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Hospital off Nov. ballot

Contract for Petaluma Valley not ready for fall vote

By Eric Gneckow

A measure to ratify a new operating contract for Petaluma Valley Hospital will not be ready for the November ballot, meaning that the current, 20-year lease to operate the publicly owned facility will expire before voters can approve a new agreement.

The cause of the delay is several sticking points in the closed-door negotiations that continue to drag on between the public entity overseeing the process and its current leading candidate, hospital officials said.

The Petaluma Health Care District, the public entity which owns southern Sonoma County's only acute-care hospital, will be seeking a temporary lease extension with incumbent operator St. Joseph Health while negotiations continue over the terms of the new agreement, said Ramona Faith, district CEO. Voters will have the final say in approving the terms that the district recommends.

St. Joseph is considered the leading bidder to operate the hospital after its current lease expires in January 2017, but ongoing deliberations over some elements of the proposal have derailed a plan to put a final agreement up for approval on the fall ballot.

Since the delay means the hospital lease will expire before voters have a chance to ratify a future contract, Faith said the two parties reached a verbal agreement last week to forge an interim extension of St. Joseph's lease until an anticipated public vote in March of 2017. Yet no formal agreement had been reached as of Wednesday morning, she said.

While both the district and St. Joseph indicated in separate statements last week that they continue to negotiate in good faith, the deadlock still looms large over the future of the 80-bed Petaluma Valley, which currently offers the only emergency room between Novato and Santa Rosa.

"Our main goal is to ensure continued access to a local, high-quality hospital. And we will continue to do that," Faith said.

In the first of five public meetings held to update the public on the process, Faith said last week that the health care district had recently sent a response to St. Joseph's latest offer. She declined to discuss many details of the negotiations, including specific areas of contention, and cited a law that allows public organizations to conduct competitive negotiations in a private setting.

The district asserted that law in denying a formal public records request by the Argus-Courier in October 2015 that sought details on the four initial bids submitted that month. In addition to St. Joseph, Sutter Health, Prime Healthcare Services and Strategic Global Management responded to a request for proposals.

Faith said last week that Sutter, which operates hospitals in Santa Rosa and Novato, had sought to buy Petaluma Valley. Prime and Strategic Global Management offered to either lease or buy the facility.

Of the four bidders, only St. Joseph and Prime submitted follow-up bids at the district's request. Faith said Prime has continued to express an interest despite the district's public pivot to focus on the offer from St. Joseph.

Faith said the district was seeking an agreement that would preserve hospice and sidestep ethical issues that the Catholic-based St. Joseph might have with providing certain services at the hospital, but declined to confirm whether those issues were obstacles in the current negotiations.

"Really, the board remains committed to making sure this community asset is maintained and enhanced," she said.

In a prepared statement during a special meeting of the health care district's board of directors last week, St. Joseph Health's Chris Manson said his organization remains committed to Petaluma. St. Joseph has invested more than \$50 million into upgrades and new equipment at Petaluma Valley over the past 19 years, in addition to broader community efforts worth millions of dollars.

"For more than a year, we have been working in good faith with the district on our proposal to continue to operate Petaluma Valley Hospital, negotiating from a position of collaboration, always keeping the best interest of the hospital, caregivers, and the Petaluma community at the center of any decision," he told the board. "Today, we stand before you as committed as ever to Petaluma Valley Hospital and the people of south Sonoma County. We have submitted a thoughtful proposal that backs up this commitment."

While under a quiet period as the negotiations continue, St. Joseph's Sonoma County president Todd Salnas told the Argus-Courier last year that their offer sought to maintain "major services" at Petaluma Valley, including a child birthing center that has faced economic challenges amid a changing health care landscape.

Faith said the district was sensitive to the concerns that hospital employees, health care practitioners and residents may have as the process continues past January, and that the special meetings were being held to explain the status of negotiations and solicit feedback. She emphasized that keeping the hospital and its emergency room operating on an ongoing basis was a priority.

Still, the uncertainty of how the future might look for Petaluma Valley under a new contract is having an impact within the hospital itself, where recruitment of new physicians amid a wave of retirements is proving a challenge, said Mike Johnson, a member of the doctor's group affiliated with St. Joseph Health in the North Bay, who serves as a liaison between physicians and hospital administration at Petaluma Valley.

"Trying to recruit a new person with this level of uncertainty is impossible," he said.

The health care district recently studied whether it would be desirable to run Petaluma Valley on its own, and determined that the approach would be less desirable than a lease, Faith said. Other independent, district-run hospitals in Sonoma County receive a major financial boost from special property taxes, while no such arrangement exists in Petaluma.

St. Joseph remains the current front-runner in negotiations, but it is possible that the district could pivot to Prime or initiate conversations with other prospective operators, Faith said.

Two more public meetings are planned to provide public updates on the process – Aug. 8, from 7 to 9 p.m. at Penngrove Elementary School, and Aug. 9, from 5:30 to 7:30 p.m. at Liberty School. At least five meetings will be held after the district decides on a final offer, at which point the finer details will be disclosed before a public vote.

Disclosure of details from a final bid is now expected in October, Faith said.