



# SCAM SHEET

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## Charity Care Scrutiny

Significant changes in the IRS's approach to tax-exempt hospitals may signal trouble for Sutter Health. "In a major policy development for not-for-profit hospitals," says *Modern Healthcare*, "those institutions will have to prove to the Internal Revenue Service that they give care to the poor in order to keep their tax-exempt status."

The changes are contained in an IRS field service advice memo released earlier this month that states that "a hospital's mere assertions that it has a policy to provide health care services to the indigent is not sufficient" to permit a hospital to keep its tax-exempt status. "Instead," says the memo, "the hospital must show that it actually provided significant health care services to the indigent."

Sutter has been widely criticized for its low levels of care to the uninsured and indigent. In recent years, Sutter has spent only 0.6% of its net patient revenues on charity care while the average nonprofit hospital across the nation spends 3.0%.

In San Francisco, Sutter's California Pacific Medical Center cut its charity care spending in half from 0.4% of net patient revenues in 1998 to less than 0.2% in 1999, making it the lowest provider of charity care in the city. The hospital, which is San Francisco's largest, made \$32 million in profits in 1999 and spent as much on its CEO's salary (\$562,000) as it did on charity care (\$567,000).

Like other Sutter hospitals, CPMC enjoys massive tax breaks as a result of

its nonprofit status. An analysis of tax records by SEIU Local 250 reveals that CPMC saved \$16.2 million in taxes during 1998 alone.

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CPMC's inadequate provision of charity care has helped spark a growing public movement to demand greater accountability from CPMC and other hospitals. Community members are examining a variety of public and legislative options to ensure that tax-exempt hospitals provide their fair share of charity care to the communities that they're intended to serve.

## Strikes Set for 6 Sutter Hospitals

Approximately 2,300 caregivers are set to begin a three-day strike on Monday, April 2 at 6am at nine Sutter hospital facilities: California Pacific Medical Center's Davies, California and Pacific Campuses, and Alta Bates, Summit, Sutter Lakeside, Sutter Solano and Eden Medical Centers. The caregivers include Licensed Vocational Nurses, Dietary Aides, Certified Nursing Assistants, Housekeepers and other nursing, technical, clerical and support staff.

Caregivers voted to conduct the strike because of the hospitals' illegal tactics aimed at intimidating caregivers and stalling contract negotiations. The main sticking point in negotiations is Sutter's refusal to give caregivers a voice in improving staffing levels. Sutter is the only major hospital corporation in Northern California that has refused to establish a safe-staffing system. Twenty-seven hospitals across the region have adopted safe-staffing systems, including facilities owned by Kaiser, Catholic Healthcare West, Alameda County and for-profit Tenet Healthcare.

## Sutter Strikes Out on Route 50

Sutter's recent attempt to hit a line drive down Route 50 appears to have failed. The *Sacramento Business Journal* reports that although the "Sutter Health empire keeps on growing, an effort to affiliate with hospitals in Placerville and in Carson City, Nev. has fizzled." After receiving the Sutter pitch last month, both Marshall Hospital in Placerville and Carson-Tahoe Hospital ruled Sutter's attempt inadequate — both decided to remain free agents. Marshall Hospital's CEO Frank Nachtman told the *Journal* that "the board is very bullish on staying independent." At Carson-Tahoe Hospital, "Sutter was one of three healthcare companies to go through formal bidding." The hospital, however, decided to wait it out after "a community poll showed little support for... affiliation with Sutter Health."

Sacramento healthcare consultant Albert Lowey-Ball described Sutter's expansion strategy as seeking "to strengthen its oligopoly hold on Northern California with so-called fill-in deals and overflow."

In a comically defensive response, Sutter spin-doctor Bill Gleeson characterized his company's acquisition strategy as "coincidental convergence." According to Gleeson, "Sutter intends to grow slowly, methodically and where invited... rather than impose itself on a community."

Sutter's "Route 50 Strategy" follows on the heels of its "Route 80 Strategy," a long-standing effort to acquire as many hospitals as possible along that densely populated transportation corridor. While successful in many efforts, Sutter has encountered growing resistance to its takeover attempts. Community hospitals have become increasingly concerned about the corporation's track record, such as its elimination of vital hospital services, its reduction of local control over hospital decision making, its siphoning of monies from local hospitals, and its substandard delivery of charity care.

The Sutter Scam Sheet is published by the Health Care Workers Union, Local 250 SEIU, to update elected officials, regulators, District and Community hospitals, industry insiders, consumers, labor unions and other healthcare purchasers about our campaign to Stop the Sutter Scam.

**Local 250 is headquartered in Oakland. Call us at 510.251.1250, Visit our web site [www.seiu250.org](http://www.seiu250.org)**



















