

BEFORE THE OFFICE OF THE ATTORNEY GENERAL
OF THE STATE OF CALIFORNIA

IN RE VISTA HOSPITAL)
SYSTEMS, INC.)
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)

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TRANSCRIPT OF THE PUBLIC MEETING HELD AT
San Luis Obispo, California
Monday, September 15, 2003

Reported by:
KAREN LEE CLARK
CSR No. 11919
JOB No. 888484

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 Transcript of the public meeting held
before the Office of the Attorney General
at The Veterans Memorial Building, 801
Grand Avenue, San Luis Obispo, California,
beginning at 9:31 a.m. and ending at
1:52 p.m. on Monday, September 15, 2003,
before KAREN LEE CLARK, Certified Shorthand
Reporter No. 11919.

1 THE PANEL:

2

3 STATE OF CALIFORNIA, DEPARTMENT OF JUSTICE

OFFICE OF THE ATTORNEY GENERAL

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8 THE CAMDEN GROUP

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11

12 Also Present:

13 The Spanish Interpreter:

14 SANDRA JENKINS

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EXHIBITS

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1 Various statements and letters provided
by the speakers

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1 San Luis Obispo, California, Monday, September 15, 2003

2 9:31 a.m. - 1:52 p.m.

3

4 MR. URBAN: If everybody could be seated, we
5 are ready to begin. We are ready to start.

6 I'm Mark Urban. I'm a deputy Attorney General
7 for the State of California. With me at the table on my
8 left is Tricia Wynne. She's a special assistant
9 Attorney General. And on my right is Eric Themm, who is
10 with The Camden Group. We will be conducting today's
11 public meeting.

12 The purpose of this meeting is to receive
13 information and public comment regarding the proposed
14 sale of Arroyo Grande Community Hospital and French
15 Hospital. Before we discuss the transaction, I want to
16 start with a few housekeeping matters.

17 Many people have contacted us requesting an
18 opportunity to speak, and we have a list of speakers, on
19 the back table, of people who've contacted us. In
20 addition, there is yellow sign-up forms and -- that you
21 should fill out if you're not on that list and -- or you
22 don't believe that you're on our mailing list. And that
23 will put you on our mailing list, and also, if you
24 indicate that you want to speak, that will give you an
25 opportunity to speak today. And that you should hand

1 them to Mr. Themm at your convenience or -- or during a
2 break. And please be sure to walk behind the court
3 reporter so that she can continue to give her attention
4 to the speaker at the -- at the microphone.

5 And as -- as I indicated, we have a court
6 reporter who's preparing a transcript for today's
7 meeting. The use of a court reporter and transcript
8 allows all of us to have a record of what everyone
9 says. Then we don't have to rely on our notes, which
10 frequently are incomplete or sketchy.

11 But by using a court reporter, there are
12 certain basic rules that need to be followed. First of
13 all, each speaker should speak audibly and not too fast
14 so that the court reporter can record what you say. And
15 she will be very aggressive about throwing up her hands
16 or indicating to me if you're going too fast, and you'll
17 simply have to go back and start over with your
18 presentation at the point at which she lost -- lost
19 track of it.

20 Second of all, if you're not on the speakers
21 list and if you haven't filled out a form, you should
22 spell your last name for the court reporter before you
23 begin your presentation. She has a list of the -- the
24 speakers. She's gonna have access to the forms. So
25 she'll have the spelling of the names for most speakers.

1 But as we get near the end of the meeting today, there
2 may be people that want to make brief comments who
3 aren't on one of the lists, and the -- those folks will
4 have to spell their names.

5 We also have the services of a Spanish-language
6 interpreter, who will explain, now, her services.

7 Although, where is the Spanish --

8 THE INTERPRETER: Right here.

9 MR. URBAN: Okay. You can explain what you're
10 gonna -- what your services are and see if anybody needs
11 your services, and then we'll move on.

12 (The interpreter speaks to the audience
13 In Spanish.)

14 MR. URBAN: I don't see anyone that's
15 requesting services --

16 THE INTERPRETER: No.

17 MR. URBAN: -- so thank you.

18 THE INTERPRETER: You're welcome. Do you want
19 me to wait a little bit?

20 MR. URBAN: I don't think so. Thank you.

21 THE INTERPRETER: Okay.

22 MR. URBAN: Now, I'm gonna turn to a brief
23 description of the transaction itself.

24 Arroyo Grande and French Hospital are owned and
25 operated by Vista Hospital and its affiliates, which are

1 nonprofit corporations. Vista has filed for Chapter 11
2 bankruptcy protection. As part of its bankruptcy plan,
3 Vista has entered into a asset purchase agreement to
4 sell these hospitals, and a hospital in Riverside
5 County, to Universal Health Systems, a for-profit
6 corporation.

7 Universal owns and operates hospitals in
8 California and throughout the United States. By
9 statute, the Attorney General must review and consent to
10 any transfer of control or ownership of a hospital from
11 a nonprofit corporation to a for-profit corporation.

12 The statute providing us with this authority
13 lists several factors that the Attorney General must
14 consider as part of his review. In this case, the key
15 factor is whether the proposed transaction will
16 adversely affect the availability and accessibility of
17 health care services in San Luis Obispo.

18 The Attorney General has retained an expert
19 consultant, The Camden Group, to evaluate that issue.
20 And Mr. Themm is the principal researcher for The Camden
21 Group on this project. We expect The Camden Group to
22 complete a report on the health care effects by early
23 October. A copy of that report will be circulated to
24 everyone on the mailing list and posted on the Attorney
25 General's website.

1 An additional public hearing will be held in
2 San Luis Obispo in late October or early November to
3 discuss The Camden Group report. The scheduling of the
4 hearing usually is approximately two to three weeks
5 after the distribution of the report, which gives people
6 an opportunity to review the report and digest its
7 contents before we -- we have a hearing on it.

8 Health care impact reports traditionally
9 describe the health care needs of the community, the
10 services being provided by the hospitals that are
11 subject to the transactions, and the possible effects of
12 the proposed transaction on the services that the
13 hospital is providing. An important part of the report
14 is recommendations to reduce or eliminate any adverse
15 health effects of the proposed transaction.

16 In approving transactions, the Attorney General
17 has often required continuation for a set period of time
18 of existing levels of charity care and of critical
19 health services and programs offered by the hospitals
20 that are being sold. In this transaction, Universal
21 Health Systems has agreed by contract to use its best
22 efforts to provide existing levels of charity and
23 indigent care.

24 The buyer has also agreed that it will -- it
25 will continue to operate the hospitals as general

1 acute-care facilities as long as it owns them and will,
2 for at least five years, maintain basic emergency
3 services at the two San Luis Obispo hospitals, unless
4 there is a substantial reduction of the reimbursement
5 levels from various health care funding sources. These
6 commitments will be the starting point for The Camden
7 Group's recommendations.

8 The -- after the completion of the hearing on
9 the health care impact reports, the Attorney General
10 then must make a determination as to whether to approve
11 the conditions, approve the sale, approve the sale with
12 conditions, which is frequently what we do, or
13 disapprove the sale. By statute, that decision has to
14 be rendered by no later than November, I believe it's
15 the 24th, during Thanksgiving week. And we plan to meet
16 that deadline.

17 Now, I'm gonna discuss briefly the conduct of
18 and agenda for today's meeting. When I complete my
19 remarks, we will have a brief presentation by the
20 seller, Vista Hospital, regarding the transaction. Then
21 we'll have Universal Health Systems make a brief
22 presentation. Then we'll hear from elected officials
23 and their representatives. And then after that's --
24 those presentations are completed, we will take public
25 comments, roughly in the order listed on the speakers

1 list.

2 Many of you have indicated that you have
3 certain time constraints or that you'd like to appear
4 during certain periods of time, and we'll make our best
5 efforts to -- to accommodate those requests. We
6 ordinarily don't impose time limits on public comments.
7 We assume that all of the speakers will show good
8 judgment in presenting comments that are short and to
9 the point. And it's been my experience that most of the
10 important points can be made -- can be done in five to
11 ten minutes, maximum.

12 If you have extensive comments that you want to
13 make and you can reduce those to writing, that would be
14 very helpful, and we, obviously, would like to see
15 written comments. Also, if you have a set of comments
16 that you're reading from, your tendency probably will be
17 to speed up your presentation. And in that situation,
18 you might want to hand a copy of your written comments
19 to the court reporter so that she can have that record
20 and double-check her notes against those -- those
21 comments.

22 We have this auditorium until 4:00 p.m., and I
23 think that should provide us with more than ample time
24 to hear from anyone who wants to speak. We will take a
25 lunch break of about an hour somewhere between -- the

1 lunch break will be somewhere between 11:30 and 1
2 o'clock. And I think that -- that will be our only
3 break this morning.

4 So I think we're ready now to have the seller
5 make their comments.

6 MR. SEIDEN: Good morning. My name is Richard
7 Seiden of Foley and Lardener, outside general counsel
8 for Vista Hospital Systems and French Hospital Medical
9 Center. I am joined here today by Donald Allen,
10 executive vice president of Vista Hospital Systems.

11 Since 1992, Vista has owned and operated Corona
12 Regional Medical Center and Arroyo Grande Community
13 Hospital. In 1997, as a result of the divestiture order
14 issued by the Federal Trade Commission, Vista acquired
15 French here in San Luis Obispo. According to the
16 Federal Trade Commission, and I quote, the purpose of
17 the divestiture was to ensure the continuation of French
18 Hospital as an ongoing, independent, and viable
19 acute-care hospital and to remedy the lessening of
20 competition resulting from the acquisition of Orinda
21 Health Care by Tenet Healthcare.

22 Over the course of the past ten years, Vista
23 has incurred a total of \$180 million in debt under
24 tax-exempt bonds in order to acquire the three hospitals
25 and related real and personal property and to make

1 capital improvements at each of the hospitals.

2 Shortly after acquiring French Hospital, Vista
3 was forced to discontinue one particular program of
4 services, which caused a significant cash flow problem
5 for French and the other Vista hospitals. Starting in
6 1999, Vista has been unable to make the required
7 principal and interest payments under the bonds. In
8 order to avoid foreclosure, Vista has entered into a
9 series of agreements with the bondholders whereby the
10 bondholders agreed to substantially reduce payments of
11 amounts due and to delay exercising their rights and
12 remedies under the bond documents in exchange for
13 restrictions that were imposed on Vista's operations and
14 cash flow. These restrictions have prevented Vista from
15 making certain necessary capital investments in each of
16 the hospitals, particularly at French.

17 In May of 2002, the bondholders decided that
18 they were no longer willing to allow Vista to con- -- to
19 continue to own and operate the hospitals without any
20 payment of their debt. At the direction of the
21 bondholders, Vista began a process to locate a buyer for
22 all three hospitals. Vista had operated the hospitals
23 as a system, which had enabled Vista to use excess
24 revenues from one hospital to subsidize the operations
25 of the other hospitals. Vista agreed to negotiate a

1 purchase agreement for all three hospitals with
2 Universal Health Services, a national for-profit
3 hospital system.

4 On April 3rd, 2003, Vista and French entered
5 into an asset purchase agreement, which is an agreement
6 to sell substantially all of their assets, including
7 Corona, Arroyo Grande, and French hospitals. The asset
8 purchase agreement required that the sellers file
9 petitions under Chapter 11 of the Bankruptcy Code. And
10 these petitions were filed in the U.S. Bankruptcy Court
11 in Riverside County in June of 2003.

12 The purchase price under the asset purchase
13 agreement will be insufficient to pay all of the debts
14 of Vista, including payments due to the bondholders and
15 the unsecured creditors. Therefore, once the bankruptcy
16 plan is adopted, there will be no net proceeds remaining
17 following payments contemplated under the bankruptcy
18 plan, and upon consummation of the sale of assets to
19 Universal, Vista Hospital Systems will have been
20 liquidated, and it will be dissolved.

21 Vista anticipates that the bankruptcy court
22 will approve an order adopting the plan of liquidation
23 by the end of November. The asset purchase agreement
24 should be compensated at or -- be con- -- consummated at
25 or before the end of December, subject to regulatory and

1 judicial approvals.

2 As a nonprofit hospital system owning and
3 operating community hospitals, Vista has always
4 recognized the importance of each of its hospitals to
5 its respective community. Here in San Luis Obispo,
6 Vista has been willing to maintain levels of critical
7 health care services, despite operating at a loss or
8 extremely low levels of revenue in excess of expenses
9 and periodic negative cash flows. Because of its
10 commitment and obligation to the community, Vista is
11 also well aware of the closure of the County General
12 Hospital here in San Luis Obispo and the displacement
13 and demands that closure has placed on all of the city's
14 health care delivery providers, and particularly, to the
15 emergency department at French Hospital. It is vitally
16 important when someone is struck with a life-threatening
17 condition that there be timely access to comprehensive,
18 quality health care services and facilities. Vista
19 understands the increased burden that the community
20 clinics have born as well.

21 In negotiating the asset purchase agreement,
22 Vista insisted that the buyer do each of the following:
23 (a) continue to operate each of the hospitals as a
24 general acute-care hospital for as long as the buyer
25 owned the hospitals and to maintain an emergency

1 department at the hospital for at least five years after
2 the sale; (b) maintain a local governing board to advise
3 buyer as to the operations of the hospital. That board
4 will include local community leaders, members of the
5 medical staff, and other physicians in the community;
6 (c) maintain charity and indigent care provided by the
7 hospital at the same level as provided by Vista prior
8 to the sale.

9 As a nonprofit hospital system, Vista acquired
10 existing community hospital facilities that were being
11 sold by third parties in three different California
12 communities. Vista has used whatever resources it had
13 available to it, in borrowed money and revenues from
14 operation, and reinvested that money in its hospital
15 facilities. Unfortunately, like many other hospital
16 operators, Vista has endured significant economic and
17 competitive challenges in attempting to meet the health
18 care needs of each of its communities.

19 Assuming responsibility for the delivery of
20 quality health care, Vista has played a stewardship role
21 with respect to valuable community assets. In the
22 process of evaluating bids, Vista became comfortable
23 that Universal Health Services is a very capable owner
24 and operator of general acute-care hospitals at its many
25 locations in the United States. Universal has agreed to

1 all of the requirements in the asset purchase agreement,
2 and Vista fully expects that Universal will comply with
3 these provisions.

4 MR. URBAN. Okay. Thank you. Thank you,
5 Mr. Seiden.

6 Universal Health Systems.

7 MR. WRIGHT: Good morning. Not to correct you,
8 General, but it's Universal Health Services, just for
9 the record.

10 Universal Health Services is located in King of
11 Prussia, Pennsylvania and was founded in the year 1978.
12 UHS is one of the largest and most experienced hospital
13 management companies in the nation. Our mission is to
14 provide quality health care that patients recommend to
15 family and friends, physicians prefer for their
16 patients, purchasers select for their clients, employees
17 are proud of, and investors seek for long-term returns.

18 Universal Health owns and operates 100
19 hospitals and ambulatory care treatment facilities
20 throughout the United States, Puerto Rico, and France.
21 Of the hundred, 36 are acute-care hospitals, 39 are
22 behavioral health, 24 are ambulatory, and one is a
23 specialized hospital. In addition to that, UHS owns
24 four hospitals in California: Lancaster Community
25 Hospital, Lancaster, California, which is 117 beds;

1 Inland Valley Hospital in Wildomar, California, 180
2 beds; a Rancho Springs Hospital in Murietta, California,
3 98 beds; Del Almo Hospital in Torrance, California,
4 which is 166 beds.

5 As Rick indicated, Universal Health Services
6 entered into a definitive asset purchase agreement with
7 Vista on April the 3rd to acquire Corona Regional
8 Medical Center, Arroyo Grande Community Hospital, and
9 French Medical Center. The purchase is subject to
10 approval from the bankruptcy court, the Attorney
11 General, and other regulatory agencies.

12 Just to reiterate some of what Mr. Seiden said
13 with respect to the transactions, UHS has agreed in the
14 asset purchase agreement to hire active employees who
15 are good standing on such terms and conditions
16 substantially similar to other UHS employees working at
17 UH hospitals in California. We've agreed to establish a
18 local governing board at both hospitals -- I should say
19 all three hospitals -- to advise UHS as to the
20 operations of the hospital businesses. The local
21 governing board shall include community leaders and
22 members of the medical staff. UHS will use its best
23 efforts to provide charity care and indigent care at a
24 level that is equivalent to the aggregate, to a level of
25 such charity and indigent care previously provided by

1 Vista.

2 As you know, Arroyo Grande Community Hospital
3 is located in a fast-growing market. This facility is
4 consistent with UHS strategy, and offers UHS an
5 opportunity to invest the necessary capital to expand
6 services, upgrade equipment, and improve the physical
7 plant. The ultimate disposition of Arroyo Grande
8 depends upon the outcome of the Attorney General's
9 review and its decision regarding French Hospital
10 Medical Center.

11 With respect to French Hospital, UHS wants to
12 preserve its options to address the legacy of French's
13 insufficient funding and its current capital deficiency,
14 which affects the level of service it provides to the
15 constituent community. As you are aware, the hospital
16 has changed ownership six times since opening. None of
17 the previous owners, including Vista, invested the
18 necessary capital to replace equipment or maintain the
19 physical plant.

20 Since the signing of the asset purchase
21 agreement, there has been a material change in the
22 financial condition of French due to the opening of a
23 competing cardiac program, loss of orthopedic services,
24 and out migration of family practice physicians. The
25 volume at French Hospital is eroding, costs are

1 increasing, and reimbursement is declining.

2 Universal Health Services is requesting the
3 right to protect its investment in Vista by preserving
4 its options, which include the following: Continue to
5 operate French as an acute-care hospital; convert French
6 to alternative use; consolidate the operations with
7 Arroyo Grande Community Hospital.

8 In addition, UHS is in the process of exploring
9 the possibility of selling French and Arroyo to a group
10 that has expressed interest in the purchase of these
11 facilities, which includes a nonprofit system doing
12 business in California. UHS would like to consider
13 offers from other qualified buyers as well. UHS's
14 preference would be to continue to own and operate
15 Arroyo, but it appears that UHS would have to sell the
16 two hospitals to interest a buyer, given the issues
17 related to French.

18 I am fully aware of the constituent concern
19 with respect to the hospital's future at French and
20 appreciate the community's emotional ownership of
21 French, but its troubled history cannot be ignored. We
22 believe the community will be adequately served no
23 matter which option is chosen.

24 We thank you for the opportunity to present,
25 and we look forward to the Attorney General's outcome.

1 MR. URBAN: Thank you. Thank you for your
2 presentation.

3 We will now turn to the speakers list.

4 The Supervisor, Achadjian.

5 Did I get that close?

6 SUPERVISOR ACHADJIAN: Close enough.

7 Thank you. To make it a little easier, I will
8 give our recorder my business card for the spelling of
9 the name.

10 Thank you, Mr. Urban. Good morning ladies and
11 gentlemen. I do appreciate your taking the time and
12 making the effort to hold this meeting, public hearing,
13 here in our own backyard, so to say. But if I may
14 respectfully request that the next meeting that will be
15 held is also held here in San Luis Obispo, and if it's
16 possible at all -- at all that we can held it during
17 evening hours where the working class is also available
18 to speak to you, sir. We appreciate that.

19 My personal concerns is not that the new buyers
20 could be for profit or for nonprofit. Any which way we
21 look at them, they're in business to make a living, and
22 more power to them. I have no concern there. I want to
23 be on record saying that.

24 But I'm concerned because of the supplement to
25 Section 5(H), which you folks have a copy, where the

1 UHS, the Universal Health Services, have done their
2 arithmetic by giving you folks the population of our
3 county, the number of beds available without French, and
4 the -- and they are of such an opinion that that's
5 plenty for us.

6 Was there -- in their equation, was it included
7 that we are mandated by the state within the next five
8 years to grow by 18,035 additional homes, which will
9 add, on the average, about 70,000 more population? Was
10 that part of their equation? What will happen
11 afterwards? Now, as we speak, SLOCCOG, which is San
12 Luis Obispo County Council of Governments, have all
13 agreed to that number. What happens within the next
14 years when they come back to us and say now, you need to
15 grow by another 18,000? Let me remind you that their
16 choices for us could have grown by 23,000-plus homes --
17 not population, homes -- and you can do the figures
18 yourselves.

19 If you're familiar with our roads, if you drive
20 during the leisure times, you won't think that we need
21 three lanes on Highway 101. But if you were to drive
22 during the rush hour, it will be another story. When
23 Universal Health Services did their -- I'm going back to
24 their simple arithmetic. Was it part of their equation
25 as what happens during peak hours? Do we now get

1 numbers or be on a waiting list for surgery? And what
2 happens to our emergency needs and services with just
3 one hospital? Do we now consider having a drive-up
4 window for pregnant moms to come and deliver their
5 babies? How much higher health costs can we absorb? As
6 we speak, it is unreasonable. And that's with some
7 competition.

8 I'm gonna beg that your decision that's to be
9 made, it's not done 'til we have the impact report
10 available to you and to us, that we have a say about it,
11 and that all the details are considered into this impact
12 report.

13 As I said, my concerns is not of that it's for
14 profit or not for profit. We welcome any buyers, buyers
15 that will purchase the hospital and invest in our
16 community. We are not talking about losing another
17 video rental store or a furniture store we can do
18 without that we can wait for our time to come. We're
19 talking about health care issues, closing the door to a
20 viable hospital.

21 You heard the story that it's -- just in his --
22 in French Hospital's history, it was the ends never met.
23 And I think that's because of the large debt owed by the
24 hospital, Vista Association, not because it cannot be a
25 revenue-generating hospital.

1 I want to thank you for your time, and I would
2 appreciate your consideration that our next meeting is
3 held at evening hours. With that, I will make myself
4 available at any time after this meeting, if you need to
5 get a hold of me, to answer any of your questions.

6 Thank you.

7 MR. URBAN: Thank you.

8 (Applause.)

9 MR. URBAN: Thank you for your presentation.
10 Supervisor Bianchi.

11 SUPERVISOR BIANCHI: Good morning. Thank you
12 for being here, and as I always say, welcome to
13 paradise.

14 I was the only supervisor in San Luis Obispo
15 County to vote against the closing of General Hospital,
16 and I -- I have to preface my remarks with the -- that I
17 have this thing about corporations, so you're gonna sort
18 of have to understand that's where I come from.

19 I have some questions that I'm going to ask and
20 then answer. And the first one is, you know, will the
21 agreement or transaction create a significant effect on
22 the availability and accessibility of health care
23 services to the affected community.

24 Well, along with my role as county supervisor,
25 I'm also on the San Luis Obispo County Mental Health

1 Board. And this past year, with the closure of General
2 Hospital, that meant that our psychiatric in-patient
3 unit had to close as well. We have contracted with
4 French Hospital to be our psychiatric in-patient unit.
5 We have a -- a -- in old General Hospital we had -- we
6 still have the psychiatric health facility for those
7 patients who don't need immediate medical attention, but
8 if French closes, our close -- closest in-patient
9 Psychiat- -- psychiatric unit is Santa Barbara. And
10 this is of great concern to me.

11 So obviously, in my mind, the proposed
12 agreement, or transaction, is not in the public interest
13 at all from -- from -- from that perspective.

14 And the question does the agreement or the
15 transaction involve or constitute any breach of trust,
16 going back to the psychiatric unit, I believe that it
17 does. You know, we've contracted -- what happens -- you
18 know, what happens if that unit closes? I don't
19 particularly care who owns French Hospital. I know that
20 there is some concern in the public if it's Catholic
21 Healthcare West, you know, what happens to reproductive
22 services, et cetera. I believe that those are issues
23 that can be worked around. I don't believe that it's an
24 either or. This is a subject that interests me, so I've
25 been looking at what has occurred in other locations.

1 So that's -- for me, that's not a problem.

2 The problem is that we need to have these three
3 hospitals. We closed General on the premise there would
4 be three hospitals in this area. And if Vista or
5 Universal Health Systems closes French, that leaves us
6 with only one corporation in charge of our major health
7 care, and that's Tenet Corporation. They own Sierra
8 Vista, and they own Twin Cities in Templeton. And I --
9 regardless of whether it were -- were Tenet, or any
10 other corporation, to have only one -- one corporation
11 taking care of our health care, in my mind, is
12 unacceptable. I find that sort of appalling.

13 But I would like to reiterate Khatchik's
14 request -- or Supervisor Achadjian's request, to please
15 have the next meeting at night so people who -- who have
16 to work and the ones who are the most affected by this
17 could be able to come.

18 And as I said, once again, thank you for
19 coming. We appreciate -- we appreciate this very
20 much.

21 MR. URBAN: Thank you for coming, Supervisor
22 Bianchi.

23 (Applause.)

24 MR. URBAN: Mayor Romero.

25 MAYOR ROMERO: Thank you. I'll get right close

1 to this, I guess.

2 I'm Mayor David Romero with the City of San
3 Luis Obispo, and I speak on behalf of our City Council.

4 First, we'd like to thank you for having
5 your -- your hearing here. And it is convenient to have
6 it in the evenings as well, so I want to echo the other
7 comments.

8 Our city is less concerned as to who owns the
9 hospital. We prefer it be owned by the local doctors,
10 if possible, but we're certainly vitally concerned that
11 it continue to function. We need -- with the General
12 Hospital closed, we certainly need to have two viable,
13 ongoing hospitals. And so that's -- that's our express
14 concern here, that whatever happens, we want French to
15 continue as a viable and functional hospital for the
16 community.

17 Thank you.

18 MR. URBAN: Thank you.

19 (Applause.)

20 MR. URBAN: It -- it is our intention that the
21 next meeting would be a split-time meeting where we'd
22 start in the afternoon and then do an evening meeting,
23 if we can find an appropriate venue, which was -- in the
24 short time that we had to schedule this meeting, it
25 wasn't simple to find a place and do that in a manner

1 that we could accommodate the meeting, number one. And
2 number two, we wanted to make sure we had an all-day
3 session so that everybody who needed to speak could
4 speak, because this is a more open-ended process at this
5 point than it will be when we have a health care impact
6 report.

7 MR. ACHADJIAN: We'll be happy to help you
8 with the location any time.

9 MR. URBAN: I -- I think we'll be able to
10 accommodate an evening meeting, but it will be split
11 with a dinner break in the middle so there will be ample
12 time for everyone to make presentations.

13 MR. ACHADJIAN: Thank you.

14 MR. URBAN: Do you have the Consumers Union?
15 Are they here?

16 AUDIENCE MEMBER: Yes.

17 MR. URBAN: Oh. Excuse me. Mike Whiteford is
18 first. I'm sorry.

19 Is Mr. Whiteford here?

20 MR. WHITEFORD: Thank you.

21 MR. URBAN: I'm sorry.

22 MR. WHITEFORD: My name is Mike Whiteford. I'm
23 a district representative for Congressman Bill Thomas.
24 And I'd like to thank the board for coming here today,
25 and also the members of the audience.

1 Just to add it, I appreciate that the -- the
2 state stating that the next meeting will have some
3 evening time. You have the men and women, looking
4 around the audience, who are involved in health care
5 issues in this county, and it's a wealth of knowledge
6 for you today. But the folks that are gonna be most
7 impacted are probably at work right now, so thank you,
8 from a personal, life-long county resident, for having
9 the next meeting in the evening.

10 I have a letter, here, from Mr. Thomas writing
11 in support of the supervisors letter of August the 19th.
12 Dear Mr. Lockyer, I write to express my support for the
13 San Luis Obispo Board of Supervisors' recent letter that
14 examines the issues related to the possible sale of
15 French Hospital Medical Center and the Arroyo Grande
16 Hospital. I have attached the letter for your perusal.
17 As noted in the board's recent letter, dated August
18 19th, 2003, we must ensure that any action that would
19 lead to the consolidation of French Hospital and Arroyo
20 Grande Hospital be carefully scrutinized. San Luis
21 Obispo County faces various health care challenges, and
22 since the recent closure of San Luis Obispo General
23 Hospital, county residents are especially wary about
24 access to quality care if another hospital, such as
25 French, were closed due to consolidations. I appreciate

1 your attention to the strongly-expressed concerns of the
2 Board of Supervisors. Best regards, Bill Thomas, Member
3 of Congress.

4 MR. URBAN: Thank you. If --

5 MR. WHITEFORD: Thank you.

6 MR. URBAN: -- you could give the letter to the
7 court reporter, and she'll enter it in the record. And
8 if you could thank Congressman Thomas for his interest
9 in this matter.

10 MR. WHITEFORD: Thank you, sir.

11 MR. URBAN: We're now ready for Consumers
12 Union.

13 MS. JUN: Good morning. My name is Michelle
14 Jun, staff attorney at Consumers Union.

15 Since 1936, Consumers Union's mission has been
16 to test products, inform consumers, and protect the
17 public. I am here today under the third prong, as a
18 member of the Community Health Access Project, a
19 national project dedicated to the preservation of --

20 MR. URBAN: You're -- you're gonna have to
21 speak a little more slowly.

22 MS. JUN: Oh. Sorry about that.

23 THE AUDIENCE: And louder.

24 MS. JUN: And louder?

25 MR. URBAN: You'll have to go right into the

1 mike. We have it at maximum loudness on the speaker, so

2 --

3 MS. JUN: Do you want me to start from the
4 beginning, then?

5 MR. URBAN: Yes.

6 MS. JUN: Okay. My name is Michelle Jun, a
7 staff attorney at Consumers Union.

8 Since 1936, Consumers Union's mission has been
9 to test products, inform consumers, and protect the
10 public. I am here today under the third prong, as a
11 member of the community health assets project, a
12 national project dedicated to the preservation of
13 charitable assets across the country. We have worked in
14 44 states seeking to improve conditions and outcomes for
15 communities where the nonprofit hospital or health plan
16 converts to for-profit status.

17 In a letter dated August 8th, 2003, Vista
18 Hospital Systems and French Hospital Medical Center
19 provided a list of documents that have not been
20 submitted, and their filing fee, to the Attorney General
21 regarding the sale of its hospitals. After reviewing
22 the filing, we believe other documents have not been
23 submitted, despite the legal requirements for the review
24 of the sale.

25 The following submissions are either

1 insufficient or missing entirely for Arroyo Grande and
2 French: The two most recent community needs
3 assessments; a breakdown of in-patient, out-patient --
4 out-patient emergency room charity care spending, and
5 the annual number of such visits for the past five
6 years; all services to mental -- medi- -- MediCal
7 patients, county indigent patients, and other class of
8 patients and type of services provided, the payor, and
9 the cost of services provided for the past five years;
10 all material effects that this proposed sale may have on
11 the delivery of health care services to the surrounding
12 communities; and a statement on how this sale will
13 affect the availability and accessibility of health care
14 in the -- in these communities; and a description of
15 each measure proposed by the applicant to mitigate or
16 eliminate any significant adverse effect on the
17 availability or accessibility of health care services to
18 these communities. Finally, the only board meeting
19 minutes submitted are from April 1st, 2003, despite the
20 requirements include board minutes and other documents
21 reflecting the deliber- -- the deliberative process used
22 by Vista and French in selecting Universal Health
23 Systems.

24 It is imperative that these documents be made
25 available so that the Attorney General can review the

1 process Vista underwent in making the decision to sell
2 its hospitals and to sell to a for-profit system. After
3 all, Vista's assets are those of the San Luis Obispo
4 community.

5 The closure of San Luis Obispo General Hospital
6 and the proposed sale and conversion of the county's
7 last nonprofit hospitals to for-profit facilities may
8 bring San Luis Obispo devastating changes in health
9 access and services to its community, particularly to
10 its uninsured and underinsured residents. UHS has
11 promised to use its best efforts to provide charity and
12 indigent care at a level that is equivalent in the
13 aggregate to the level of such charity and indigent care
14 that was previously provided by the seller through the
15 hospital businesses. Such broadly versed promises are
16 not sufficient given the recent closure of the county's
17 major indigent and charity care provider.

18 This community deserves -- this community
19 deserves a firm response and a definite policy on
20 indigent and charity care. San Luis Obispo County is
21 statutorily mandated to provide indigent care, or CMSP.
22 The San Luis Obispo County Hospital Authority has
23 acknowledged that it's the county's responsibility to
24 provide such indigent care.

25 We understand that General Hospital was a major

1 provider in indigent care, and in its absence, French
2 agreed to continue providing certain levels of indigent
3 care. San Luis Obispo General served from two to three
4 times the number of indigent patients compared to the
5 other facilities in the county when you consider patient
6 days, out-patient visits, and hospital discharges, as
7 you can see from our graph.

8 The delivery of services to MediCal patients
9 should also be reviewed. General Hospital treated the
10 lion's share of MediCal patients in this county. In
11 fact, General provided at least -- at the least, three
12 times, and at the most, 12 times, the number of MediCal
13 patients with out-patient visits, as you can see on our
14 next graph.

15 It is appropriate to find out what guarantees
16 are being made to serve the population and who will
17 carry out the county's responsibility to provide
18 indigent care to its uninsured and underinsured
19 residents. Historically, for-profit facilities have not
20 had to pick up indigent care responsibilities, but the
21 contracts will now be radically changed with the
22 possibility of all the -- all acute facilities being
23 operated by for-profit systems. We ask will Universal
24 Health Systems -- Services -- sorry -- be consolidating
25 Arroyo Grande Community Hospital and French Hospital

1 Medical Center, and will the French facility be
2 subsequently closed? As I have stated, the submitted
3 filing does not even begin to ask -- to provide answers
4 to these important issues regarding health services and
5 delivery to the county's uninsured and underinsured.

6 We understand that The Camden Group has been
7 hired to ascertain the health impacts of these
8 proposed -- of this proposed acquisition. We strongly
9 recommend that Camden thoroughly address these issues
10 and investigate how the county and its health facilities
11 will provide indigent care to this community.

12 The issue of charity care is important because
13 if this sale is approved, there will be no remaining
14 public or nonprofit hospitals left in the county. And
15 certainly, the data shows that the hospitals in the
16 county general -- generally left that responsibility up
17 to General.

18 We recommend that the Attorney General address
19 the county's pressing concern over the increasing lack
20 of charity care which is likely to result if this -- if
21 these hospitals are converted to for-profit facilities,
22 as you can see in our third chart.

23 The Arroyo Grande and French facilities share
24 the same written charity care policies, providing care
25 to all those who -- whose income is at or below 200

1 percent of the federal poverty level. This charitable
2 assistance policy is of great importance, particularly
3 because nearly a quarter of the population of San Luis
4 Obispo County would qualify.

5 In addition, approximately 42,500 residents in
6 San Luis Obispo County are uninsured. Without
7 establishing conditions on this sale, many residents
8 would be left with the difficult choice of either
9 facing huge debt from medical costs or being unable to
10 med- -- to access medical care at all.

11 Tenet, the owner of the two other hospitals in
12 the county, Sierra Vista and Twin Cities, proposed their
13 compact with uninsured patients earlier this year to
14 address the treatment and pricing for uninsured
15 patients. The following are among the promises made to
16 indigent patients: To refrain from pursuing legal
17 action for the nonpayment or -- of bills by unemployed
18 patients or placing a lien on the uninsured patient's
19 home, if that is their only asset, and to provide
20 uninsured patients treatment, and in addition, to offer
21 patients discounted pricing for services at rates
22 equivalent to the hospital's current managed care rates,
23 which are substantially discounted rates or gross
24 charges.

25 We now ask Universal Health Services, will it

1 commit to similar promises to assist the county's
2 uninsured and undersured -- underinsured residents.

3 Thank you for the opportunity to speak, and
4 now, I turn to my colleague, Leslie Bennett.

5 (Applause.)

6 MR. URBAN: Do you -- do you have a copy for
7 the court reporter?

8 MS. BENNETT: I do. I can give it to her
9 afterwards, if that's okay.

10 My name is Leslie Bennett. I'm a staff
11 attorney at the Consumers Union, as Michelle mentioned.

12 In addition to the comments made by her, we ask
13 that the Attorney General investigate several other
14 issues, including the sale price, whether there has been
15 a breach of fiduciary duty, and the impact of this
16 transaction on the health care environment in San Luis
17 Obispo.

18 The law requires that the assets be sold at
19 fair market value. The regulations state that the
20 seller must provide the estimated market value of each
21 facility or other asset to be sold. We ask that the
22 value of each of these facilities and the property
23 associated with each be articulated. As required, there
24 is a description of the method used by the applicant to
25 determine the market value of any assets involved in the

1 proposed transaction.

2 The seller addresses this issue by saying we
3 have reason to believe that this price, \$120 million, is
4 based upon a multiple of earnings at approximately five
5 times trailing EBIDA, or E-B-D-I -- E-B-I-D-A, earning
6 before interest, depreciation, and amortization, for the
7 fiscal year ended December 31st, 2001. That is not
8 sufficient to state with any certainty the market value
9 of these nonprofit charitable health assets. These
10 assets do not belong to Vista or Permian. They were
11 charged with the responsibility of ensuring that these
12 assets were adequately protected for the public, which
13 leads me to the next issue.

14 The law requires that the Attorney General
15 determine whether the market value has been manipulated
16 by the actions of the parties in a manner that causes
17 the value of the assets to decrease. The filing says
18 French is currently suffering from a capital deficiency,
19 which affects the level of services that it's able to
20 provide to its constituent community. Approximately
21 \$180 million in bonds was obtained for Vista and French,
22 as is well known, over the last 11 years. And in
23 addition, there is now \$50 million in accrued and unpaid
24 interest on that money amounting to a debt load of 230
25 million.

1 We have questions about how French got into
2 this financial turmoil and where the bond money has
3 gone. We request that the Attorney General obtain the
4 official statements for the bonds to ensure that the
5 money was used appropriately. The boards of directors
6 of these organizations have a fiduciary duty to protect
7 these assets and ensure that resources were not
8 mismanaged. And it is the Attorney General's
9 responsibility to oversee this state's nonprofit
10 organizations.

11 Along that line, we have a question about why
12 earthquake insurance for French and Arroyo has been
13 cancelled. We'd like to know when these policies were
14 cancelled and the reasons for cancellation. It seems
15 highly inappropriate to cancel them unless there are
16 plans to close these facilities, in which case, that
17 information should be made available.

18 The Attorney General must determine whether the
19 proposed use of the proceeds from the transaction is
20 consistent with the charitable trust in which the assets
21 are held by the health facility. At issue here is what
22 will happen to the money held by the supporting
23 organizations. The filing states that there are three
24 nonprofit corporations that provide financial support
25 for each of the hospitals, namely, the Corona Regional

1 Medical Center Foundation, Arroyo Grande Community
2 Hospital Foundation, and French Hospital Medical Center
3 Foundation. Each of these organizations is tied to
4 supporting these tax-exempt facilities. Since the
5 Attorney General has the responsibility over nonprofits,
6 it's appropriate that the future of these resources be
7 made clear.

8 In particular, the filing states that Arroyo
9 and the French Foundations have not conducted any fund
10 raising since their formation in 2002; however, the
11 Arroyo Auxiliary, another nonprofit public-benefit
12 corporation that provides financial support to the
13 Arroyo facility has, since 1961, generated donated --
14 generously donated hundreds of thousands of dollars to
15 the hospital. It is, therefore, appropriate for the
16 Attorney General to determine if there were any
17 restricted funds that were donated to the auxiliary
18 which should be protected for their intended use.

19 The filing states that there will be assistance
20 that may include, but will not be limited to, such
21 things as community health education, health screening,
22 support for community clinics, free health services, a
23 children's preventative health center, and scholarship
24 for high school students. If the articles of
25 incorporation are to be amended, as the law requires,

1 for these supporting organizations, removing their
2 association with what will become for-profit hospitals,
3 it is appropriate for them to be made available so the
4 Attorney General may more adequately evaluate the
5 proposals.

6 Without careful review and analysis, it is
7 impossible to know, as the law mandates, whether this
8 transaction will create a significant effect on the
9 availability or accessibility of health care services to
10 the affected community.

11 Before this sale can be approved, the Attorney
12 General must determine whether it is in the public
13 interest. Universal says that it is currently in the
14 process of negotiating a sale of French and Arroyo to a
15 nonprofit system. We encourage you to obtain all the
16 details you can about this proposal before issuing any
17 decision, as it seems highly inappropriate that
18 Universal would be permitted to purchase these
19 facilities at a fire sale, clear them of accumulated
20 debts through a bankruptcy court, and then be able to
21 turn around -- turn them around for a prof- -- for a
22 profit. We recommend that the bankruptcy court hold an
23 auction for these assets and allow the nonprofit system
24 and any other interested bidder to participate.

25 Further, Universal is asking for the Attorney

1 General's support for a consolidation of French and
2 Arroyo hospitals if the sale is not completed and if
3 French is an undue hardship on Universal. We would
4 encourage the Attorney General not to issue such a
5 recommendation unless there is ample documentation that
6 that action is appropriate for the community.

7 In 2002 French handled more than 44,000
8 out-patient visits, more than 14,000 emergency services
9 visits, and more than 1,000 patient days in the birthing
10 center. French also handled a significant number of
11 MediCal patients, more than 4,800 out-patient, and 1,600
12 emergency visits in 2002. While Universal says that the
13 closure of French would provide for increased investment
14 in patient services at Arroyo, we would ask that those
15 guarantees be made in writing. What investments will be
16 made at Arroyo? How much money will be spent, over what
17 period of time? And how will those implied improvements
18 in patient services be measured? Will Universal agree
19 to conduct quality surveys of patients modeled on the
20 patient's evaluation of performance in California, or
21 PEP-C surveys? And will Universal provide that
22 information to the Attorney General?

23 Universal says Sierra Vista, Twin Cities, and
24 Arroyo can handle the health care needs of the area
25 because there are plenty of patient beds, as was pointed

1 out earlier. If this sale is approved, Universal will
2 own 179 of the 464 hospital beds in San Luis Obispo.
3 Universal asserts that if French Hospital is closed, the
4 loss of 112 beds is inconsequential and says it's
5 practical to assume that the three competing hospitals
6 could absorb French Hospital's volume if Universal
7 exercised its option to consolidate.

8 Universal seems to imply that these three
9 hospitals will compete, and as pointed out by Supervisor
10 Bianchi, it's hard to believe that Sierra Vista and Twin
11 Cities will compete with each other when they're owned
12 by the same for-profit company, Tenet. In fact, as
13 illustrated by the graph, Tenet will own more than 80
14 percent of the beds in San Luis Obispo when French is
15 closed.

16 So while Universal believes that there would be
17 no significant adverse effects on health care, a serious
18 question exists about this assertion. Therefore, we
19 respectfully request that the Attorney General impose
20 conditions on this transaction relating to the delivery
21 of health care to this community. In particular,
22 Universal should be required to maintain the current
23 level of emergency room capacity and services delivered
24 by these hospitals. If there is any intention to
25 eliminate emergency services, Universal should be

1 required to meet with the Attorney General and conduct a
2 comprehensive planning process; maintain the same
3 charity care policies, not merely use best efforts; and
4 provide a designated level of charity care that is
5 specified. A penalty should be imposed if that does not
6 occur; provide a certain number of patient days for
7 MediCal patients at French Hospital. If that facility
8 is closed or sold, that requirement should be continued;
9 provide for alternatives in the event that French
10 Hospital ceases to operate as an acute-care hospital
11 with 24-hour emergency room services.

12 We appreciate the opportunity to comment and
13 hope that our testimony will help inform the conference
14 of the health impact statement evaluating this
15 transaction in more detail.

16 MR. URBAN: Thank you, Ms. Bennett, for your
17 presentation.

18 (Applause.)

19 MR. URBAN: I also -- I also want to thank Ms.
20 Jun for her presentation as well.

21 Avis Austin?

22 MS. AUSTIN: Good morning. Can you hear? And
23 like the previous speakers, we appreciate the
24 opportunity to talk to you at this public forum.

25 My name is Avis Austin, and I proudly represent

1 the volunteers at French Hospital. In 1947, one local
2 doctor saw the need for a medical facility and opened a
3 new hospital. As the town grew, the need for health
4 care was even greater, and the French Hospital was
5 opened in 1970.

6 French built its reputation on excellent care,
7 concern, and the quality of health services they
8 provided. Now, many years later, they still continue to
9 provide top-of-the-line care and quality. As
10 volunteers, we see and hear the importance of keeping
11 French Hospital open to the community. We are in a
12 position to hear many patients and their families, their
13 comments about the excellent care that they have
14 received at French Hospital, and as well as the physical
15 plant.

16 As volunteers, we cover 12 sections of the
17 hospital: The reception desk, floor duty, rehab, the
18 surgical waiting room, and many of the jobs are behind
19 scenes that the public doesn't see.

20 With the decline of health care programs taking
21 away the security of medical care would be detrimental
22 to the needs of the general public. Sending -- we're
23 sending -- we urgently ask you to keep French Hospital
24 open and take into consideration the responsibility of
25 providing excellent health services for the San Luis

1 Obispo community.

2 Thank you.

3 MR. URBAN: Thank you.

4 (Applause.)

5 MR. URBAN: The next speaker will be Kathy
6 Borland, and then the speaker after that will be Jan
7 Hicks, so if she can get ready.

8 MS. BORLAND: Good morning. My name is Kathy
9 Borland, and I have lived in this community for 20
10 years. I worked at San Luis Obispo General Hospital for
11 17 years. And from 1993 to 2001, I was the director of
12 nursing for the hospital and the clinics.

13 During that time, as many of you know, we were
14 fighting very hard to keep County General Hospital
15 open. As you also know, County closed in June. And I
16 am finding it unbelievable that we're standing here
17 facing a possible second hospital closure. We have
18 always said we didn't need three hospitals in San Luis
19 Obispo, but we definitely needed two.

20 And on -- on the letter to -- that was sent to
21 the Attorney General, I couldn't find a date on this
22 letter, so maybe it was on a page I didn't have. But on
23 page 8, it says that San Luis Obispo County currently
24 has five hospitals in the county, none of which are
25 owned or operated by the potential owner. The latest

1 date I saw on this was June 10th, so it -- it leads me
2 to believe this was -- the letter was submitted very
3 close to the closure of General. And I just find it
4 interesting that there's not one mention in this
5 document that General Hospital had just closed or was
6 about to close.

7 The other point I want to make is on page 14.
8 It's already been alluded to, this formula for beds in
9 the county. All of those that -- that live and work
10 here know that you can take formulas, but the fact of
11 the matter is there are no ICU beds in this county many
12 times during the year, there are no pediatric beds, and
13 we have to send patients out of the county. That,
14 actually, was happening when General Hospital was open.

15 So now, we're looking at -- you know, when
16 we're looking at beds, we look at specialty beds. How
17 many pediatric beds do we have? How many ICU beds do we
18 have? And in addition to that, now with OB -- General
19 was a -- a big provider of OB -- those deliveries have
20 primarily gone to French Hospital, and those deliveries
21 are now up to 70 to 80 a month. And I don't believe
22 that Sierra could handle that right now. Maybe in 2008
23 when they have an expansion they could, but right now, I
24 don't think that could be absorbed by them. So that
25 is -- that is a big concern.

1 Also, it says in here that Sierra Vista has 201
2 beds. Well, that's licensed beds, and we all know that
3 we're not -- we don't operate what we're licensed. And
4 there's a gentleman here that told me that they actually
5 operate 160.

6 So again, I'm sure Camden is gonna be reviewing
7 all this and looking at what are the actual beds in the
8 community. But what I would like to recommend is that
9 Universal -- if the -- assuming that the sale goes
10 through, that it is my opinion that in the best
11 interests of the community we would like to see the
12 doctors purchase the hospital and have it owned and
13 operated locally.

14 And I know you made mention to the history of
15 French, and it's had numerous, numerous problems. Well,
16 maybe if there was some local buy-in, that that would
17 change. There is a lot of support for General Hospital,
18 and I, for one, because I'm standing here, have shifted
19 that support from General to French. I want to see
20 French succeed.

21 And the other thing I'd like to see the
22 Attorney General stipulate in this sale is that French
23 stay open for at least five years. And I mean we can
24 see that there is no way that -- that -- I don't --
25 again, in my opinion, that Sierra could absorb this.

1 They are -- they say in here they're going to be doing
2 an expansion in 2008, but between now and 2008, what's
3 gonna happen? So I would like to see that stipulation
4 of five years, and -- and I'd like to see the number one
5 consideration given to the doctors to buy the hospital.

6 Thank you.

7 MR. URBAN: Thank you.

8 (Applause.)

9 MR. URBAN: Jan Hicks.

10 No?

11 Frank Lebens.

12 MR. LEBENS: Good morning. Like others, I want
13 to extend my appreciation to you for taking this time
14 with us in response to what we feel is a real urgent
15 community need.

16 I'm a member of the French Hospital local
17 governing board, and in that role, we are charged with
18 protecting community interests and needs in fulfillment
19 of the mission of the hospital. As members of the
20 board, we have no financial interest in the hospital.

21 I'm here today to con- -- convey the strong
22 sentiment of the local governing board that the
23 continued operation of French Hospital is a -- is
24 critical to responding to the health care needs of the
25 community. Toward this end, we support the acquisition

1 of French Hospital by an entity that is financially
2 strong and well capitalized and committed to its
3 continued operation. We feel much less strongly about
4 who that entity or what that entity might be.

5 The asset purchase agreement under
6 consideration, however, speaks to the possibility of
7 consolidation of French Hospital into Arroyo Grande
8 Hospital, or even -- even more extreme, a closure. This
9 we cannot support based on the concern that the
10 community needs will not be adequately served.

11 The data cited in the asset purchase agreement
12 that is used to support the potential consolidation or
13 closure, we feel, has a number of inaccuracies, and in
14 some cases is dated so as to be no longer applicable.
15 It even cites studies regarding community needs that
16 were not intended for that purpose. In fact, some
17 services cited in schedule no -- schedule O have not
18 existed for at least three years.

19 We urge the Department of Justice consultants
20 to take an objective view of current capabilities and
21 capacities in San Luis Obispo hospitals, such as
22 available bed spaces versus licensed bed spaces, as
23 cited by the last speaker, operating room capacity,
24 emergency room capacity, and obstetrics capacity in
25 assessing community needs. We are confident that an

1 analysis based on current and accurate and objective
2 data will lead to the conclusion that the community
3 health care needs will best be served with the continued
4 operation of French Hospital by a financially-sound
5 buyer.

6 Thank you for your consideration.

7 MR. URBAN: Thank you.

8 (Applause.)

9 MR. LEBENS: I should mention that Mr. Roberts,
10 if he is next on the speaker's list, is here, but we are
11 sharing the podium.

12 MR. URBAN: So is he going to appear?

13 MR. LEBENS: Okay.

14 MR. URBAN: If we could have Abby Lassen, and
15 then the -- the next speaker that we'll take after that
16 would be Sarah Horne.

17 MS. LASSEN: Good morning. My name is Abby
18 Lassen. I address my comments as a volunteer attorney
19 with California Rural Legal Assistance, which serves the
20 rural poor in San Luis Obispo County. I am speaking in
21 opposition to the consolidation of French Hospital
22 Medical Center into Arroyo Grande Hospital due to the
23 significant adverse effects this transaction will have
24 on the availability and accessibility of health care
25 services, particularly to low-income residents.

1 This statement prepared by buyers, Universal
2 Health Services, in appendix A, part B, the supplement
3 to section 5(h) contains merely a simplistic formula of
4 the usage of hospital beds by multiplying the county
5 population with a rate of patient days, divided by the
6 number of days in the year to arrive at the number of
7 hospital beds needed in the county. This formula
8 overlooks several critical factors, including, one, a
9 consideration of the types of beds, such as pediatric,
10 which we already have a small number in the whole
11 county, obstetric, already insufficient since General
12 Hospital closed, and intensive care beds; two, the
13 distance of the hospitals from the population; three,
14 the age and other significant demographic
15 characteristics of San Luis Obispo residents for
16 calculating patient days; and four, the loss of the
17 other services of the hospital, especially the closure
18 of another emergency room in the city of San Luis
19 Obispo. Moreover, there is no acknowledgement of the
20 loss of charity care, indigent care, and other services
21 currently rendered in contract with the County of San
22 Luis Obispo in the event that French Hospital is closed.

23 Universal's reference to a recent announcement
24 by Sierra Vista Regional Medical Center about an
25 expansion in the year 2008 should not be considered by

1 the Attorney General. Our concern is with the
2 availability and accessibility of health care at this
3 time, not in five years. Even if Sierra Vista's
4 expansion plans were more immediate, they are just that,
5 plans.

6 In closing, I respectfully request the Attorney
7 General deny consent to the proposed asset purchase
8 agreement between Vista Hospital Systems and French
9 Medical Center and the Universal Health Services without
10 the addition of conditions.

11 Thank you.

12 MR. URBAN: Thank you.

13 (Applause.)

14 MR. URBAN: Thank you. Sara Horne, and then
15 Boyd Horne will be next.

16 MS. HORNE: No.

17 MR. URBAN: No, he won't be next.

18 MS. HORNE: Good morning. Thank you so much
19 for being here.

20 First of all, I'd like to reference something
21 that -- I -- I'm a member of the health commission, but
22 I'm not speaking for the health commission -- a report
23 that the health commission received in March of this
24 year, the community health status report. It would be
25 available to you through the San Luis County Public

1 Health Department. I'm sorry. This is the only copy
2 that I have, so I can't give it to you. And I would
3 like to reference --

4 MR. URBAN: You're going to have to speak very
5 closely to the microphone. Thank you.

6 MS. HORNE: I'm sorry.

7 I'd like to reference the -- the -- the section
8 that says hospital bed capacity. It says for all
9 hospitals in the San Luis Obispo County, except General,
10 the staffed bed occupancy rate is higher than 95
11 percent, compared to an average in the state of
12 California of 70.1 percent. That tells you that we
13 don't have enough beds in this hospital -- in this
14 county to cover the number of patients that we have.

15 With General Hospital having closed, there --
16 we're short 46 beds, and that's having to be absorbed by
17 the three hospitals that are left. If we lose French
18 Hospital, we are now going to be short another -- I
19 think its 60 beds, 70 beds that General -- that French
20 is currently occupying. And I think we're going to be
21 in a very great dire straight for beds.

22 And I would urge you not to allow this hospital
23 to close as is being proposed, or as one of the
24 proposals of the Universal Health Systems.

25 Thank you so much.

1 MR. URBAN: Thank you.

2 (Applause.)

3 MR. URBAN: Dana Justesen.

4 MS. JUSTESEN: Good morning. I'm Dana
5 Justesen, a local citizen, health care consumer, and a
6 registered nurse at the competition. I work for Sierra
7 Vista.

8 And I was just wondering -- this is not really
9 a prepared speech, but more of an emotional response --
10 who in this room would like to have their -- their baby
11 delivered in the supervisor's office on the floor, or
12 whose grandchild would you like to have delivered in
13 those scenarios? This is something that does go on
14 sometimes in Santa Maria, a community that was forced to
15 become a one-hospital town. Tenet came in, closed the
16 competition, and they have one hospital in that
17 community.

18 We cannot afford, in San Luis Obispo, to be a
19 one-hospital town. Arroyo Grande does not provide
20 obstetric services. Two nigh, or two shifts that I
21 worked in the last ten days, we closed our obstetric
22 department at Sierra Vista. There were not enough
23 physical beds. There were not enough physical nurses to
24 care for patients. On the 6th of September when that
25 occurred, and I was in charge, we were exchanging phone

1 calls between French and Sierra Vista, who takes the
2 next patient, because they are were full also. And
3 that's exactly what we did. We started taking patients,
4 even though we didn't have the physical space or the
5 nurses to care for them.

6 The other night -- we have three day-shift
7 nurses. We work 12-hour shifts, and I worked all night
8 long. I -- I, and along with two other day-shift nurses
9 with the night-shift staff, and we closed the department
10 once again. There were no beds. There were no nurses,
11 and there were none available at French. We need -- we
12 need French Hospital to care for this community. We
13 can't allow it to close. I don't really care who
14 open -- who operates it.

15 I worked at French Hospital for nine years.
16 There's a great bunch of staff people right here in this
17 room that are still at French. We provide the care. We
18 just need somebody to keep it open. And we hope you'll
19 help us do that.

20 Thank you.

21 MR. URBAN: Thank you.

22 (Applause.)

23 MR. URBAN: James Wright.

24 MR. WRIGHT: Thank you for the time. My name
25 is James Wright. I'm with the California Nurses

1 Association, which represents the nurses -- the
2 registered nurses at both Arroyo Grande and at French
3 Hospitals. The organization does not take a position on
4 whether a for-profit or a nonprofit will assume the
5 purchase of French and Arroyo hospitals. We are,
6 however, very concerned about the issues that are raised
7 here today about patient care and the possible
8 consolidation or closure of the hospitals.

9 Having said that, under the terms of the RFP
10 and the asset purchase agreement, Universal was --

11 MR. URBAN: You're going to have to --

12 MR. WRIGHT: -- Universal was not obligated to
13 continue the contract with the nurses and continue to
14 provide them with the benefits and the standards that
15 the nurses have achieved under a whole series of
16 collective bargaining agreements.

17 What was required under the -- the RFP and
18 subsequent asset purchase agreement was simply that the
19 nurses be hired at a comparable rate. That has changed.
20 In subsequent talks over the last few days with
21 Universal Health Services, CNA has negotiated a
22 agreement with Universal that they bind over the CNA
23 contracts, and Universal has agreed to honor those
24 agreements. Universal has further agreed to use its
25 best commercial efforts to bind over any future buyer to

1 our contracts.

2 We're pleased with that; however, many of the
3 issues raised today, including the issues raised by
4 Consumers Union, give us great concern. Dana Justesen
5 just spoke about what goes on in her hospital where --
6 when we have a situation where the hospital is full and
7 they go to divert. Clearly, this community needs to
8 make some serious decisions about what they're gonna do
9 about this issue.

10 We trust in the office of the Attorney General
11 to due diligence with respect to these issues that were
12 raised today, and I'd like to thank you for the time.

13 MR. URBAN: Thank you for your presentation.

14 (Applause.)

15 MR. URBAN: Marguerite Bader -- Bader.

16 MS. BADER: Good morning. My name is
17 Marguerite Bader, and I'm the president of the League of
18 Women Voters of San Luis Obispo County. The League of
19 Women Voters of San Luis Obispo County supports an
20 integrated and comprehensive county health system. We
21 also support and encourage cooperation among public and
22 private sectors in order to provide the most efficient
23 and effective public health and hospital services.

24 I just want to piggyback on some of the remarks
25 that others have made regarding the patency of hospital

1 beds being greater than 90 percent, sometimes 95
2 percent. If this is pointing to the fact that we can
3 barely meet our needs with our current population, what
4 does this mean when our population expands? To that
5 end, the League of Women Voters wishes to express our
6 approval of Supervisor Achadjian's letter to the
7 Attorney General and the board of supervisors' action on
8 this matter.

9 MR. URBAN: Thank you.

10 (Applause.)

11 MR. URBAN: Dr. Gary Donath.

12 The next speaker would be David Harris.

13 Kaye Mickelson.

14 Lionel Chadwick.

15 MR. CHADWICK: Before I begin my remarks, a
16 couple of the people that you just read off are
17 physicians that, obviously, have an expressed interest
18 in the issue but are in the process of, probably, doing
19 what they do best. So perhaps they will show up a
20 little later.

21 Good morning. My name is Lionel Chadwick, and
22 I speak with you today on behalf of the San Luis Obispo
23 Physician's Health Alliance. The San Luis Obispo
24 Physician's Health Alliance is a group of over 90
25 community physicians who have come together in an

1 unprecedented way and with extraordinary clarity of
2 purpose.

3 These highly-regarded and respected citizens in
4 our community have committed their personal resources
5 toward the common objective of ensuring the stability
6 and community responsiveness of Arroyo Grande and French
7 Hospital. They have formed to take action aimed to
8 return ownership and accountability of these hospitals
9 to our community.

10 While both of these hospitals were initially
11 formed under physician guidance and leadership, during
12 most of their operational existence, corporations have
13 operated them in accordance with objectives defined in
14 other cities and states. While the hospitals have
15 struggled periodically during previous owners, the
16 financial duress has escalated during current ownership,
17 culminating in the very unfortunate bankruptcy
18 proceedings.

19 While participants in this organization are
20 individually as diverse as their medical specialties,
21 all have significant misgivings about the current
22 owners' stewardship of these facilities. While we do
23 not know all of the factors leading to the current
24 distressed state of affairs, we suspect it is a
25 combination of well-financed, investor-owned

1 competition, insufficient capitalization, and excessive
2 debt burden resulting from overly ambitious financial
3 projections, missed management opportunities, and
4 finally, unfulfilled pledges to the medical staff
5 resulting in an erosion of confidence by both the
6 medical staff and the community alike. Thus, we support
7 the proposed sale of these facilities.

8 Since the early stages of Universal Health
9 Services' interest in acquiring the Vista facilities,
10 they have expressed an interest in divesting of Arroyo
11 Grande and French Hospital. It was that expressed
12 interest in divestiture that prompted the physicians to
13 incorporate, make personal investment, and seek
14 additional investor partners to prepare a formal bid for
15 ownership. Universal's recent expressed interest in
16 considering the closure of French, as the mere term
17 option, furthers the physicians' interest in acquiring
18 the hospitals.

19 We strongly feel the viability of both
20 hospitals is without question. They are needed
21 resources for members of our communities and serve as a
22 healthy alternative to the Tenet Healthcare facilities
23 in the community. In as much as the physicians and
24 their investor partners do not desire operational
25 responsibility, they have identified hospital operating

1 companies who are interested in entering into long-term
2 agreements to lease these facilities. The successful
3 selected lessee will be a not-for-profit organization
4 and have all operational and management
5 responsibilities. Potential lessees have committed to
6 the continued operation and capitalization of both
7 French and Arroyo Grande Hospital.

8 We have completed preliminary evaluation,
9 identified the required sources of funding, and begun
10 lease discussions with potential operators. We are
11 eager to begin purchase discussions in the near future
12 and have been in regular contact with Universal in that
13 regard.

14 In closing, we stand ready to assume ownership
15 of these hospitals and to secure a seasoned,
16 professional operating company who is financially and
17 managerially able to return both facilities to a strong
18 footing, while being sensitive to community needs,
19 expectations, and clinical needs.

20 It is our strong opinion that a hospital is a
21 community asset and that the community must be heard in
22 matters pertaining to ownership, as well as operations.
23 Thus, we are appreciative of these hearings, and are
24 hopeful that the community's voice will have a bearing
25 upon your deliberations and the circumstances of future

1 ownership.

2 Thank you.

3 MR. URBAN: Thank you.

4 (Applause.)

5 MR. URBAN: Dr. Ernest Jones.

6 DR. JONES: It's my pleasure to be here and
7 see all the many friends and colleagues in the
8 community. My name is Dr. Ernest Jones. I am a family
9 physician, and immediate past president of Arroyo Grande
10 Community Hospital. I have been a member of the
11 community, here, for over 20 years. I am presently
12 serving as president of the South County Healthcare
13 Alliance, a public-benefit corporation. I speak today
14 representing the South -- the South County Healthcare
15 Alliance.

16 The alliance was formed to advocate the
17 community's interest pertaining to the ownership of
18 Arroyo Grande Community Hospital. Members include
19 physician leadership, civil leaders, past and present
20 elected officials, and emergency response officials.

21 South San Luis Obispo County has three
22 incorporated cities. The board of supervisors, and all
23 three of these cities, Arroyo Grande, Grover Beach, and
24 Pismo Beach, have endorsed the alliance. Although we
25 are still completing deliberations -- and I think it's

1 an active, ongoing process -- we would like to make the
2 following remarks and give the following consensus of
3 our group.

4 First, the -- this alliance supports a change
5 in ownership of Arroyo Grande Hospital. As -- I don't
6 wish to go into it, but we have been displeased and have
7 led less of -- loss of confidence in the current
8 owners. We feel that the sale would be a positive step
9 forward.

10 Secondly, we have not had discussions with
11 Universal Health Services, so we were unprepared to
12 comment on the prospect of their ownership. We are
13 concerned about the -- having another proprietary
14 company in the county that may prove problematic in
15 light of Tenet's very strong presence here. Should UHS
16 become the owner of French Hospital Medical Center and
17 Arroyo Grande Community Hospital, all the hospitals
18 would be in an -- affected adversely, and would be
19 for-profit institutions.

20 The South County Health Care Alliance is
21 concerned with Universal's proposed option to close
22 French Hospital Medical Center and consolidate its
23 services with Arroyo Grande Hospital. Such a move would
24 place a severe burden upon Arroyo Grande Community
25 Hospital and its quality and content of services to the

1 citizens of the south county. In that regard, we
2 strongly encourage the Attorney General to place an
3 obligation on the new owners to operate and support
4 financially, through adequate capitalization, both
5 Arroyo Grande Hospital and French Hospital Medical
6 Center.

7 In conclusion -- and finally, we would like to
8 say that we are encouraged by the prospect of a local
9 physician group purchasing Arroyo Grande and French
10 hospitals. None of the representatives on our Alliance
11 are part of those physician ownerships, but we have
12 discussed with representatives of that physician group,
13 and they have assured us, if successful, they intend to
14 lease the hospital to a large, not-for-profit -- profit
15 hospital operating company. Such an outcome could
16 permit the county to continue to be of service by a
17 not-for-profit corporation.

18 We are very concerned about the care in this
19 community. We're grateful to be able to be a part of
20 this decisionmaking and would be a -- available for any
21 help in the future.

22 Thank you.

23 MR. URBAN: Thank you.

24 (Applause.)

25 MR. URBAN: Dr. Graydon Fonke.

1 DR. FONKE: Thank you very much for allowing
2 our input. I appreciate the Attorney General's interest
3 in this extremely important matter.

4 I'm a retired pediatrician. I was a professor
5 of pediatrics at UCLA, and I've kind of followed my
6 family up here to this wonderful community. I'm also on
7 the board of -- the foundation board of French Hospital
8 and the county medical association. I represent none of
9 these. This is just my own personal viewpoints.

10 We cannot get by with basically one hospital in
11 San Luis Obispo. Twin Cities is just too far for
12 anybody to go to, and they're full all the time anyway.
13 French Hospital has been here for a long time, and it
14 has a good reputation. It has a wonderful staff. And
15 we need French Hospital to be open. We just could not
16 get by without that hospital.

17 I supported the closing of the General Hospital
18 because of physical plant conditions and utilization,
19 and that was mainly due to physical plant conditions and
20 physicians not having confidence in an aging, aging
21 facility. But I would have never supported closing
22 anything knowing that they were thinking of closing two
23 hospitals so rapidly. So I -- I -- I hope the Attorney
24 General will see this problem.

25 Whether it becomes nonprofit, I would prefer to

1 see it nonprofit. I would prefer that the doctors'
2 group, here, have a good chance of taking over both
3 hospitals. I think that would be wonderful for this
4 community. But for myself, my children, and my
5 grandchildren, who all live up here, we need the beds.
6 And I urge you to give strong consideration to that.

7 Thank you very much for hearing us.

8 MR. URBAN: Thank you.

9 (Applause.)

10 MR. URBAN: Dr. Dan Culhane.

11 DR. CULHANE: Good morning. I -- I didn't come
12 intending to speak today, but just to listen, but -- but
13 thought that, in the last analysis, I should say a few
14 words.

15 I'm an emergency physician, and I am the
16 medical director of the emergency departments at both
17 French and Arroyo, and have been active on the medical
18 staffs of both facilities. So I have an interest
19 that -- with -- with respect to the ongoing operation of
20 both hospitals.

21 I -- I'd like to speak to you today, though, in
22 another capacity, and that is as the medical director of
23 the -- the only remaining medical -- multi-specialty and
24 primary care medical group in San Luis Obispo, County of
25 San Luis Obispo Select Independent Practice Association.

1 And what we are is a group of physicians that work
2 almost exclusively with French and Arroyo to provide
3 care to thousands of both seniors and commercial
4 patients in this county.

5 As I said earlier, or as I alluded to, we are
6 the only remaining major medical group, and we work
7 exclusively, or almost exclusively, with French Hospital
8 and Arroyo Grande Community Hospital. Our ability to
9 provide those services in a way that works for our group
10 relies very much on our ongoing relationship with the
11 hospitals, with hospital systems that have been willing
12 to partner with us. And the Tenet facilities have
13 clearly not been able -- not been willing to -- to do
14 that.

15 We -- the -- the prospect of one hospital
16 providing the -- with respect to the -- the potential
17 consolidation of the hospitals, our organization clearly
18 could not provide those services at Arroyo Grande
19 Community Hospital solely, and the prospect of French
20 being consolidated into Arroyo Grande clearly would
21 basically threaten the existence of our medical group
22 and of the continued ongoing care and services we
23 provide for those thousands of patients.

24 We have significant reservations with the way
25 that -- with -- with the past at French Hospital and

1 Arroyo Grande. We -- I've been here for eight years,
2 and I counted on the way in this morning. We had eight
3 CEOs of French Hospital in those eight years, and we've
4 had five CEOs at Arroyo Grande Hospital in those five
5 years. We've -- we've had very significant management
6 challenges and financial challenges. So -- so -- the --
7 the transition to a new operator is not something that
8 we are opposed to, but we do argue strongly for the
9 maintaining -- the maintenance of the services at both
10 facilities for our -- our -- our physicians and for the
11 patients that we care for.

12 Thank you.

13 MR. URBAN: Thank you.

14 (Applause.)

15 MR. URBAN: Is Gregory Thomas here?

16 Helen McIver?

17 MS. McIVER: Okay. Good morning. I'm very
18 happy to have you here to hear the complaints and the
19 kudos to all the hospitals and the people that staff
20 it.

21 I'm going to present a little different
22 perspective because I is an elderly one. And the
23 elderly people -- I am in a position that I work twice a
24 week. I'm a paralegal. I won't tell you where because
25 I'm acting just on my own today. I talked to a lot of

1 elderly people. As soon as they heard French Hospital
2 closing, it was really frightening to them.

3 I live in Grover Beach. I am sure that you
4 know we have the vehicles on the dunes, and every time
5 we have a holiday, we have lots of accidents. I'm close
6 enough I can hear the ambulances and the fire trucks go
7 out, and we are listening, and they head down Grand
8 Avenue, they hit Fourth, and they're at the beach. So
9 what's happening is that we're -- we're seeing that we
10 are afraid that if you close this hospital here, and
11 Arroyo Grande emergency room is not open, if I have a
12 stroke, a heart attack, a ruptured appendix, or
13 something like that, and they don't have the room for
14 me, where am I going to go? Is a helicopter going to
15 pick me up and take me to Sierra Vista, or do I have to
16 go to Marion down in Santa Maria?

17 It's quite con- -- disconcerting to the elderly
18 people, and I really, really think -- I would like to
19 speak for the younger people, but my time of pediatrics
20 is over 50 years away. My oldest daughter is a RN. Of
21 course, she's now retired. She was at was the Lasin
22 (phonetic) Brothers Hospital in San Jose in the ER room,
23 so I think I know quite a bit about what I'm talking
24 about.

25 Thank you for your time.

1 MR. URBAN: Thank you.

2 Linda Seeley?

3 Carlyn Christianson.

4 MS. CHRISTIANSON: Good morning. I appreciate
5 the opportunity to speak today.

6 My name is Carlyn Christianson, and I've lived
7 in San Luis Obispo for 15 years. I am here today as an
8 individual and also as the practice administrator for a
9 20-physician group of anesthesiologists who provide
10 services to all our local hospitals, except for north
11 county.

12 I have been working with this group for six
13 years, and before that I have another ten years of local
14 experience managing both nonprofit and for-profit
15 medical practices, including working a number of years
16 for OBGYN. In addition, I serve as the chair -- I
17 served as the chair of the county health commission for
18 three years, and I now sit on the board of the San Luis
19 Obispo Chamber of Commerce and on the City Planning
20 Commission.

21 I'm here, first, to say that I and my
22 physicians do not oppose the sale of French and Arroyo
23 Grande hospitals. I'm here, second, to say that we are
24 not supportive in any way of the closure or
25 consolidation of either facility.

1 The reasons for our opposition to any proposed
2 consolidation are multiple. First, from our experience
3 and data, we agree with others that if French were to
4 close, Sierra Vista and Arroyo Grande simply could not
5 handle the combined level of cases in its operating
6 rooms. We do not understand how the volume of five ORs
7 and two heart ORs, which are at French Hospital, could
8 be added to already busy hospital ORs, even if not all
9 of those operating rooms are currently 100 percent
10 utilized. There is still just too much work.

11 The cases could not simply be shifted up north
12 to an expanded Twin Cities Hospital. It's important to
13 understand that geographically the Cuesta Grade pass
14 forms a serious physical barrier for many patients who
15 lack the resources or the physical ability to make the
16 drive north to Twin Cities, or, for that matter, south.

17 Insurance carriers actually have different
18 plans available, or no coverage at all, depending on the
19 geographic demarcation of the Cuesta Grade. And
20 certainly, there are many types of health care staff and
21 physicians, including anesthesiologists and
22 obstetricians, who need to live near the hospital and
23 cannot just pick up their work and move north.

24 Second, we are concerned about what
25 consolidation would mean in terms of lack of

1 competition, a concern that comes directly from our
2 experience with the Valley Hospital closure down in
3 Santa Maria in 1999. When Valley Hospital closed over
4 four years ago in Santa Maria, which is our neighboring
5 town 30 miles south, regulators said that patients would
6 be able to find health care elsewhere, primarily in the
7 other hospital remaining there. What actually happened
8 proved those regulators right, but in an unforeseen way.

9 What happened was that the remaining hospital
10 in Santa Maria was completely overwhelmed, unable to
11 provide the beds, operating rooms, staffing level, and
12 other services to maintain the higher quality that
13 Valley patients were used to, or even the quality they
14 had before, and so the patients, staff, and doctors who
15 could leave abandoned it in -- in droves, and are still
16 doing so.

17 Our practice alone lost two physicians who
18 moved out of the area. Patients and doctors who could
19 afford it did find health care elsewhere. But
20 meanwhile, the patients and doctors who are left there
21 cannot support the remaining hospital, even though it's
22 the only one there.

23 In January 2004, a few months from now, five
24 years after Valley's closure, half of the OBGYNs in
25 Santa Maria will abandon their practice at the remaining

1 hospital. Even though it will be almost five years,
2 there is still a connection between Valley's closure and
3 what is happening with health care in Santa Maria now.
4 I am not equating San Luis's hospitals or its payor mix
5 to Santa Maria, but I am saying that health care is a
6 system where what will happen cannot easily be
7 predicted, and isn't based just on data about licensed
8 beds.

9 Third, we believe that major changes, such as a
10 hospital closure or consolidation, should be more
11 carefully approached. The county took 25 years to
12 examine its recent closure of our public hospital, and
13 while I certainly don't think we need to study this
14 current situation for 25 years, Universal's almost
15 casual suggestion of closure for French doesn't seem to
16 be based on any detailed data or on an understanding of
17 the history, economics, or the realities of medical
18 practice in this area.

19 For instance, we live in an enormously
20 expensive place when compared with our reimbursement
21 rates. The only reason our practice is able to attract
22 top-quality anesthesiologists is because the practice is
23 located in San Luis Obispo and because of the close
24 proximity of our main hospitals, which means we can run
25 a very efficient practice. I'm sure this is true for a

1 majority of the hospital-related medical practices in
2 the area.

3 Should French be closed or consolidated, I know
4 that we would ultimately lose, not only a number of our
5 best young physicians who live and practice here now,
6 but just as importantly, we would lose our ability to
7 hire new doctors and our ability to maintain an
8 economically viable, high-quality anesthesia practice.

9 Fourth, speaking with all of my hats together,
10 the very viability of our city's health care system, and
11 thus, of its overall economic vitality, certainly would
12 be severely threatened by the closure of French
13 Hospital.

14 So I am again stating that I and my 20
15 physicians do not oppose the sale of French and Arroyo
16 Grande, but we are opposed to closure or consolidation
17 of either hospital. Both hospitals need to be operated.
18 Both deserve to be invested in. Both serve vital
19 functions as part of the complicated, intertwined, and
20 somewhat precarious health care system we have today.

21 I am hoping the Attorney General's office will
22 make the situation a little less precarious and take
23 strong action to ensure that any buyer keeps both French
24 Hospital and Arroyo Grande Hospital open, operating, and
25 properly capitalized for the foreseeable future.

1 Thank you.

2 MR. URBAN: Thank you.

3 (Applause.)

4 MR. URBAN: Robin Rader.

5 MS. RADER: My first accomplishment was not
6 falling on the way up to the podium, and believe me,
7 that's a big deal for me.

8 My name is Robin Rader. I have been a member
9 of this community for over 50 years. These
10 Johnny-come-latelies, ha ha.

11 I am a nurse at both French Hospital and Sierra
12 Vista. I have actually also worked at Twin Cities. I'm
13 speaking not for my employers. I'm speaking for myself
14 as a consumer.

15 I am greatly concerned over the casual comment
16 of closing or consolidating French Hospital. I
17 physically work in both intensive-care units, as well as
18 the coronary care unit at Sierra and at French Hospital
19 intensive-care unit, and have worked there when beds
20 have been completely filled. Not lack of nurses, lack
21 of beds. If one of the those facilities should close,
22 close beds, you would be very uncomfortable if you
23 should have chest pain, you, know, be in a very bad car
24 accident and require intensive care.

25 I just feel that a sale for French and Arroyo

1 Grande is imperative. They need the cash flow. They
2 need support. They need concerned management, for want
3 of a better word. But for them to come in with a buyer
4 that, oh, well, maybe we'll consolidate, is just not
5 acceptable, and that has to be carefully looked at by
6 your office.

7 Thank you for coming. Thank you for being
8 here. Bye.

9 MR. URBAN: Thank you.

10 (Applause.)

11 MR. URBAN: Jackie Garta.

12 MS. GARTA: Good morning. Thank you for being
13 here, and thank you for giving us the opportunity to
14 speak up.

15 I'm here today as a private citizen and also as
16 a representative of the Sexual Assault Recovery and
17 Prevention Center.

18 I feel it would be devastating to the health
19 situation in our community to close French Hospital for
20 all of the reasons that have been alluded to before I
21 got up here. I would like to read this short letter.

22 The community can ill afford to close another
23 second hospital. San Luis General Hospital was closed
24 this past June, and the closure of French would greatly
25 impact the health of our citizens and would directly

1 result in -- and you've heard of some of these
2 already -- a shortage of available hospital bed space,
3 only one emergency room to serve not only San Luis
4 Obispo's year-round population, but also the student
5 population at Cal Poly and Cuesta College campuses.

6 I haven't heard anybody mention it -- maybe I
7 missed it -- but we would also -- we would also suffer
8 the loss of a helipad that now serves all of San Luis
9 Obispo County. This helipad, which is our only one, the
10 only one serving the whole county, not -- not only
11 serves -- or now serves -- excuse me -- to transfer
12 critically-ill patients to medical centers in Los
13 Angeles and the Bay Area, and, very importantly, it also
14 serves to transport critically-injured or ill patients
15 from the outlying areas of our county. As you know, our
16 county is -- I can't tell you the exact square mileage
17 of our county, but there are many areas that are very
18 far from the city centers.

19 The closure of French Hospital would negatively
20 impact our community. And please consider denying
21 Universal Health Systems the choice of closing French
22 Hospital.

23 Thank you.

24 (Applause.)

25 MR. URBAN: Okay. Thank you.

1 Doug Carroll.

2 Patricia Wilmore.

3 AUDIENCE MEMBER: Doug Carroll is coming.

4 MR. URBAN: Is Doug Carroll coming?

5 Okay. Patricia Wilmore will be after

6 Mr. Carroll.

7 MR. CARROLL: I'm a little short now. I used

8 to be 6-2. Now, I'm 4-10, so -- I represent the

9 National Multiple Sclerosis Society. I'm the national

10 chairman for the government relations committee, and

11 also a consumer of health care. I was a healthy male

12 until 42, four years ago, and -- and since that time I

13 have stayed more -- over ten stays in both hospitals.

14 And if it wasn't for Sierra Vista and French in the

15 south, I would not be alive today.

16 There's a lot of people -- we represent 2,500

17 clients with multiple sclerosis alone in this county. A

18 lot of them cannot be here today because they're

19 homebound. And -- but without both hospitals being

20 open, they wouldn't have the care.

21 Each hospital has different specialties. I

22 mean in -- this last summer, I was 46 days at Sierra

23 Vista Hospital. During that time there was many times

24 in the CCU they said they had no more beds left. They

25 had to refer to French, and French was full at times.

1 What would happen if I needed to go? At that time I
2 still lived in Cayucos. It was a 20-minute commute into
3 town. And we moved and got a home here in San Luis
4 Obispo because of the two hospitals here.

5 If we close French, and Sierra Vista is full,
6 that means, now, from Cayucos people would have to drive
7 a 40-minutes drive to go to Arroyo Grande or go over the
8 grade. And a lot of people who are chronically ill and
9 homebound have enough trouble with the transportation
10 issues. So it would affect the whole community and a
11 whole vast of people who don't really have a voice, and
12 hopefully, I can have a small voice as to that.

13 But I think we need both, and I think the
14 health care -- to have the quality health care we need
15 in this community, both hospitals need to be -- stay
16 open.

17 Thank you.

18 MR. URBAN: Thank you.

19 (Applause.)

20 MR. WILMORE: Good morning. I'm Patricia
21 Wilmore. I'm here as the director of governmental
22 affairs for the San Luis Obispo Chamber of Commerce. We
23 are an organization some 1,400 members strong from
24 throughout the county, primarily businesses, but -- but
25 also nonprofits.

1 We do a yearly survey of our members, and last
2 year discovered that over 90 percent were very concerned
3 about the condition of health care. And so I want to
4 relay that to you. Business people understand business,
5 and we appreciate Universal Health Systems and their
6 bottom line. We've researched them. They're a stable,
7 strong company in a difficult industry.

8 However, we also want to look at our
9 community's good. And in that light, French Hospital
10 presents a very important asset for this community. We
11 are concerned about the unfair competitive advantage
12 that Tenet would have should French no longer be a
13 functioning institution. So in that light, I am not
14 here to oppose the sale. I mean this is a -- a wise
15 business move for all parties; however, I am encouraging
16 the continued operation of French in some form, be it
17 owned by Universal or should they sell it to another
18 entity. Consolidation is not a good solution and should
19 not be approved.

20 Thank you.

21 MR. URBAN: Thank you.

22 (Applause.)

23 MR. URBAN: Is Mr. Thomas here?

24 DR. THOMAS: Good morning. My name is Dr. Greg
25 Thomas. I apologize for not being here right at 11

1 o'clock. I was held up.

2 I am the county public health officer and the
3 director of public health in San Luis Obispo, and I have
4 a few points I'd like to make.

5 I have given you the -- some of the data that
6 we've looked at in relation to hospital bed capacity in
7 the county of San Luis Obispo. I would like to express
8 my concern regarding the sale of Vista to United (sic)
9 Health Systems, which includes a possible option of
10 consolidation of French with Arroyo Grande, that is to
11 say, closure of French Hospital, because of the
12 significant impact I believe it would have on access to
13 care in San Luis Obispo County, particularly in the city
14 and north coast of San Luis Obispo.

15 I know that Camden Group is providing -- has
16 been hired by the Attorney General to provide an
17 analysis of whether or not there would be a adverse
18 impact to access to care. And I suspect that they are
19 going to come up with the conclusion that yes, there
20 would be an adverse effect. I have -- there's a lot of
21 information on this, but I've used the yellow highlight
22 to put a couple of pieces of data out there.

23 First of all, that French Hospital does
24 represent 24 percent of the available nonpsychiatric
25 beds and 23 percent of the staffed beds in the county of

1 San Luis Obispo, and 36 percent of the available
2 nonpsychiatric beds, and 39 percent -- around 40 percent
3 of the staffed beds in the city of San Luis Obispo. And
4 the data is there for OSHPD too, the data that the
5 hospitals turn in on a yearly basis to demonstrate
6 that.

7 Going to the next to the last page, you will
8 notice that the French Hospital represents, overall, 15
9 percent of the emergency room visits and, again, 38
10 percent, nearly 40 percent of the emergency room visits
11 in the city of San Luis Obispo for the -- for the
12 hospitals in San Luis Obispo, and 53 percent of the
13 admissions from the emergency room to the hospital in
14 the city of San Luis Obispo. That is more than half of
15 the admissions of people going to the emergency room and
16 need to be admitted to hospitals actually end up coming
17 from French Hospital.

18 San Luis -- or San Luis Obispo has been called
19 the poster child of what's wrong with the medical care
20 system. There's been a tremendous loss of the number of
21 physicians in this community over the last three to four
22 years and a significant increase in the number of
23 emergency room visits. Many people no longer are able
24 to access their primary care physicians and are using
25 urgent care centers and emergency rooms.

1 Now, I did ask for the report from -- that was
2 turned in on the sale, and it did come. It's yea high,
3 over 1,100 pages. And in it is data on San Luis Obispo
4 General Hospital. And I -- you may have heard some
5 information about this already from some of the other
6 speakers, but this data that was presented did not take
7 into account that the county closed the county hospital
8 June 19th, 2003. And a couple of the important services
9 that were provided, med search, medical/surgical bed
10 capacity, but even more important to me right now is
11 obstetrical bed capacity. French Hospital utilization,
12 as I understand it, of the -- as I have been told, of
13 the OB unit has gone up from 40 to 50 a month to 70 to
14 80 a month, 70 to 80 deliveries a month. There is no
15 way that Sierra Vista can take that capacity.

16 In the county and in the city of San Luis
17 Obispo, we have had some advantages from the public
18 benefit of a nonprofit corporation. In particular, I
19 want to thank French Hospital over the years for
20 providing a place for dental surgeries, which are
21 something that the hospitals do not make. Some kids,
22 who are young and have very extensive dental disease,
23 have to be put under general anesthesia, intubated, and
24 have full mouth repair. There is also disabled adults
25 who have cerebral palsy or developmental disability that

1 require an operating room situation. And French
2 Hospital, the public-benefit, nonprofit hospital, has
3 been the one who has provided that. It has been
4 extremely difficult to obtain that anywhere else.

5 So I would like to ask that the Attorney
6 General's office, if they approve this sale, have it
7 with some conditions. First, that French Hospital not
8 be consolidated, but remain open for at least five
9 years; that if it is -- the sale is approved, that
10 French Hospital remain open and be -- and receive, under
11 the agreement to be adequately maintained, that the
12 facility and staffing be adequately maintained; that is,
13 we don't want it to die a million deaths, small
14 decisions, like General Hospital that did die as a
15 result of many small cuts and the lack of capital
16 improvements that, in the end, made for low
17 utilization. We need something that is competitive in
18 the city.

19 And I guess I would like to add, in the -- in
20 the end, that if closure does come, that the
21 condition -- obviously, other conversions from nonprofit
22 to profit. This doesn't look tremendously profitable
23 over the short run, but if they ever do close the
24 hospital, there is a very large nest egg of wonderful
25 land that is very valuable right now. And so that if

1 those benefits ever do become available either through
2 closure and sale of the property 5, 10, 15 years down
3 the road, that the Attorney General keep in mind this
4 conversion from the nonprofit status to the for-profit
5 status that is proposed here in that that is a
6 public-benefit tax writeoff, or tax savings, that's been
7 accrued over the last several years.

8 So I suspect Camden Group will also come up
9 with the conclusion that there will be an adverse effect
10 on access to care, and I think the only decision is to
11 leave French Hospital open.

12 Thank you.

13 MR. URBAN: Thank you.

14 (Applause.)

15 MR. URBAN: We have a fairly large number of
16 speakers left, and it's approximately 11:30. And I'd
17 like to run for about another 15 minutes. Is there -- I
18 don't have anyone on the list, or sign up, that
19 indicated that they absolutely had to speak before the
20 noon hour. Is there anyone who's signed up or in the
21 room that needs to speak?

22 MS. KUCER: I do.

23 MR. URBAN: Okay. Go ahead.

24 MS. KUCER: Thank you for allowing me to come
25 along.

1 Hello, and many thanks for your time and
2 patience to digest all the information and issues that
3 are presented to you today. My name is Carol Kucer, and
4 I have been a veteran RN employee of French Hospital for
5 14 years and an active voice for the California Nurses
6 Association. I have experienced many different
7 circumstances and owners of French Hospital that have
8 affected health care as we live it today.

9 Our community in San Luis Obispo has, and
10 always will, require two full-service hospitals to
11 provide optimal care to our citizens. French Hospital
12 is a community facility that has yet to reach its
13 potential. We have been underfunded and
14 undercapitalized with Vista and welcome a new owner. In
15 fact, we prefer almost any other owner than Vista.

16 We have been reassured by Universal Health Care
17 Services that our CNA contract will be honored and
18 binded over during this sale. I ask that you, as the
19 Attorney General, take covenance and realize the
20 requirements are necessary to safeguard the medical
21 services the community deserves. I respectfully
22 challenge you to require accountability by Universal
23 Health Care Services and to recognize the community
24 needs and require specifications for French Hospital and
25 Arroyo Grande to maintain operations as full-service

1 hospitals.

2 The fluctuations and restrictions of MediCare
3 and MediCal reimbursement rates are detrimental to this
4 community and have been seriously overlooked. We have
5 been classified in one of the lowest reimbursement
6 rates, despite our incredibly high cost of living.

7 Again, French Hospital welcomes the opportunity
8 to prosper and provide our community with the necessary
9 medical needs it excels in. It is a responsible choice
10 you can make in your position to apply the necessary
11 guidance in the chaos of this complicated sale.

12 I appreciate you listening and taking to heart
13 the most precious commodity French Hospital offers,
14 which is healing and health care with dignity. In
15 summary, yes to an new owner, no to Vista, keep both
16 hospitals full-service hospitals, open.

17 MR. URBAN: Thank you.

18 (Applause.)

19 DR. HAWTHORNE: Good morning. My name is
20 Dr. Jim Hawthorne, and I am a chief of the medical staff
21 of Arroyo Grande Community Hospital.

22 MR. URBAN: You're going to have to speak way
23 into the mike, or you can take it off, if that's easier
24 for you.

25 DR. HAWTHORNE: That's fine. I will try this.

1 Thank you.

2 I am the current president of the medical staff
3 of Arroyo Grande Community Hospital, and I'm speaking on
4 behalf of the medical staff of that hospital.

5 Additionally, my concern about the future of the
6 hospital has led to my involvement with the South County
7 Healthcare Alliance, from whom you've already heard this
8 morning. And as a long-term member of the medical staff
9 of the hospital, I've experienced or participated in
10 many of the events through more than half of its
11 history.

12 The medical staff of Arroyo Grande is on record
13 as endorsing a change in the leadership -- in the
14 ownership of the hospital. There are a number of
15 reasons the medical staff has come to this position.
16 The bankruptcy itself certainly speaks for the problems
17 of the hospital, but I would like to sketch some other
18 concerns.

19 Illustrative of our concerns is the fact that
20 Arroyo Grande has already been mentioned as -- as
21 mentioned, has had five CEOs in the last six years.
22 There can be many explanations for these transitions,
23 but it is indisputable that it cannot be good for the
24 hospital. These frequent management changes have
25 resulted in missed opportunities for the hospital,

1 difficulty in making and carrying out long-term plans,
2 and in employee uncertainty.

3 Related to this instability has been the fact
4 that important decisions have been made by the
5 management organization, or by the owners, who do not
6 understand all the factors involved in the local
7 situation. While there is a local governing board,
8 capable people have left this board, resigned to the
9 fact that they are provided inadequate information or
10 lack influence in decisions.

11 Finally, although Arroyo Grande Community
12 Hospital has been operated as a not-for-profit
13 public-benefit corporation, it has failed to use the
14 substantial interest and concern for the hospital that
15 is potential in the community. This community has
16 substantial resources that could and should be recruited
17 for the benefit of the hospital. But this is the past
18 and not what we hope for in the future.

19 What I hear from colleagues as we have talked
20 about the sale and the future direction of the hospital
21 is precisely the conclusion that I have reached over the
22 25 years that I have been a member of the medical
23 staff: Arroyo Grande has potential that has not been
24 realized. The hospital can be much more than it has
25 been yet.

1 The reason for the catalogue of concerns is not
2 just to explain -- explain why -- why we endorse change
3 in ownership, but also to delineate the changes that
4 we -- we would hope for in the future and what we think
5 the hospital needs to recognize its potential.

6 We believe that the hospital needs an owner
7 with a long-term commitment to the hospital. We believe
8 the hospital needs an owner that has an active interest
9 in the community and is responsive to both its needs and
10 its potential. We believe the hospital needs an owner
11 that will reinvest a substantial part of the profits of
12 the hospital back into the hospital for upgrading its
13 services, maintenance of facilities, and provision of
14 charity care.

15 Finally, I hardly -- I hardly need to
16 reiterate, but we also are concerned about the potential
17 consolidation, if that's a euphemism for closure of
18 French Hospital, in that we don't feel that we have
19 hospital beds, emergency department capacity, or
20 operating room capacity to fill the demand if that were
21 to close.

22 Thank you for this opportunity to speak to you
23 and for your consideration of the concerns of the
24 medical staff of the hospital.

25 MR. URBAN: Thank you.

1 (Applause.)

2 MS. SARROUF: Good morning. Thanks for the
3 opportunity to comment and for a copy of the
4 transaction -- the transaction records.

5 My name is Sandra Sarrouf, and I am submitting
6 and reading comments today on behalf of Pam
7 Heatherington, who is hoping to make it, but is delayed
8 on the train. She currently sits as vice chair of the
9 San Luis Obispo County Health Commission. She's served
10 on the interim hospital authority board for General
11 Hospital and is one of the founding directors of the San
12 Luis Obispo County General Hospital and Family Care
13 Clinics charitable foundation.

14 The following are her comments: What is
15 happening in San Luis Obispo is not unique. Today a
16 nonprofit, public-benefit medical corporation aspiring
17 to for-profit status is generally the rule, not the
18 exception. But we'd like to remind you that nonprofit
19 organizations have a moral obligation and ethical
20 responsibility to the community they do business in, and
21 we have many concerns.

22 THE REPORTER: Would you slow down, please.

23 MS. SARROUF: The first -- the first area of
24 concern is that Vista Health Systems has squandered the
25 charitable assets that were to be held in trust for this

1 community. While the bondholders have certain rights to
2 revenue, how do you propose to protect the community's
3 interest for return on investment? Where are we in the
4 line of creditors? Bankruptcy laws are supposed to
5 protect the community from mismanagement. The community
6 should be the first debtor paid.

7 The second area of concern revolves around the
8 recent decision by the county to close General
9 Hospital. The county had been advised that the sale of
10 French, Arroyo Grande, and Corona hospitals could result
11 in a spinoff of any one of the hospitals, leaving an
12 already fragmented medical delivery system more
13 vulnerable. The county based their closure decision on
14 erroneous information and failed to protect charitable
15 assets of the community. Much of this decision was
16 based on an agreement with Vista Health Systems that
17 French Hospital would continue to operate and take of
18 the medical needs of the community, specifically, the
19 psychiatric patients. It is incumbent upon the Attorney
20 General to investigate the full truth of the law of who
21 knew what and when they knew it.

22 The third area of concern is that if there are
23 any constraints on the property known as French Hospital
24 located at 1911 Johnson Avenue. There have been many
25 transactions surrounding this property. It is a known

1 fact that property that is in the hands of a nonprofit
2 may have restrictions on future uses. It is hard to
3 ascertain if this is the case with French Hospital
4 because real estate records are not included in the
5 transaction records that are available for review.
6 Please scrutinize these documents for any considerations
7 or constraints given to Vista Health Systems by the City
8 of San Luis, or the county, because it is operated as an
9 nonprofit entity in our community.

10 The fourth and final area of concern at this
11 time is protection for the most vulnerable populations
12 in our community. With our county hospital closed and
13 the potential for the only other nonprofit hospital
14 being sold to a for-profit conglomerate, what will
15 happen to the people who cannot afford for-profit
16 medicine? Please consider them in your deliberations.
17 For-profit Tent Health Systems, the owner of Sierra
18 Vista Hospital in San Luis Obispo, is under federal
19 investigation for fraud. The possibility of having
20 Sierra Vista the only hospital in the San Luis Obispo
21 city area, if Universal Health Systems exercises its
22 request to consolidate or close French Hospital, is
23 frightening. They are not known for their charity
24 care.

25 In closing, I want to remind you that you are

1 dealing with Vista Health Systems, a bankrupt company
2 that has defrauded the public and lied to the community.
3 Perhaps one of the conditions of sale should be that
4 they donate the French Hospital facility to the
5 community through a conversion foundation. What a
6 wonderful thought to leave you with, a true community
7 hospital.

8 Thank you.

9 (Applause.)

10 MR. URBAN: Thank you. Two more speakers
11 before we adjourn for lunch.

12 MR. DIRINGER: Good morning. I appreciate the
13 opportunity to speak. My name is Joel Diringer. I'm
14 the facilitator of the Future Vision Task Force in San
15 Luis Obispo that has recently been investigating the
16 future of the health care safety net in our county.

17 The task force was formed earlier this year in
18 the light of the closure of General Hospital and was --
19 is composed of representatives from 17 organizations,
20 including the county public health department, the
21 county medical society, the economic opportunity
22 commission, county administrative office, and many other
23 agencies.

24 The task force recently completed a six-month
25 study of the safety net in San Luis Obispo and provided

1 a report and series of recommendations to the board of
2 supervisors in August. I've given you a copy of those
3 recommendations for your perusal.

4 We did investigate and look very closely at
5 hospital capacity issues. At the time there was a
6 general agreement that capacity was sufficient if there
7 were four remaining hospitals in the county. An absence
8 of the one major hospital with a licensed 112 beds would
9 severely impact that health care safety net. As far as
10 the actual occupancy and staffed occupancy and licensed
11 beds, I will leave that to Camden and OSHPD and the
12 county health department.

13 However, there were four gen- -- four specific
14 issues that concerned the task force in its report. One
15 had to do with available hospital capacity in the event
16 of an outbreak of an epidemic or other major emergency
17 in the county, whether there would be a sufficient
18 availability of beds at that time. The second one, as
19 you heard earlier from Dr. Thomas and others, was
20 obstetrical capacity. General Hospital was a major
21 provider of obstetrics. With its closure, it's now
22 shifted over to French Hospital, which is often, as
23 you've heard, at its peak and at its limit.

24 The third issue is a more specialized issue
25 that affects developmentally-disabled adults and some

1 young children, and that involves dental operating room
2 time. You've heard Dr. Thomas mention that as well.
3 And that was, actually, a very major concern for these
4 patients who need to be anesthetized and have that done
5 in an operating room. French Hospital is the only
6 facility in the county that has been doing that at this
7 point.

8 And lastly, there was additional concern about
9 the emergency department capacity with the remaining two
10 San Luis Obispo city hospitals with the closure of
11 General, and particularly, the closure of the walk-in
12 clinic at General.

13 So clearly, Gen- -- the closure of French
14 Hospital would put a additional strain on the safety net
15 of San Luis Obispo and would impact access to care for
16 the entire community.

17 Thank you.

18 MR. URBAN: Thank you.

19 (Applause.)

20 MS. HANSEN: Good morning, and thank you so
21 much for listening to all of us.

22 I am Ann Hansen. I am chair of the board of
23 directors of Central Coast Funds for Children. Central
24 Coast Funds for Children is a nonprofit in San Luis
25 Obispo County whose mission is to raise funds for

1 children in need in the county. Mr. Chadwick mentioned
2 that a hospital is also a community asset as far --
3 beyond providing health care in the community. And
4 French has been a community asset.

5 A little over a year ago, French Hospital
6 received an award from the Economic Opportunity
7 Commission for its involvement in the community. And
8 part of that award was because French Hospital gives
9 Central Coast Funds for Children free space to run the
10 Gift Box.

11 The funds from the Gift Box from the hospital
12 go to children in the community. In the past few years,
13 we have raised over \$500,000 for needy children in San
14 Luis Obispo county. To give you the specifics of what
15 is done with the money, on this coming Wednesday,
16 hospice partners will be opening a -- a children's
17 bereavement room, which was funded entirely by Central
18 Coast Funds for Children. Organizations like
19 Brothers -- Big Brothers and Big Sisters and Casa have
20 been able to continue quality training for their
21 volunteers because of funds from Central Coast Funds for
22 Children. The Assistance League is able to provide
23 clothes for needy children because of funds that we give
24 them. Certainly, the closure of French Hospital would
25 greatly impact medical care in San Luis Obispo County.

1 A side effect is that it would also cost thousands of
2 dollars that provide programs for children in the
3 county.

4 Thank you.

5 MR. URBAN: Thank you.

6 (Applause.)

7 MR. URBAN: We'll -- we'll adjourn until 1
8 o'clock.

9 A couple of things: First of all, I'm not sure
10 that this room can be secured, so if you have personal
11 belongings, you should take those with you. And the --
12 my estimate is that we'll run about an hour during the
13 afternoon. And that should complete the speakers that
14 have signed up.

15 (Luncheon recess.)

16 MR. URBAN: We're ready to -- to reconvene.

17 Our first speaker will be Dr. Gary Donath.

18 DR. DONATH: Thank you very much.

19 Good afternoon. My name is Gary Donath, and I
20 am the president-elect of the San Luis Obispo County
21 Medical Society for the year 2004. I've practiced
22 medicine for a total of 14 years, seven of those years
23 in San Luis Obispo. I am an active member of the
24 medical staffs at French Hospital Medical Center and
25 Sierra Vista Regional Medical Center.

1 The physicians of San Luis Obispo county, and
2 particularly those physicians who practice in San Luis
3 Obispo proper have experienced hospital ownership and
4 management as a -- as a constantly revolving door over
5 the years, while the physicians have settled in and
6 maintained a relatively stable patient care core.

7 This public hearing brings us to address
8 another hospital ownership change. In preparation for
9 this and subsequent hearings, the medical society
10 solicited comments from the 258 active practicing
11 physicians who practice in San Luis Obispo county, and
12 the medical society spoke personally to more than 100
13 physicians who practiced primarily in San Luis Obispo
14 proper and in the south county. A synopsis of their
15 comments are as follows.

16 Physicians are unopposed and look forward to
17 the sale of French Hospital Medical Center and Arroyo
18 Grande Community Hospital to Universal Health Services,
19 Incorporated by Vista Hospitals. It is generally known
20 that the physicians have reservations about the current
21 ownership and management of these two facilities. The
22 physicians say, and I quote, San Luis Obispo needs two
23 hospitals to adequately meet the medical needs and
24 demands of our community. All one needs to do is look
25 at the average daily census at the two functioning

1 hospitals, and the results of this census will
2 demonstrate the needs.

3 Physicians are opposed to any closure of French
4 Hospital Medical Center or any consolidation of French
5 into Arroyo Grande Community Hospital. The physicians
6 request the Attorney General add covenants to the sale
7 agreement to Universal Health Services which indicate
8 that Universal Health Services will purchase, operate,
9 and capitalize French Hospital Medical Center; Universal
10 Health Services will purchase, operate, and capitalize
11 Arroyo Grande Community Hospital; Universal Health
12 Services will not close French Hospital Medical Center;
13 Universal Health Services will not consolidate French
14 Hospital Medical Center into Arroyo Grande Community
15 Hospital. Both French Hospital and Arroyo Grande
16 Community Hospital are needed to serve the community.

17 In closing, I ask you to listen to the
18 physicians of the area as you review this sale and
19 purchase agreement. We as -- we, as the physicians, are
20 the individuals most intimately involved in the care of
21 the patients in the community.

22 Thank you very much.

23 MR. URBAN: Thank you.

24 (Applause.)

25 MR. URBAN: Dr. Steven Hansen.

1 Biz Steinberg.

2 Sandra Sarrouf.

3 Biz? Okay. That's okay.

4 MS. STEINBERG: I want to shut the phone off.

5 MR. URBAN: That's okay.

6 MS. STEINBERG: Sandra also spoke this

7 morning --

8 MR. URBAN: Oh. Did she?

9 MS. STEINBERG: -- just before the lunch break.

10 MR. URBAN: Okay.

11 MS. STEINBERG: So I think you caught her this

12 morning.

13 MR. URBAN: Okay.

14 MS. STEINBERG: Welcome to our community. I am

15 glad you are having these hearings.

16 My name is Biz Steinberg and I serve as the
17 director of the economic opportunity commission for San
18 Luis Obispo County, the community action agency. I
19 mainly work on behalf of people who are living in
20 poverty in our community.

21 So we have a homeless shelter. We have a head
22 start center, child care programs. We have teen
23 clinics, senior clinics in the community, 22 of them
24 where seniors live or go to their nutrition
25 congregation -- congregate eating site. And so every

1 year we do serve 35,000 low-income folks. And just as
2 we all need housing, we need quality health care.

3 This past -- since February I have been part of
4 a group that was discussed this morning by Joel
5 Diringer, the Future Vision Task Force. And it was
6 quite an incredible experience to bring together the
7 physicians, the medical society, county government, the
8 public health division, nonprofits like our agency. We
9 actually got the grant to try to work -- work
10 on these issues of health care. And so I wanted you to
11 know that we are a community-involved participant. We
12 are very concerned about the results.

13 Right now, I'm quite taken back about the
14 potential sale. It sounds like every -- I can't make a
15 comment on who should purchase it or any of that. My
16 point is going to be accessibility.

17 We went though, most recently, the Future
18 Vision Task Force, and reported to the board of
19 supervisors in August. Our whole report was predicated
20 on the fact that we would have a north county hospital,
21 Twin Cities, of course, owned by Tenet; Sierra Vista,
22 within the city; French; and then Arroyo Grande. So the
23 folks that I'm serving, mainly we're -- we're there for
24 prevention, primary care, but, obviously, they have to
25 sometimes go into the hospital.

1 We're very concerned that the county contracts
2 continue for the indigent and low-income care. We
3 appreciate what the hospitals have all done, whether
4 they are private nonprofit, private for-profit, or
5 nonprofit in supporting charity care. Ann Hansen
6 mentioned this morning the Gift Box and the Central
7 Coast Funds for Children, and yes, we did give French
8 Hospital an award for that because they give that
9 space.

10 I must also say that Tenet at Sierra Vista
11 gives our agency one Sunday a month, the day surgery
12 area, and I run our tattoo removal program, with three
13 physicians from our community, so that folks can have
14 those tattoos removed, and give community service in
15 order to get their appointment, and then, over time, are
16 able to be self-sufficient, contributing adults to our
17 community. So being the community action agency, we
18 work with everyone, and we are a partner in a positive
19 way.

20 Right now, I'm gravely concerned about this
21 potential closure. And I am hoping that as you study
22 all of this and the Attorney General comes back and --
23 with this report you are going to receive, that in late
24 October, I believe you said at the beginning of the
25 meeting --

1 MR. URBAN: Or early November.

2 MS. STEINBERG: -- or early November, that we,
3 as a community, get to hear and -- well, see that ahead
4 of time so we can really get our questions answered.

5 I -- okay. So access is key.

6 And the last thing I wanted to say is one of
7 the -- one of my -- I'm also a member of the League of
8 Women Voters, but I'm not speaking on behalf of them.
9 But one of them had to leave. And Trudy Jarrett from
10 Arroyo Grande had a section she had researched from the
11 Los Angeles Times about Tenet Corporation. And in the
12 article in the L.A. Times -- and I don't have the
13 date -- she found that it has just sold five hospitals
14 to a Florida corporation -- It's called Health
15 Management Associates -- and has plans to sell 12
16 hospitals and close at least two in the future, for a
17 variety of reasons, I'm sure.

18 And I don't know which two those -- I don't
19 know what's gonna happen. I know we're looking at the
20 growth of Sierra Vista and the expansion of Twin in five
21 years, Sierra Vista 2008, but I think right now, just as
22 this has been quite a -- a stir to us, I don't know if
23 we know what's gonna happen with Tenet.

24 So I hope, as you look at this on our
25 community's behalf, you research every little section

1 of -- of your rules and what has transpired because you
2 are the neutral party that can help us get this figured
3 out so we ensure accessible health care for all of our
4 folks. Even those of us at the time that have insurance,
5 that's not a sure thing. Sometimes two things have
6 gotten very complex.

7 So we look forward to your -- your report and
8 coming -- for you to come back here. And if I can at
9 all be of help -- our board is five members of the
10 publically-elected officials here, one of whom is a
11 member of the board of supervisors, four city council
12 people, five private-sector folks, and five
13 representatives of the low-income community themselves.
14 So please don't hesitate to call on us if you need any
15 other assistance. And we look forward to working with
16 you and the community at large.

17 Thank you.

18 MR. URBAN: Thank you.

19 (Applause.)

20 MR. URBAN: Milt Rosen.

21 MR. ROSEN: Good afternoon. My name is Milt
22 Rosen. I wanted to let you know that I am a registered
23 pharmacist, an ombudsman, on the health commission. I
24 am here speaking as a private citizen.

25 I'm very concerned about the proposed sale of

1 French Hospital, not the sale itself, but -- but the
2 conditions that may be and may not be imposed.

3 As health commissioners, we ask the Attorney
4 General's office to place two conditions on the sale, if
5 the sale is allowed:

6 First, that the hospital must remain open for
7 at least five years; and the second, that the hospital
8 be fully capitalized, that is, the facility must be
9 brought up to the acceptable code and equipment, and it
10 must be upgraded.

11 This second condition is a must. It is my
12 belief that the lack of capitalization of San Luis
13 General Hospital is what greatly contributed to its
14 demise. Doctors, patients, HMOs, unions, decided they
15 didn't want to use General Hospital because it wasn't up
16 to date. In order for a physician or a nurse to talk --
17 whoops. Sorry.

18 Right now, it's my contention that French
19 Hospital is probably in violation of the latest HIPAA
20 Code. For those of you not familiar with the
21 federally-mandated rules, they have to do with patient's
22 medical confidentiality. As a pharmacist, I am required
23 by state law to give counseling for every new patient --
24 prescription that a patient receives; however, this has
25 got to be where it can't be overheard.

1 It is my understanding, from talking to some of
2 the staff of French, this is not being observed right
3 now because of its tremendous overcrowding. There is
4 just a thin barrier, a mere curtain, that divides the
5 different patients. There is no way that a doctor or a
6 nurse can talk to a patient about their -- their drugs
7 or their problems, or whatever the case may be, and
8 maintain our confidentiality. It just can't be done.

9 The other complaint that I had was that because
10 of the overcrowded conditions, when one baby wakes up
11 and it starts crying, the whole section there can't go
12 to sleep. So that -- that leads to patients lack of,
13 let's say good care. They can't get their -- their rest
14 that they need.

15 So therefore, I feel that it probably would
16 behoove you, if you could, because what I'm saying is
17 just secondhand, that maybe you ought to take the time
18 to go over there and investigate and see for yourself
19 what the conditions are. They're overcrowded. And if
20 you merge it with General Hospital, it's gonna be even
21 worse.

22 Right now, at General Hospital, many times when
23 French calls to take some of the OB patients off their
24 hands, the pregnant women, they can't do it. They don't
25 have the beds. And what's gonna happen if you merge

1 them into one? It's just not going to be physically
2 possible.

3 That's all I have to say. Thank you for your
4 time.

5 MR. URBAN: Okay. Thank you.

6 (Applause.)

7 Eric Greenlag?

8 MR. GREENLAG: I am Eric Greenlag. Welcome,
9 and thank you for the opportunity to speak and to remind
10 you of your responsibility under Corporations Code
11 Section 5914 to help the community preserve the public
12 benefits that the public has invested in a health
13 nonprofit. I realize that bankruptcy can have an effect
14 on this responsibility, possibly precedent setting in
15 the state, but I insist that if there are assets which a
16 for-profit entity is interested in purchasing, there are
17 assets that still, by rights, belong to our community.
18 The overall public interest deserves standing in the
19 list of creditors with assets to be made available to a
20 conversion foundation as the law specifies.

21 I have a couple of specific issues to raise in
22 relation to your return and to the -- what should be in
23 the impact report. I appreciate your including an
24 evening hearing when you come back, as well as an
25 afternoon hearing. Both are actually needed. People

1 who work during the day need the evening access. People
2 who depend on public transit need to be able to speak to
3 you while that is still operating. People who fit in
4 both categories have a very narrow window of
5 opportunity, between about 5:30 and 6:30, because public
6 transit tends to shut down early here. So I ask you not
7 to preempt that window of opportunity with a dinner
8 break. Thank you.

9 The other issue is the impact report. In
10 addition to including the information which the
11 Consumers Union asked for -- and I'm very much in
12 support of their comments -- should also reference our
13 county's safety element of our general plan. The
14 preparers should familiarize themselves with that
15 document, including the technical background report, and
16 recognize that hospitals are identified as critical
17 facilities in disaster response in this county. You're
18 already hearing how serious the situation with the
19 existing hospitals in normal times. We've already heard
20 from at least one county supervisor, and others, about
21 the impacts of population growth. Add the impacts of an
22 earthquake or some other very easily anticipatable
23 natural disaster, and how would we cope with only one
24 hospital in existence?

25 And it's important to recognize that there can

1 be synergistic effects in accumulating a -- the
2 inability to serve. For example, an earthquake can not
3 only create an excess burden of injuries, it can also
4 create transportation impacts that make it hard to get
5 across town if wires have fallen on roads, if bridges
6 over or under Highway 101 are fallen or unsafe. People
7 can die simply because they can't get across town if
8 there's only a hospital on one side of town.

9 Another issue to remember in relation to safety
10 and hazards is that we have, within 10 miles of this
11 city, an active, operating nuclear power plant, which
12 also perches near an active fault. My understanding,
13 and you should confirm this, is that at present the only
14 hospital in the county that has any facilities to
15 isolate a radioactively-contaminated or
16 radioactively-injured person and render treatment is
17 French. If that is true, who would take up that
18 responsibility, and how would they be able to handle it?
19 I don't know if I have the most up-to-date information,
20 but please do check this, and please do confirm it.

21 A lot of members of the public have raised a
22 lot of issues here, and I would ask that the transcript
23 of today's public comments be included in your health
24 impact report so that we, the public, can evaluate
25 whether the body of that report responds to the issues

1 and questions raised by the public.

2 And thank you for the opportunity to speak.

3 MR. URBAN: Thank you.

4 (Applause.)

5 MR. URBAN: Robert Cohen.

6 Stephanie Brenner.

7 MS. BRENNER: Good afternoon. Please forgive
8 me. I am a recent patient of French Hospital. I had my
9 tonsils out a couple days ago, and I'm not supposed to
10 be talking.

11 MR. URBAN: You -- you're gonna have to almost
12 swallow the mike.

13 MS. BRENNER: I'm a recent patient of French
14 Hospital, and I had my tonsils removed. So I'm not
15 supposed to be here speaking, but this is something very
16 close to my heart.

17 As a patient of French Hospital, a wife of a
18 doctor, and a mother of three children of which I
19 definitely need, and will need, the continued support of
20 French Hospital, as they are boys, they are -- French is
21 committed to -- committed to our community, as you can
22 see by the speakers here that work at French, and the
23 neighbors and -- and just the community in itself is
24 here voicing to you very, very strong opinions and --
25 some emotional, some are more business oriented.

1 UHS is in the business to make a purchase and
2 possibly turn a profit. It's -- it's -- it's a
3 business, and we all understand that. However, they
4 don't live here. They don't have to look to our
5 hospitals for any kind of care, but we do. And with the
6 closure of French Hospital or the consolidation of
7 French to Arroyo, it brings up all of the points that
8 everyone before me has already brought up to you, and I
9 won't repeat them. But they are very, very serious
10 points.

11 And as a mom, and as a patient, and again, as a
12 wife of a doctor, watching them be worked to the bone,
13 and worked and worked and worked, and my husband pulling
14 an 18-hour shift last night and going back in again this
15 morning because French could not facilitate one more
16 OR -- he had to go on to Sierra Vista to help out. It
17 happens to us every day. And it's just something that
18 probably means more to us because, again, we live here.
19 We experience it daily, and maybe you don't.

20 I grew up in Orange County and L.A. area. I
21 know that over there, there's not so much of a concern
22 such as this. But in a small community and a small
23 community such as this -- it is, again, going to grow
24 tremendously up in the -- upwards of 18,000 homes that
25 were mandated to us to do, whether we wanted to or not.

1 It's -- it's absolutely ridiculous to think we can only
2 manage with one hospital.

3 So again, I implore you to listen to the -- the
4 commission's report that they have done. They did a
5 great job. And we look to you to look into all the
6 details and help us out because we need your help.

7 Thank you.

8 MR. URBAN: Thank you.

9 (Applause.)

10 MR. URBAN: Kathy Koch.

11 MS. KOCH: Hi. Thank you for coming to San
12 Luis Obispo. My name is Kathy Koch, pronounced a little
13 bit different than --

14 MR. URBAN: Sorry about that.

15 MS. KOCH: That's okay. I didn't write
16 anything on there.

17 I am a registered nurse at French Hospital. I
18 have also worked, over the last ten years, at Sierra
19 Vista and Twin Cities.

20 And a couple of things I'd like to point out
21 that -- if you were listening to the statements by Vista
22 and Universal, they kind of portrayed French as a loser
23 hospital which struggles to provide basic care. That's
24 not at all the case. For example, the Universal
25 representative stated that at French the patient numbers

1 are declining, reimbursement is declining, and costs are
2 increasing, without stating any facts to support those
3 blanket statements at all. Hopefully, if they -- if
4 they do have facts, they will provide them to you. But
5 that's kind of a lot of bad things to say about a
6 hospital without actually stating any facts to support
7 that data.

8 In fact, French Hospital has been a leader in
9 the health care community on patient-care issues, such
10 as RN primary care, which means an RN takes care of the
11 patient, and on safe staffing ratios, which you might
12 say that the state of California is finally following
13 French's lead on that issue, mandating staffing ratios
14 which French has maintained for many years.

15 And yes, it does cost a lot to provide good
16 care to patients. There have been recent studies which
17 have connected the numbers of patients that an RN cares
18 for with patient mortality. All these facts and figures
19 might be very interesting to ponder until you, yourself,
20 your wife, your husband, your children, or your parents
21 become a patient, and then it's paramount and
22 overwhelming when you need that person to be there.

23 Say we had two multi-vehicle accidents. Right
24 now, the ambulances can divert one severe trauma to
25 Sierra Vista, one to French Hospital. Sometimes one ER

1 patient might take six or eight people working on them,
2 pumping blood in them, doing x-rays, performing CPR,
3 intubating to keep them alive. You can't predict in a
4 hospital situation whether you're gonna need X number of
5 nurses or X number of beds or -- or anything. It's a
6 very volatile situation when you try to staff so that
7 you can bring people in or send them home. But you
8 can't anticipate big traumas or big emergencies. So
9 that's why having the two possibilities is much more
10 than twice as good as having one for the patient to
11 have -- be able to go to a place where there is enough
12 free staff members to save their life, because it does
13 mean saving their life.

14 Care of the indigent and uninsured patients
15 have been -- has been discussed here, but let's not
16 forget the insured people too. They deserve a right to
17 have prompt treatment. This can be -- that's the
18 majority of people out there -- that you don't want to
19 be having eight patients to one nurse, or you don't want
20 to be waiting three or four hours to see a - an
21 emergency room physician.

22 I've been worked -- I've worked as a
23 supervisor, and I've worked at a time when there were no
24 beds available at French Hospital, at Sierra Vista in
25 San Luis Obispo. And I've also worked at times when

1 Sierra Vista and Twin Cities were both diverting
2 patients. We had a flu epidemic here about four years
3 ago, I think in December, where we called it combat
4 nursing. Every bed was filled. People were filled in
5 the ERs. Half of the staff was sick. People that we
6 could reach to come in tried to come in. It was very
7 difficult. That's just a normal flu, you know, season.
8 We have had, since then, light flu season. But if you
9 look over the last three years, maybe you won't see
10 that. But if you look a few -- you know, you can't
11 predict when you're gonna have a bad flu season.

12 And the previous speaker mentioned about
13 Diablo. I was surprised it hadn't come up yet because
14 in emergency preparedness, that's a big issue for us.
15 And especially in this time of increased terrorism,
16 awareness that a nuclear power plant is -- it's
17 vulnerable both by ocean and by air. So that's
18 something that we have to think about in our community.
19 We -- there was a lot of protesting against the nuclear
20 power plant. That's mostly died down. But they do
21 still store radioactive waste there, and they will for
22 many years to come. And as he said, it was -- it's on
23 an earthquake fault and less than 10 miles away.

24 And finally, about the state-mandated growth, I
25 would like to point out, because of our high cost of

1 housing, that it's likely to be mostly elderly people
2 that -- what happens in the past is people will sell
3 homes that they bought in the '40s and '50s in LA or San
4 Francisco area. They can sell them for a lot of money
5 and move here and live comfortably as retirees. But
6 older people require a lot more and more costly medical
7 interventions through each year than a younger person.
8 For example, if you increased our community by another
9 university, you would not need as much health care as if
10 you increased it by older people.

11 So I just want to leave you with a question of
12 what are we, as nurses, gonna do for our patients and
13 our people in our community if you close French
14 Hospital?

15 Thank you.

16 MR. URBAN: Thank you.

17 (Applause.)

18 Jean Beck.

19 MS. BECK: Good afternoon. Thank you for being
20 here and for still looking interested in what people are
21 saying.

22 MR. URBAN: We actually still are interested in
23 what people have to say.

24 (Applause.)

25 MS. BECK: That's good to hear.

1 I'm rather concerned. This morning I heard,
2 and again this afternoon, that the request is that the
3 purchaser keep the hospital for five years. That means
4 2008. That happens to be the date, I understand, in
5 which Sierra Vista will have expanded. There's little
6 connection between these two facts.

7 AUDIENCE MEMBER: Would you get closer to the
8 microphone?

9 MS. BECK: How much?

10 Let's see. And there was something else that
11 Dr. Thomas said. I worked at General Hospital for 11
12 years, and during that time, as he said, it was death by
13 Chinese torture, a little cut, a little cut, a little
14 cut. We called it death by 1,000 cuts. Are we setting
15 up for another one of those with a five-year time span?

16 And that's all I have to say. Thank you.

17 MR. URBAN: Thank you.

18 (Applause.)

19 MR. URBAN: Earl Murray.

20 I am pronunciation impaired, so I probably
21 missed your name as well.

22 MR. MURRAY: Well, if you pronounced it right,
23 you'd probably be the first one that ever did so.

24 It's Earl Murray, and I've been a resident of
25 San Luis Obispo County for 35 years, 34 of those years

1 here in San Luis Obispo. I've had surgery at French
2 Hospital, at Sierra Vista Hospital, and I was a patient
3 at the old French Hospital on Marsh Avenue. My wife has
4 had surgery at Arroyo Grande, and two of my
5 grandchildren were born at the General Hospital here in
6 San Luis Obispo.

7 My wife and I have had excellent care. In all
8 of those instances we've had excellent care from each
9 one of the hospitals. The staff, the doctors, the
10 nurses, everyone were excellent. The treatment was
11 great. But we know that now they're overworked, doctors
12 are leaving, nurses are leaving, and we can understand
13 why. And I am concerned about this.

14 My wife and I are both in our 70s, and we're
15 going to be, as was suggested a little while ago, among
16 these people who are going to require more health care
17 in the future than we have in the past. I'm going to be
18 in the hospital more, and I would hope that in the
19 future I would have the same kind of treatment that
20 we've had in the past.

21 We know that the situation is financial to a
22 greater extent. And we -- we -- we realize that people
23 who invest money have a legitimate reason and expect
24 to -- and an expectation to receive income on their --
25 their investment. But it seems to me that -- pardon my

1 hearing aid for squealing -- it seems to me that the
2 most important concern -- and I would hope that you
3 would consider this, and I'm sure you will -- is what is
4 best for the patients. And I hope you will.

5 Thank you.

6 MR. URBAN: Thank you.

7 Frances DeLorenzo.

8 MS. DeLORENZO: I'm sorry. I got here late. I
9 don't know who I'm -- I'm addressing here.

10 MR. URBAN: I'm Mark Urban. I'm a deputy
11 Attorney General with the State of California.

12 MS. DeLORENZO: Oh.

13 MR. URBAN: To my left is Tricia Wynne. She's
14 a special assistant Attorney General. And to my right
15 is Eric Themm. He's with The Camden Group.

16 MS. DeLORENZO: Okay. Thank you very much.

17 Well, I want to start that I'm not planning to
18 depend on being in the hospital. And I'm doing very
19 well so far. I'm going to be 83 in October. And I
20 haven't -- ever since I dropped HMO for two years, I
21 haven't been to the doctor, except for a knee injury.
22 Okay.

23 What I want to say, mainly, is that I think our
24 government has an agenda to get rid of Medicare
25 eventually and -- because hospitals are closing

1 everywhere all over the country. And so I think we need
2 to remember that.

3 I -- I'm here to represent people who depend on
4 MediCare, and, of course, that's all I depend on too,
5 which I haven't even used for the past five years. So
6 -- but there's people I want to represent that will be
7 needing them because people just get into poor health.
8 And I think it's really important that you help these
9 people who will need the services here and not go along
10 with what the agenda is of this government to get rid of
11 MediCare so that we can pay the bills for this war and
12 everything else that's -- it's being cut away from
13 indigent people and everything else.

14 Thank you very much.

15 MR. URBAN: Thank you.

16 (Applause.)

17 MR. URBAN: Dr. Fred Vernacchia.

18 DR. VERNACCHIA: Good afternoon. Welcome to
19 San Luis Obispo. I'm Fred Vernacchia, and I've been a
20 resident and a physician practicing here for the last 18
21 years.

22 MR. URBAN: You -- you're going to have to
23 speak close to the mike --

24 DR. VERNACCHIA: Okay.

25 MR. URBAN: -- and more slowly. Thank you.

1 DR. VERNACCHIA: Okay. I'm Fred Vernacchia.
2 I'm a radiologist. I've been practicing in San Luis
3 Obispo for about 18 years now. I'm a former member of
4 the health commission and served on its initial
5 committee.

6 Unfortunately, during my 18 years, I've seen
7 French Hospital change ownership, probably five, maybe
8 even six times. I'm not sure that's been helpful for
9 the long-term economic survivability of French Hospital,
10 but it's just the sign of our times and just a matter of
11 economics and how the corporate-owned hospital business
12 works. I feel very strongly and do think I feel -- I
13 speak for many of my colleagues who were, indeed,
14 surveyed to find out what they want to have happen with
15 French Hospital. But we believe, as a physician group,
16 that the sale should go forward with Universal Health
17 Systems; that it's a -- generally, a good thing that it
18 go through; that the hospitals adjust to meet the needs
19 of -- of the community. We feel that -- that with --
20 without trying to be an all -- a do-all, end-all
21 hospital to the community, that they can focus their
22 services and become a financially-viable,
23 financially-profitable hospital. I think, given
24 what's -- what's happened in the community in the last
25 few years, trying to compete and be a do-all, end-all

1 hospital is really not the answer for French.

2 We feel that the hospital must remain open. The
3 emergency beds that are there are vital to the access to
4 care in our community. We have a physician shortage
5 area. We are seeing more and more patients ending up in
6 the emergency rooms because of that physician shortage.
7 Again, as a group, we feel that the sale should go
8 through. We do want there to be some covenants along
9 with that sale, and that is that they -- that Universal
10 continue to keep the hospital open and to capitalize it
11 well. And we're not talking about trying to capitalize
12 it to necessarily compete with Sierra Vista, but
13 necessarily to capitalize it to continue to serve the
14 community. There's -- there's two different -- those
15 are very different statements.

16 And I think that those -- that's something you
17 really need to take to heart, here, is we're not asking
18 Universal to expand and to continue to do cardiac
19 services and expand into neuro and do all these fancy
20 things. I don't think any of the -- any of the
21 physicians in the community are expecting that to
22 happen. But I think what we're saying is without doing
23 those things the hospital can remain a very viable, very
24 profitable community hospital that can serve the needs
25 of our community. And that's what we'd like to see go

1 on.

2 We would not like to see French consolidated
3 with Arroyo Grande. We think that they need to remain
4 as two separate -- separate entities. We also feel it's
5 very important that two hospital remain in our
6 community. We've seen a corporation formerly known as
7 NME which went through its psychiatric rehab, their drug
8 rehab facilities, their skilled nursing facility, rehab,
9 you know, fraudulent lawsuits and their -- their
10 penalties. And then, obviously, I don't need to remind
11 you about what they morphed into and what their current
12 problems are.

13 It's a scary thought from a physician's
14 standpoint and from a -- a consumer's standpoint if we
15 were to become a one-hospital town with the other
16 hospital being what it is. And, you know, you can take
17 a snake and change the skin all you want, but it's still
18 a snake. And we need to protect ourselves from that.
19 And I think one of the best ways we can do that is to
20 make sure that -- that French remain a -- a viable
21 hospital, not necessarily a competitive hospital, but a
22 viable hospital, and continue to serve the needs of the
23 community.

24 Thank you.

25 MR. URBAN: Thank you.

1 (Applause.)

2 MR. URBAN: Luke Faber.

3 DR. FABER: Hi. I'm Luke Faber. I suspect
4 everything seems like a broken record by now, but
5 anyway, I'm the chief of staff at French Hospital. And
6 I'm here --

7 MR. URBAN: You're gonna have to move closer to
8 the mike.

9 DR. FABER: Okay. I am -- can everybody hear
10 me?

11 Okay. I am the chief of staff at French
12 Hospital, and I'm here to represent the medical exec- --
13 executive committee. And, of course, I have my own
14 opinions as well. But primarily, I wanted to try and
15 relate what the medical executive committee -- their
16 opinions regarding the viability, or the necessary
17 viability of French Hospital, and how it relates to
18 addressing community needs, perhaps addressing some of
19 these issues which I'm sure have been addressed earlier
20 with regard to a one-hospital town being -- is that
21 enough or not.

22 With regard to French Hospital, the med exec.
23 Committee feels very strongly that French Hospital be
24 allowed the opportunity to exist; that we feel that it
25 is very important; that there are not enough beds within

1 the community to address all the community needs for
2 health care if French Hospital should close. If the --
3 the proposed tower that Sierra Vista has envisioned,
4 which may or may not happen in the near or distant
5 future, is in large part to replace existing beds that
6 are in a portion of the hospital that will not be used
7 for patient care in the future, so that in terms of
8 adding additional beds, we don't see that as a -- a
9 large enough or urgent enough change to handle the --
10 the health care needs in this community if French was
11 allowed to close.

12 The other issue is that we feel that from a
13 community-needs standpoint, too, that we would like to
14 see French to exist, to be managed by a group that has
15 the capital strength to make French competitive. I do
16 believe that French can be competitive. I -- I actually
17 believe that French is surviving right now. If you were
18 to look at the bottom line, that they're very close to
19 penciling out even. And that I think that we need to
20 have a -- a buyer whose reputation is strong, who has
21 the necessary capital strength to make the improvements
22 in the hospital that it so dearly needs to be able to
23 address the -- the health care issues of the -- of the
24 community.

25 So in -- I guess from my personal opinion -- I

1 happen to be a cardiac surgeon -- there have been --
2 there has been a lot of questions as far as what the --
3 the cardiac status of the hospital will or wouldn't be.
4 I think it's way too early to tell. I think that
5 it's -- it's premature to comment on the financial
6 status of the hospital. Right now, I believe that it
7 actually is doing better recently. I think that a lot
8 of the problems that we've had in the past were -- could
9 be directly attributed to the management of the
10 hospital, and that a stronger management will make this
11 hospital profitable. And we would all like to see it
12 continue in its existence.

13 I think it would be very bad to have this be a
14 one-hospital town. I think that it would be difficult
15 for the physicians, as well as for the patients. So
16 thank you very much.

17 MR. URBAN: Thank you.

18 (Applause.)

19 MR. URBAN: Dr. Brian Roberts.

20 DR. ROBERTS: Good afternoon. My name is Brian
21 Roberts. I'm an emergency physician. I'm a member of
22 the Societies Group Foundation, which is the physicians
23 of this county's 501(c)(3) public charity benefit
24 corporation. I'm on the board of directors of that
25 organization, and I am the chair of the foundation's

1 access to care committee. And I have practiced
2 emergency medicine in this county for 18 years now. I
3 have participated in county-wide organizations devoted
4 to the resolution of access to care problems for more
5 than ten years. And the first official job I had was
6 the founding vice chairman of the county's health
7 commission in '94. And just recently, I was on the
8 Future Vision Task Force, so it's something I've spent a
9 lot of time with over the last decade.

10 The physicians of this county have been
11 surveyed, and they have commented on their concerns. My
12 comments are directed at my area of expertise, and that
13 would be emergency medicine and access to care. The
14 issue, from my perspective, is quite simple. Currently,
15 French Hospital emergency department sees approximately
16 16,000 patients, and growing quite rapidly over the last
17 couple of years for a number of reasons. Sierra Vista,
18 where I've spent most of my time, sees about 21,000. By
19 proximity, we are their only close neighbor.

20 It's generally accepted in emergency medicine
21 that you need approximately 2,000 -- you need 2,000
22 patients to one bed in an emergency department as a
23 ratio, so as you get to 10,000 patients, you need five
24 beds, generally, as you try to pencil that out. Sierra
25 Vista, we currently have nine to ten beds. We can take

1 it up to eleven, and we're seeing 21,000 patients. So
2 if you do the math, we're pretty much at capacity right
3 now. I need eight more beds the day after French
4 Hospital closes. And I've looked around today. They
5 weren't there. And it takes quite some time to gear up
6 for that.

7 In a county which sees an ever-increasing
8 number of patients seeking primary care in the emergency
9 department due to an increase in population and a
10 decreasing physician base, the closure or consolidation
11 of French Hospital carries a tremendous implication to
12 patient care. Subsequently, we agree with the comments
13 of Dr. Donath regarding the covenant statements that the
14 Attorney General can and should add to this sale and
15 purchase. Universal Health Services must commit to
16 operating and capitalizing French Hospital Medical
17 Center and Arroyo Grande as separate important
18 facilities to the individual communities that they
19 serve. Universal Health Services should not close
20 French Hospital Medical Center or consolidate into
21 Arroyo Grande Community Hospital.

22 I ask you that you listen to the physicians in
23 this area regarding this sale and purchase. And as you
24 assess the people who come talk to you, their agendas,
25 where are they coming from, realize that I am the

1 director of the other two emergency departments in this
2 county. On face value, who would stand to do better
3 than me by the closure of that facility? I'll get 90
4 percent of the patients.

5 It's not right for the community. It doesn't
6 serve the interests, and we simply are not able to take
7 the increased flow. I know that better than anyone. We
8 would need years and years to gear up to such a change.
9 It's avoidable, and I beseech you to avoid it.

10 Thank you very much.

11 (Applause.)

12 MR. URBAN: Thank you.

13 I've -- I've gone through, at least once, the
14 list of speakers and the yellow slips, but there may
15 have been people who weren't here when I called their
16 name who'd like an opportunity to speak, or people who
17 haven't signed a -- a slip and would like an opportunity
18 to speak. So this is -- this is your opportunity to do
19 so.

20 Everyone has said their -- their piece?

21 We will then adjourn this meeting, and we'll
22 look forward to seeing you in late October or early
23 November when we'll have the health care impact
24 statement out and -- and we'll take comments on that
25 report.

1 Thank you all for coming.

2 AUDIENCE: Thank you.

3 (Applause.)

4 (Exhibit No. 1 was marked

5 for identification by

6 the court reporter.)

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I, the undersigned, a Certified Shorthand Reporter of the State of California, do hereby certify:

That the foregoing proceedings were taken before me at the time and place herein set forth; that any witnesses in the foregoing proceedings, prior to testifying, were placed under oath; that a verbatim record of the proceedings was made by me using machine shorthand which was thereafter transcribed under my direction; further, that the foregoing is an accurate transcription thereof.

I further certify that I am neither financially interested in the action nor a relative or employee of any attorney of any of the parties.

IN WITNESS WHEREOF, I have this date subscribed my name.

Dated: _____

KAREN LEE CLARK
CSR No. 11919

