor to determine the effect they would have on community health care systems. Those that open would need to repeat the process each year, and share the findings with county supervisors and city councils when wanting to obtain or renew permits.

Meanwhile, Jim Suver, vice president of operations and chief administrator at PVH, says that hospital administrators are continuing to talk with doctors about them forming an outside management company that would sign a contract to manage the out-patient and in-patient operating room. Suver has discussed the matter with around 10 physicians, and says approximately 15 would need to be involved.

Management funds would be disbursed to individual doctors, but some physicians have argued that without bricks-and-mortar ownership of the facility, they wouldn’t be able to maximize profits and have control over the financial process.

Ostroff says that some doctors involved in establishing the surgery center are waiting to see what the consultants say before determining whether or not to try to collaborate with St. Joseph.

He said that if, contrary to his belief, St. Joseph has been forthcoming with its financial and operational reporting all along, “We will sit down with them and talk about joint ventures.”

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