

# CSA District Director Reports

*The reports of district directors which appear below contain personal views individually expressed by each director rather than statements made by or on behalf of CSA.*

## CSA Board of Directors Meeting, April 2, 2005

**Gregory M. Gullahorn, M.D. –District 1** (San Diego and Imperial Counties): To begin this report, I wish to make clear that any opinions expressed are those of the author, and not necessarily those of the CSA, or any hospital or medical group in District One.



In my October 2004 report to the Board of Directors, I observed that as the “shortage” of anesthesiologists in San Diego County has abated somewhat, the balance of power between health plans/hospitals and anesthesia groups/practitioners may be shifting. My concern was that this might lead to increasing conflicts in negotiations and relationships between payers and providers. As an example, I tried to provide a brief sketch of changes occurring at Pomerado Hospital in Poway, where a shift in coverage of anesthesia services was occurring between two well-established anesthesia groups—Anesthesia Consultants of California Medical Group, Inc. (ACCMG) and Anesthesia Service Medical Group, Inc. (ASMG). It should be stated that I am a member of ASMG.

My intention was to try to illustrate that with the perceived increase in supply of anesthesiologists—even though I doubt there are any who feel we have an over-supply at present—health plans and hospitals may be moving to strengthen their positions and try to promote competition between physicians and physician groups. I regret that my outline may have been interpreted as viewing the situation at Pomerado as a “conflict” between anesthesia groups. This was not my intent, nor was it my intent to advocate or promote the position of either of the anesthesia groups involved. It has been pointed out to me that I may not have presented a comprehensive picture of the circumstances surrounding anesthesia coverage at Pomerado, and I sincerely apologize if this caused any concern or offense to individuals or groups involved. My intent was to provide a cursory background for illustrative purposes.

Although some degree of competition between physician groups is healthy and may serve to drive innovation and quality improvements for our patients, we certainly saw managed care organizations drive competition to unhealthy levels in the past. It is my hope that we have learned not to accept competition or payer demands that

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put costs or efficiency ahead of quality and “human” care. Extremes such as evolved in the late 1980s and 1990s were detrimental not only to physician-patient relationships, but to the overall care of patients as well.

In a prior report, I introduced the indictment of Tenet Healthcare, Alvarado Hospital, and Alvarado’s former CEO Barry Weinbaum on federal charges alleging kickbacks, illegal physician recruiting practices and physician referral inducements. After a 4-month trial, a mistrial was declared in February after a jury failed to reach a verdict. The presiding judge, M. James Lorenz, approved a motion for acquittal on two counts but denied motions for acquittal on 17 remaining anti-kickback and conspiracy charges. A new trial is currently scheduled to begin in May. In addition to the potential personal implications for Weinbaum and corporate consequences for Tenet, Alvarado Hospital faces possible exclusion from Medicare and Medicaid (Medi-Cal) programs. This could create enormous repercussions for the health care professionals practicing at Alvarado and the remaining medical centers in San Diego.

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**Stanley D. Brauer, M.D. –District 2** (Mono, Inyo, Riverside and San Bernardino Counties): Hospitals in our district that are largely dependent on Medicare/Medicaid patients continue to struggle financially. Community Hospital of San Bernardino is losing enormous amounts of money and is at risk of closing. The CEO has been replaced but the poor patient-payer mix continues. San Antonio Hospital in Upland has posted a loss in operations in the past year and is renegotiating many of its health plan contracts, giving out retirement packages and doing some layoffs to try to turn things around.



Reports from the anesthesia groups at Riverside Community Hospital, Eisenhower in Rancho Mirage, and San Antonio groups are positive in some aspects. It continues to be hard to attract anesthesiologists and CRNAs to the Inland Empire. Locum tenens are being used in many facilities. They have been able to capitalize on the relative shortage of anesthesiologists by renegotiating many managed care contracts.

An interesting small hospital with 40 beds is being proposed for Loma Linda. A private group of cardiac and orthopedic surgeons are the chief investors. Critics have suggested that its small ER may be intended to avoid specialty hospital regulations and the ER could close after the hospital is open. Whether the Centers for

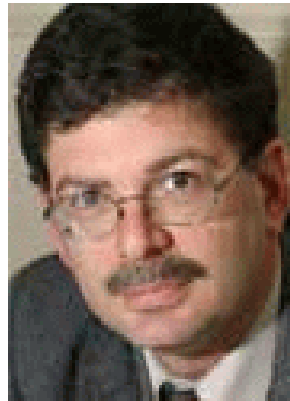
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Medicare and Medicaid Services classifies this hospital as falling under its moratorium on specialty surgical hospitals will be interesting to see.

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**Earl Strum, M.D. –District 3** (Northeast Los Angeles County): Those hospitals under the Tenet banner have received a variety of reports recently. The company issued bonds totaling \$800 million, which sold out immediately, and their long-term debt payments are not due until 2011. As for their legal status, after four months of testimony and presentations, a mistrial was declared in the federal kickback case against Tenet and the Alvarado Hospital Medical Center in San Diego, but there will be a retrial. The most recent news report is that Tenet’s fourth-quarter loss increased to \$2.02 billion, as revenue fell 2 percent to \$2.41 billion. As per the report, the company said that it spent \$426 million during the fourth quarter to settle litigation with former patients. The loss for the full year totaled \$2.64 billion.



We will always have the topic of construction to address—at least for the next few years. Slightly behind the original schedule, the City of Hope’s new hospital is now scheduled to open in or around May. A total of eight anesthesiologists will have six major rooms and two minor-procedure rooms in which to work. Plans for the old hospital are not final, but it is possible that it will be refurbished.

Meanwhile, the new 10-story tower at the USC University Hospital, which will incorporate the patient load of the Norris Cancer Institute, is on target. The latest report is that it will be completed in October, licensed for use in December, and occupied in January 2006. It will add 146 beds to the University Hospital building, 11 ORs, 27 bone-marrow transplant beds, and 40 ICU beds. As reported earlier, the current Norris Cancer Institute building will continue as a cancer research center, and the operating rooms will be converted to an outpatient operating center.

The new hospital under construction by LAC/USC is on track for completion by January 2007. The county is considering closing some current operating rooms in their outlying outpatient areas and consolidating them within the new hospital.

In other areas, one of the hospitals within our district has experienced some unexpected changes in personnel through contract renegotiations. Also, Huntington Memorial Hospital has expanded to cover the anesthesia at the St. Vincent Medical Center.

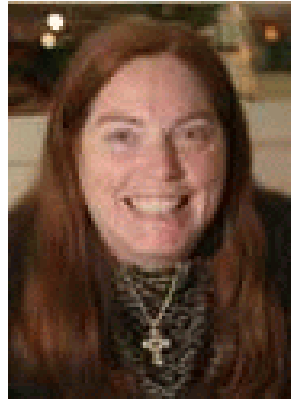
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The applicants for this year’s USC match have been outstanding, and this seems to be a trend in Southern California.

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**Christine A. Doyle, M.D. –District 4** (Southern San Mateo, Santa Clara, Santa Cruz, San Benito and Monterey Counties): As many people are aware, the biggest events in District 4 over the past few months have all been associated with the closure of the department at El Camino Hospital, forcing out the long-established group, Northern California Anesthesia Associates (NCAA), in favor of the Fremont Anesthesia Consultants, now apparently renamed Pacific Physicians Medical, Inc.

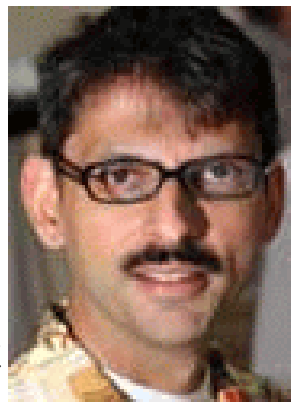


After a variety of “he said, she said” arguments on the part of hospital administration, medical staff and the anesthesia groups at both El Camino and Washington Hospital in Fremont, the two groups essentially switched to the other hospital. The NCAA group continues to provide services at the El Camino Surgicenter, an independent facility.

The El Camino Hospital Web Site ([www.elcaminohospital.org](http://www.elcaminohospital.org)) continues to list all of the physicians of both groups (as well as those affiliated with the Palo Alto Medical Foundation). The Washington Hospital Web Site ([www.whhs.com](http://www.whhs.com)) does not list any anesthesiologists.

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**Kanwarjit Sufi, M.D. –District 5** (Kern, Tulare, Kings, Fresno, Madera, Merced, Mariposa, Stanislaus & Tuolumne Counties): District 5 shares many of the common concerns found in anesthesia groups throughout California. The big issue of late is that of required, uncompensated ER call. The increasing number of uninsured patients places an ever-increasing burden on both hospitals and physicians. While this burden usually is associated with our surgical colleagues, hospital based physicians like anesthesiologists also take a growing “hit” in taking care of the uninsured. The issue of hospitals subsidizing doctors taking ER call will be in the forefront of hospital-physician relations for years to come.



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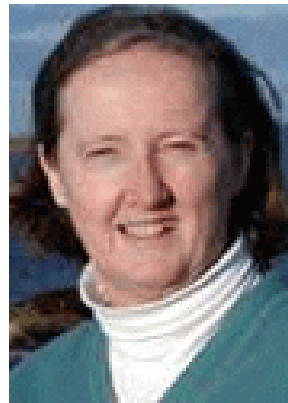
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Every year at this time, most hospitals are confronted with severe bed shortages due to an increased influx of non-surgical hospital admissions. The consequences are patients spending one or more days of their hospital stay in PACU. This phenomenon dramatically increases the stress placed on the shrinking cadre of experienced recovery room nurses. The proliferation of outpatient surgery centers has contributed to the significant hemorrhage of qualified nursing personnel. This, along with the increasingly sicker patient population found in today’s hospitals, impacts the way we manage our patients in PACU.

Finally, the increasing cost of malpractice coverage adds to the steadily increasing fixed costs of most physician groups. Simply put, at this pace medicine as we know it will cease to exist. This hardly bodes well for young doctors coming down the pipeline.

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**Helen T. O’Keeffe, M.D.–District 7** (Alameda and Contra Costa Counties): District 7 is basically the extended East Bay area, namely Alameda and Contra Costa Counties. In general, the area is prospering, with a great deal of growth in population towards Antioch and down the 680 corridor. The majority of anesthesiologists in District 7 are in private practice, belonging to large groups covering several hospitals (such as the John Muir-Mt. Diablo-San Ramon hospitals, or the Summit-Alta Bates hospitals), with smaller groups covering single hospitals (such as Children’s East Bay). There is also a sizeable Kaiser-Permanente presence in District 7 with large hospitals in Oakland, Walnut Creek and Fremont, several smaller centers, and a new one planned for Antioch. The district has two large county hospitals at Highland and Martinez, but no university centers. Housing prices and cost of living are high, but so far not stratospheric, so that no one is reporting any recruiting problems.



There have been some difficulties, however, basically deriving from health plans’ efforts to survive in an increasingly competitive market. This has inevitably involved the merging of groups and hospitals and the centralization of some services such as obstetrics or cardiac surgery. When two hospitals merge, for example, two formerly separate anesthesia groups have to combine in some fashion. Problems arise when one group is more of a “winner” than the other, and when access to cases is rearranged. Another difficult scenario affected this district early this year when a group of anesthesiologists on the peninsula failed to find agreement with their hospital CEO and were barred and immediately replaced by

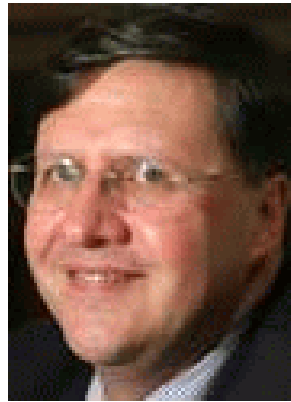
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a group from one of our East Bay hospitals. As a specialty we do not have prior training or a specific set of guidelines for such situations, with consultation and compromise affected by fear of legal and antitrust issues, not to mention long-term financial fallout. In a crisis situation, it is unlikely that anyone can or will look out for the bigger picture. Perhaps this topic deserves more of an airing within the specialty.

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**Peter E. Sybert, M.D. –District 9** (Del Norte, Humboldt, Lake, Marin, Mendocino, Napa, Siskiyou, West Solano, Sonoma, Trinity, Colusa, Glenn, Butte, Plumas, Tehema, Shasta, Lassen, and Modoc Counties): In the last few months there have been several notable events within the District. Accreditation reviews at multiple hospitals have occurred and they have been challenging to institutions, especially smaller ones with little, if any, night and weekend work. Issues include what is required regarding 24/7/365 coverage of the operating rooms with OR staff and anesthesia staff, and who is to provide the coverage. Those issues, while in the process of being resolved, often remain works in progress.



In Santa Rosa, Memorial Hospital’s CEO left to pursue other opportunities and there is a search committee to evaluate candidates for that position. Sutter is pursuing its plan for a new facility with employee interviews seeking contributions to facility design. Groundbreaking could occur in 2007.

Sutter in Novato had sent out a request for proposals regarding contracting for anesthesiology services. A contract has apparently been signed with a group from the East Bay. Who is to staff that facility in the future remains in question.

One of the urologists I work with recently ran through new MCARE reimbursement data for some of the surgical services that he currently provides in the hospital. Apparently there is a marked differential in surgical reimbursement if the procedure is performed in his office instead of the hospital. The differences are on the order of six- to ten-fold more for an office-based procedure. We will see how this evolves.

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**Daniel M. Cosca, M.D. –District 10** (San Luis Obispo, Santa Barbara and Ventura Counties): The turmoil which had occurred at Community Memorial Hospital in Ventura has finally settled down to business almost as usual. The

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repercussions will be felt for a long time throughout the state and in other parts of the country. The Medical Practice Act (SB 1325) was signed by our governor on September 22, 2004. This bill spells out what the Concerned Ventura Physicians had been fighting for all along. Basically the document assures self-governance of the medical staff in matters of patient care, finances and politics.



Since the last report, it appears that a larger number than usual of anesthesiologists in the district are cutting back, retiring or planning on retiring soon. This means that recruitment activities have increased recently among several groups. Also of interest is the fact that hospitals seem more willing to assist anesthesia groups with creative aid such as stipends, salary supplements for call and financial help in hiring efforts.

From Santa Barbara, construction continues at Cottage Hospital for improvement changes and required earthquake safety needs. In Arroyo Grande, the new surgical center is now up and running.

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**James M. Moore, M.D.–District 11** (West Los Angeles County [western portion]): Recent trends in regional medical facilities continue: more physician ownership but fewer hospitals. In November, subsidiaries of Tenet Healthcare Corporation sold three acute-care hospitals with a total of 894 beds: Centinela Hospital, Daniel Freeman Memorial Hospital, and Daniel Freeman Marina Hospital, to Centinela Freeman Health System, a group comprised partly of the hospitals’ former administrators as well as a large number of physicians. Tenet then sold Midway Hospital Medical Center in west Los Angeles to Physicians of Midway, Inc., and a group of medical doctors who previously worked at the medical center. Century City Hospital, which closed last year, was sold to Salus Surgical Group, a physician-owned company that has partnered with area physicians to reopen the Century City Doctors Hospital as a “boutique-style” acute-care facility some time later this year.



At the same time, Los Angeles County has seen the closure of several other facilities, including the 209-bed Sherman Way Campus of Northridge Hospital in

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Van Nuys and the 274-bed Robert F. Kennedy Medical Center in Hawthorne. Along with this trend of closure of hospitals and emergency room facilities, it was anticipated that the additional closure of the King/Drew trauma center might strain the capacity of nearby hospitals to accept additional trauma patients. Soon after the decision to close the King/Drew trauma facility, the trauma unit at the California Hospital Medical Center in downtown Los Angeles reopened, and although many anesthesiologists in District 11 have noticed some increase in the volume of trauma cases recently, so far most reported no major effect on their practices.

Several medical centers in the district have continued to build new facilities. St. John’s Health Center recently opened the new North Pavilion, an inpatient facility built to withstand up to a magnitude 6.8 earthquake, and the anesthesiologists at St. John’s have been providing obstetric anesthesia in the new facility. The hotel-style comfort of the North Pavilion’s interior design along with Salus Surgical Group’s boutique approach to the new Century City Doctors Hospital may represent a burgeoning trend in medical facility concept.

At Cedars-Sinai, the Critical Care Tower currently under construction, intended to replace buildings damaged in the Northridge earthquake, is scheduled for completion this fall and will initially house 150 beds plus room for expansion. The UCLA Westwood Replacement Hospital is currently slated to open by late 2005 or early 2006, and work on the UCLA Santa Monica Replacement Hospital continues, along with the planning of the renovation of the UCLA Surgery Center at Westwood. (These two names are the building project names.)

Employment in the district is somewhat steady, perhaps with less demand for filling positions than was seen a year ago. Although previous reports indicated cause for concern that new graduates might not have the drive to work long hours, if needed, or to participate fully in call coverage, recent indications are more favorable. Many practices report high satisfaction with new graduates in these respects, while still viewing experienced anesthesiologists as a valuable commodity when hiring. Graduating residents in our district seem to be having no problems finding jobs.

Some groups have faced challenges coping with the increasing demands of off-site anesthesia services. In addition, institutional guidelines for sedation by non-anesthesiologists, which anesthesiologists may help to develop, may also constrain non-anesthesiologists from providing sedation in some cases and increase the demand for off-site anesthesia services.

While the trend continues toward limited operating room capacity, demands for anesthesia services seem to increase. While much needed replacement construction is well under way, this expensive necessity only highlights the need to strive for

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greater efficiency, as we work to keep revenues constant even in the face of great pressures to reduce the cost of healthcare.

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**John A. Lundberg, M.D. –District 12** (Southeast Los Angeles County): Surgicenters continued to prosper here. Almost all of the pain management, ophthalmology and a large part of eligible orthopedics cases have migrated from hospitals to surgicenters. Hospitals here are bureaucratic jungles while surgicenters are focused, efficient, and spartan autonomous centers. Some experienced nurses leave the hospitals for surgicenters, the lure being no night call and higher wages.



Several hospitals here have started to pay stipends for weekend call. A high medical indigent patient population at some of these hospitals has made it very difficult to attract anesthesiologists. The stipends are lower than in northern California, but I would expect the stipends to increase with time. At least it's a start.

There has been much discussion and concern about the changes and decreased reimbursement of workers' compensation cases scheduled to take effect in January 2006. Many are concerned that other insurance carriers will follow, using workers' comp as precedent.

Martin Luther King Jr./Drew Medical Center, a county hospital, continues to make headlines at the *Los Angeles Times*. Camden Group, a consulting group hired last year for \$1 million by the County Board of Supervisors for a preliminary review, was followed by Navigant Consulting, Inc. last November. They were given \$13.2 million per year to run the hospital and are now asking for an additional \$3.4 million for additional costs not anticipated. Navigant's real test will come later this year when the hospital applies for JCAHO accreditation.

The nursing shortage is very apparent here. Hospitals use "travelers" for the majority of the night shift positions. Registry nurses are called on a daily basis to staff ORs when busy surgery schedules demand more nurses. It is common to see registry nurses and "travelers," and they have integrated and become accepted into the system.

We are seeing more residents interviewing for hospital positions this year than last year. Housing prices and cost of living are huge factors which deter them from this area.

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**Kenneth Pauker, M.D. –District 13** (Orange County): The theme of more and more ambulatory surgery centers (ASCs) continues. Surgeons and anesthesiologists continue to move PPO patients away from hospitals and to locations where cases are easier to schedule, regulations seem less burdensome, surgeons perceive better and more efficient service, and where doctor investors can expect attractive returns on investment. Hospital-based anesthesiologists are tiring of the intensity of the distilled patient load, and many are leaving or reducing workdays in the hospital as they try to do more in free-standing facilities. If an anesthesia group can participate in many more outpatient locations, more anesthesiologists are needed, and therefore the number sharing the dreaded on-call spots is larger, and frequency of call can be reduced. Of course, this loss of business impacts the already marginal insurance mix at hospitals and puts them at ever-increasing financial disadvantage. Furthermore, as physicians leave hospitals to work in ASCs, less remain to staff the hospital, and eventually the laws of supply and demand will force hospitals to provide stipends to anesthesiologists to sweeten an increasingly adverse insurance mix of government and other unattractive payers. It seems that these ASCs will continue to proliferate until enough referring surgeons are “locked up,” or lateral expansion becomes so great that individual anesthesiologist caseloads are too small to be supportable.



Tenet Healthcare has just finalized its controversial \$70 million sale of four Orange County hospitals (280-bed Western Medical Center Santa Ana, 188-bed Western Medical Center Anaheim, 178-bed Coastal Communities Hospital in Santa Ana, and 114-bed Chapman Medical Center in Orange) to Integrated Healthcare Holdings, Inc. (IHHI), a Costa Mesa-based investment company, originally headed by Dr. Kali P. Chaudhuri. These hospitals have almost 12 percent of the bed capacity in Orange County, and WestMed is one of only three remaining trauma centers. In 2001, Chaudhuri’s KPC holding company closed 81 Southern California clinics it had purchased only the year before, and displaced 300,000 patients without care and many without medical records. Insurers and doctors tried to pick up the pieces, but the bankruptcy judge found the money trail too complicated to follow. Charges of fraud, mismanagement, and diversion of assets produced dozens of lawsuits and thousands of creditors, largely still unsatisfied.

The deal was vigorously opposed by the medical staff at WestMed and held up by the government through the intervention and hearings by Senator Joe Dunn. Eventually, Chaudhuri was removed as the principal of the deal and his immediate influence markedly restricted. He was replaced with Dr. Anil V. Shah, who is an

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associate of Chaudhuri's at IHHI. Chaudhuri still will own 49 percent of the land beneath the hospitals, and he has said he would limit his investment in IHHI to an option to buy 25 percent of the business after two years. The agreement with WestMed incorporates seven provisions which the medical staff believes offers them substantial protections and on account of which they withdrew their opposition to the purchase: (1) Chaudhuri is contractually barred from involvement in the day-to-day operations of the hospital; (2) key hospital executives cannot be replaced or reassigned without consent of the MEC, which if given, would require MEC involvement in selecting any replacements; (3) contracts with "related parties" (wherein Chaudhuri or other IHHI Board members have common ownership) have to be approved by the MEC, except land lease and ownership of IHHI; (4) IHHI agreed to continue the trauma services for two years, and to give a one year notice of intent to discontinue these services; (5) the MEC will have a role in recommending capital expenditures and have recourse through an internal mediation body called the "Joint Conference Committee"; (6) IHHI agreed to support Bylaws revisions which recognize the new statutes concerning medical staff self-governance; and (7) three physicians will be seated on the Governing Board.

Many believe that Tenet chose IHHI as the purchaser so that it would have a relatively weaker player in potential competition with its other Orange County hospitals. It is also interesting to note that Chaudhuri has an association with Tenet at least as long as the contractual relationship he had with Tenet during his KPC years. Nonetheless, the medical staff at WestMed has taken on a substantial responsibility, as well as the potential for considerable expenditures of time and money to enforce the agreement. However, it sees this as an opportunity, after having been marginalized and relegated to the sidelines for so long, to regain once again the authority to make decisions and to influence and even reshape the system of health care in their hospital.

Saddleback Memorial Medical Center has concluded its purchase of San Clemente Hospital and will operate it as the San Clemente campus of Saddleback, under one merged medical staff, but with medical staff members mostly committing to one of the two campuses. Restructuring of medical staff Bylaws and leadership organization at both campuses is proceeding. Despite a history of sometimes problematic coverage regarding anesthesiologists at San Clemente, the Saddleback Laguna Hills anesthesiologists have expressed no interest in participating in anesthesia care at San Clemente. The joint venture of the hospital and physicians to build a new outpatient surgery center in the adjoining medical office building continues to develop. Shares have not yet been offered, but apparently it has been determined that the hospital will own a majority of the facility and that anesthesiologists will not be permitted to share in the ownership. At last report, some of the four rooms were

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slotted to open in January 2006, but a more realistic expectation now seems to be July 2006.

The Allied Group at St. Joe’s and Children’s Hospital of Orange County, in cooperation with their hospitals, has just put on an Anesthesia Symposium with an interactive format covering six topics, half on pediatrics, half on other issues of general interest, including new concepts in coagulation, awareness under anesthesia, and emerging technologies. An interesting format, breakfast, lunch, and five CMEs all for \$25 on a Saturday produced a completely full class of 120 participants, 30 of whom were M.D.s. The course was very well received.

A CSA District 13 dinner meeting was held on February 3 at the Turnip Rose in Orange. Dr. Terri Monk was the featured speaker, and she gave a stimulating talk on “Post-Operative Cognitive Dysfunction,” CME credit for which was provided gratis for CSA members. Dr. Ken Pauker delivered an informative PowerPoint presentation entitled “So What Exactly Has the CSA Done for Me Lately?” This can be obtained from the CSA office and used by other CSA members who would like to use it for recruiting.

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**Morris Jagodowicz, M.D.–District 14 (Los Angeles County [northwestern portion]):** The hospitals in the district have seen an increase in patient volume since January 2005. Most of this increase can be attributed to a shift of patients from surgery centers and closures of surgery centers.

Catholic Health West (CHW) has dropped its Blue Cross Medi-Cal contract as well as a contract with Molina Medical Group. Northridge Hospital Medical Center is a CHW facility.

Northridge Hospital and West Hills Hospital have signed agreements for bariatric centers. It appears that surgical treatment for the morbidly obese is once again popular.

This is my last report as CSA Director of the 14<sup>th</sup> District. I would like to thank the CSA board and members of my district for allowing me to serve as their representative.

