

Hospital lease expected next year

St. Joseph to stay on at Petaluma Valley as it forms new company

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Petaluma healthcare officials hope to complete negotiations for a new Petaluma Valley Hospital lease by next fall, although they acknowledge that the complicated process hinges on St. Joseph Health's combination with Adventist Health.

The Petaluma Health Care District, which owns the hospital, has been negotiating with St. Joseph for a lease agreement, even as St. Joseph is in talks with Adventist about combining the two companies' Northern California operations, said Ramona Faith, CEO of the district.

"They're forming their newco," Faith said. "That has to be in place before we can finalize our agreement."

Faith said the district hopes to have a non-binding letter of intent signed with St. Joseph be the beginning of the new year. At that point, the combination of St. Joseph and Adventist would continue, and the health care district would sign a final agreement with the new company. A final lease agreement needs to be approved by voters, which Faith said could happen next summer or fall.

"Once the newco is formed, it's still going to take time," she said. "We have to do our fair market valuation (of the hospital). The goal is to move it as quickly as we can."

Vanessa deGier, executive director of marketing and communications for St. Joseph, said the joint operating company with Adventist "is currently undergoing regulatory review." She said the company and the district have a draft letter of intent ready to go.

"St. Joseph Health and Petaluma Health Care District leadership concluded a series of negotiation sessions in September. A letter of intent has been drafted, which we hope to complete by the end of 2018," she said in an email. "In the meantime, SJH has agreed to continue to lease and operate the hospital until December 2019."

St. Joseph's 20-year hospital lease expired at the beginning of last year, and the company has stayed on in the interim while a new lease agreement has been negotiated. Talks with St. Joseph originally broke down over financial terms and an unwillingness by the Catholic healthcare company to provide some female reproductive health services.

The district then relaunched its search for a hospital operator, settling on Southern California-based Paladin Health. But complications soon emerged over Paladin's lack of a required electronic medical records system.

Three years into the process, the health care district is back negotiating with St. Joseph, and is closing in on an agreement, Faith said. The new combined health care company

will be able to perform the female health procedures that St. Joseph wouldn't do, she said.

"That solves that problem," she said.

The final agreement with the new entity will likely be ratified by a new health care district board. Voters on Nov. 6 will fill two seats on the board. Incumbent Joe Stern is running for reelection, and longtime board member Josephine Thornton is stepping down. Two challengers are running for seats on the board — Gabriella Ambrosi and Crista Barnett Chelemados.

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