

Rene Santiago and Bob Brownstein: Set the bar high for Blue Mountain deal for Daughters' hospitals

By Rene Santiago and Bob Brownstein Special to the Mercury News
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Absent conditions imposed by the state attorney general, there is no guarantee that the charitable elements of the original DCHS mission will be sustained. BlueMountain is an entity driven by the pursuit of profits. Under the proposed agreement, the DCHS hospitals, including San Jose's O'Connor Hospital and Gilroy's Saint Louise Regional Hospital, will initially be run as nonprofits under a separate management firm. But BlueMountain retains the option to buy the system and convert it into a for-profit operation as soon as three years after the deal is signed.

Without conditions imposed by the attorney general, will BlueMountain continue to serve Medi-Cal patients? Reducing the number of Medi-Cal providers places a significant burden on the remaining portions of the safety net, particularly as the number of Medi-Cal patients increases under the Affordable Care Act.

Attorney General Kamala Harris imposed a set of stringent conditions on the proposed Prime deal designed to protect the public interest and benefit safety-net constituencies. After reviewing the details of the current offer from BlueMountain, we believe the bar for that deal should also be set high. Specifically:

The terms of conditions must persist beyond BlueMountain's option to buy. The BlueMountain proposal presents unusual complexities that warrant a term longer than the 10 years imposed on Prime. For example, if the term of conditions is 10 years, what happens if BlueMountain exercises its option 10 years and one day after the deal is closed? A for-profit firm would have replaced a nonprofit with no period of conditions to follow.

Protect low-income constituencies. The DCHS had a strong record of providing services to the poor, and the attorney general's conditions should require that commitment with conditions that mandate:

- The same level of charity care and community benefits as were provided under the DCHS;
- A 24-hour emergency room with sufficient backup staff to serve the needs of low-income patients;
- Contractual agreements with the Medi-Cal managed-care plans in the county (the Santa Clara Family Health Plan, Blue Cross, and the Valley Health Plan) under terms comparable to those negotiated by those plans with other similarly situated hospitals.

Establish effective local governance. The attorney general proposed a local review board in the conditions imposed on Prime — including a member appointed by the county board of supervisors and a member representing the community clinics. Similar conditions should be imposed on the BlueMountain proposal.

Provide protections for the safety net if the deal collapses. If BlueMountain decides not to exercise its option and simply walk away, the county should have a right of first refusal to purchase O'Connor and Saint Louise. The community should not have to endure another lengthy period without knowing whether critical health care facilities will be available.

Santa Clara County remains committed to protecting our most vulnerable populations. While the

Daughters of Charity Health System will soon pass into local history, an active community determined to support safety-net institutions must ensure that its mission of compassion and service to the least among us endures.

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