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St. Joseph out as Petaluma Valley Hospital operator (updated)

By Matt Brown

St. Joseph Health and the Petaluma Health Care District announced Wednesday that they are ending a 20-year operating agreement for Petaluma Valley Hospital, casting major uncertainty over the future of the city's only acute care facility.

The two sides said they would work together on a transition plan, with St. Joseph agreeing to continue operating the hospital until Sept. 1, 2017, or until an agreement with another operator can be reached.

St. Joseph's lease on the district-owned hospital was set to expire in January, and the sides had been negotiating an extension for two years. Signs of troubled negotiations began to appear in August when the district failed to reach an agreement with St. Joseph in time to get the decision on the November ballot. District voters must ratify any new lease agreement.

St. Joseph Health spokeswoman Vanessa DeGier said that the decision to end negotiations centered around three main sticking points.

"There were multiple factors," she said. "Three examples were the structure of the lease payment; a non-compete clause that would not protect either Petaluma Valley Hospital or St. Joseph Health; and complexities related to the need to maintain all family birthing center services."

DeGier said that the Catholic health organization's religious values played a factor in which birthing center services it would not perform, though she did not say specifically which services were at issue.

St. Joseph's Sonoma County president Todd Salnas was briefing hospital staff and was not available to comment Wednesday. In a letter that Salnas sent to Petaluma Valley Hospital employees, Salnas said he was disappointed in the failure of the negotiations.

"No amount of time could have prepared us for the pain and disappointment we feel today," he wrote. "As this outcome was not planned, we are working to fully understand what this means for you and the people of Petaluma."

Petaluma Health Care District CEO Ramona Faith said that the district will reopen its request for proposals and continue its search for a new hospital operator.

"We will reopen the RFP process and engage interested parties that had been previously short-listed during earlier stages of the due diligence and others that have expressed interest," she said in an email.

In addition to St. Joseph, Sutter Health, Prime Healthcare Services and Strategic Global Management responded to a district request for proposals last year. Of the four bidders, only St. Joseph and Prime submitted follow-up bids at the district's request.

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. Faith said the district is not looking to sell the hospital at this time, and is instead seeking to lease the facility.

Jo Thorton, a district board member, said the district was not considering taking over operations of the hospital.

“That would be a disaster,” she said. “Oh god no.”

Faith said that patient care is not expected to change during the transition

“St. Joseph Health has committed to full operations of the hospital,” she wrote. “No changes to services or care delivery are expected during the transition period. Our goal has always been, and remains, to get an agreement that provides for and protects services at PVH.”

In his letter to employees, Salnas said that patient care is not expected to change during the transition. He said that employee status would continue through the next year, and St. Joseph would work with employees who want to transition to the new hospital operator.

Mike Bozuk, a Petaluma general surgeon who practices at Petaluma Valley and other area hospitals, said that employees were surprised by the announcement. He said the change could be good for the 80-bed hospital.

“How it affects me depends on who takes over the hospital,” he said. “If it’s someone who wants to build up the hospital, then it’s positive. St. Joesph hasn’t listened to physicians for years. I would like to see someone come in and bring the hospital back to where it was 10 to 12 years ago.”