Written Testimony: L.A. Public Hearing on Daughters of Charity St. Francis Medical Center, Lynwood, CA
January 5, 2015

My name is Michael Kapp and I'm a consumer advocate with Consumer Watchdog, which supports the sale to Prime Healthcare in order to keep this hospital open for the community. I come before you today to speak about how important DCHS hospitals, and St. Francis in particular, are to the community.

St. Francis Medical Center is a 384-bed general acute care facility and provides comprehensive healthcare services and operates one of the busiest emergency trauma centers in LA County. St. Francis serves 1.2 million residents of Southeast Los Angeles, the communities of Lynwood, South Gate, Downey, Huntington Park, Bell Gardens, Maywood, and Compton. St. Francis serves an underserved community: the majority of its service area is designated as "Health Professional Shortage Areas."

The hospital's service area has an average household income nearly 34% lower than LA County. More than 32% of adults within St. Francis' service area are uninsured. More than 21% of adults in the service area reported having no regular source of care. St. Francis' service area reported higher percentages of adult obesity and diabetes than the LA County average. More than 14% of children in the hospital's service area reported difficulty accessing medical care, higher than LA County. This is a community that is in desperate need of medical care.

Over the last three years, St. Francis averages nearly 20,000 patient discharges annually. Overall, the entire DCHS system sees about 50,000 patients every year. St. Francis provides care to 8% of trauma victims in LA County. Emergency room visits are up more than 13% over the last three years, with 68,323 visits. In the last three years, there were over 16,000 live births.

On a typical day in 2013 – the last year numbers were available – St. Francis served 107 medical/surgical patients, 27 patients in the intensive care unit, 22 newborns in the neonatal intensive care unit, and 35 patients in the emergency room – including 5 children a day.

Approximately 76% of St. Francis' reimbursements for services are derived from Medi-Cal, Medicare, and Los Angeles County. St. Francis is also a leader in charity care: providing free medical care when a patient is unable to pay for their healthcare. Over the last five years, St. Francis's charity care charges averaged over $65 million annually. Over the last five years, St. Francis has spent over $52 million in community benefit services, which include community health improvement services, community building activities, and subsidized health services. St. Francis has deep roots in this community.

At St. Francis, 30-day readmissions and deaths within 30 days following treatment are lower than the national average. St. Francis has recently received awards for their healthcare services by Thomson Reuters, the Los Angeles Business Journal, and U.S. News and World Report.

In 2007, Martin Luther King Jr. – Harbor Hospital, which was just 3 miles away from St. Francis, closed. This closure severely impacted the surrounding community, access to care, and emergency services. St. Francis absorbed many of MLK Harbor's patients and received some funding from LA County to cope with the increase. This problem will only get worse, with a projected 14% increase in the next 4 years in the over 65 population. St. Francis is the market share leader for its service area based on discharges for at least the last five years. With the nearest hospital 5 miles away, this community can't afford to lose another hospital – especially St. Francis.

Given St. Francis' critical role in providing quality healthcare for this service area, without this sale, this community will be at risk of losing key services that are essential for the low-income, uninsured, and under-insured patient population. Lives are, quite literally, at stake.

Prime Healthcare has rescued 29 financially-distressed hospitals nationwide. They achieved this without closing or selling any of their hospitals. Prime Healthcare is a good buyer and has worked with DCHS and its relevant partners and produced a good bid. Prime's bid is supported by DCHS, the California Nurses Association, SEIU Local 121RN, and the California Hospitals Association.

Blue Wolf Capital, a venture capital firm backed by SEIU-UHW, failed in its bid because they do not have the capital or the experience to maintain DCHS. Blue Wolf does not have the capital to purchase the system, to infuse the needed funds for capital improvements, nor the capital to continue operations. Blue Wolf has never owned nor managed a hospital and lacks the experience needed to turn-around a financially struggling hospital system. Blue Wolf's bid failed to guarantee the $300 million dollars needed for employee pensions. The largest 2005 bondholder and the holder of the 2014 bonds oppose the Blue Wolf bid because they believe it would cause a default on the bonds. Most insultingly, the Blue Wolf bid offered a management contract, not a sales agreement, and it sought a $24 million management fee per year from DCHS to pay three executives. It's clear why DCHS President and CEO Robert Issai said that Prime Healthcare was "far and away the best candidate."

In May 2014, Consumer Watchdog and news reporters received an anonymous delivery of a recording of a conference call where the leader of SEIU-UHW, Dave Regan, announced to his leadership a new deal between the union and the California Health Care Association that allegedly stopped the union from proceeding with two heath care ballot initiatives that would have limited hospital prices and CEO pay. Prime Healthcare didn't sign that agreement and Regan articulated to his leadership how SEIU-UHW was "going to be public and beat them up" and to "get these guys to heel." The pact is a continuation of "non-aggression" pacts the Regan-led unions have cut with Kaiser, nursing homes and other hospitals over the years — whereby the unions involved agree not to publicly blow the whistle on quality-of-care problems and to work politically with Kaiser and it others partners. In the May 2014 deal, the union and trade association hospital signatories agreed not to oppose one another politically in exchange for what appears to be a leg-up in unionization for SEIU-UHW and a $100 million political action committee mainly paid by the hospitals. Prime's failure to ante up to this fund and sign the deal has, by Regan's own admission in the recording, made it the target of the SEIU-UHW campaign. The recording has already been provided to the Attorney General's office. Such politics should not get in the way of providing high-quality health care to underserved communities. By rejecting this bid because of this highly-charged political debate, an underserved community and its hospital will be caught in the crosshairs.

Listen to the leaked recording here: https://www.youtube.com/watch?v=Le3Aezp2mhE

There's no reason not to approve this sale to Prime Healthcare. Based on information provided to us by people inside this debate, it appears that the community and this hospital have been caught within a political struggle. This is a separate debate, but lives are at stake. This deal should be approved to ensure that this community doesn't lose a desperately needed healthcare facility.