



SCAM SHEET

Scam Sheet #69 - May 1st, 2001

Sutter Doubles Profits

Sutter's profits jumped from \$51 million in 1999 to \$111 million in 2000, according to the company's recently released audited financial statement. The boost resulted from a surge in profits from the company's healthcare operations, which grew by \$33 million over the previous year. Sutter, which has a \$924 million investment portfolio, also saw increased profits from its investments and real estate transactions.

Press coverage of Sutter's finances gives some insight into how the company generated increased profits: they came largely at the expense of frontline employees and patient care. The *Sacramento Business Journal* reports that Sutter cut its Sacramento workforce by 3% last year by eliminating unfilled positions. The cuts came at the same time that Sutter's Sacramento hospitals experienced an 11% increase in business. Frontline caregivers know all too well what this combination produces – worsening short-staffing problems and declining quality of patient care.

Want to be “Flexed”?

The *Sacramento Business Journal* goes on to describe another cost-cutting strategy deployed by Sutter's Sacramento hospitals last year: “... employees were ‘flexed.’ Hospitals get more patients in some months than others. Sutter staffed up for busy times and asked employees to take time off when business slowed.”

Sutter's “flex” strategy highlights the “nonprofit” company's social and business philosophy. With its eye squarely fixed on the bottom line, Sutter apparently looks forward to the day when it can employ thousands of “flexible workers,” who presumably will have “flexible children,” “flexible rent and mortgage payments,” and will enjoy “taking time off” when business slows down. The *Scam Sheet* wonders: Are corporate executives “flexed” when business gets slow? We doubt it.

Sutter Criticized by Whom?

As the California Attorney General reviews the terms of Sutter's proposed takeover of St. Luke's Hospital in San Francisco, much of the debate hinges on a central question: Can you trust Sutter?

Today, officials at St. Luke's Hospital trumpet Sutter as a trustworthy partner and say it's not necessary to secure written, enforceable guarantees from Sutter in order to protect the hospital and ensure its future services to San Franciscans. Just months ago, however, St. Luke's officials held startlingly different opinions about the \$3.5 billion giant. In documents filed in San Francisco Superior Court in June 1999, St. Luke's officials made profound criticisms of Sutter, including the following:

On Sutter's Monopoly Power: “Sutter has already significantly reduced hospital competition in the San Francisco area through its many hospital acquisitions.”

Sutter's anti-competitive actions have “substantially lessened competition and will continue to substantially lessen competition and, absent court intervention, will ultimately confer upon [Sutter] a monopoly of the relevant hospital services market in violation of [California law].”

On Sutter's Philanthropy: “When a hospital like California Pacific Medical Center (CPMC) joins Sutter, it becomes a member of what is known in the hospital community as the ‘obligated group.’ By becoming a member of Sutter's ‘obligated group,’ a Sutter hospital (such as CPMC) deposits its debts and earnings in a central pool administered by Sutter. When it comes to the needs of the poor in obtaining hospital care, Sutter's administration of the central pool is not known for its philanthropy. For example, last year Sutter's ‘non-profit’ system spent only about half of 1% of its earnings to treat low income patients. In contrast, nationally, non-profit hospitals dedicate an average of more than six times what Sutter spends on charity care.”

CPMC “is part of a ‘non-profit’ hospital system – defendant Sutter – that has earned a negative reputation for its niggardly (sic) treatment of the indigent.”

On Sutter's Profits: Sutter and CPMC “have unjustly enriched themselves at the expense of those members of the general public.” Sutter and CPMC “should be required to disgorge their illegal gains and place them in a constructive trust to be established by the court for the purpose of making full restitution to all injured parties...”

On Hospital Autonomy: “Sutter is in the business of operating inpatient acute care hospitals... Sutter controls various aspects of those hospitals' policies and operations, including but not limited to approval of the hospitals' budgets and capital expenditures...”

These attitudes about Sutter explain why there is so much public support for winning guarantees to prevent Sutter from “flexing” St. Luke's Hospital and the San Francisco community.

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

