

SCAM SHEET

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Sutter's Record Profits

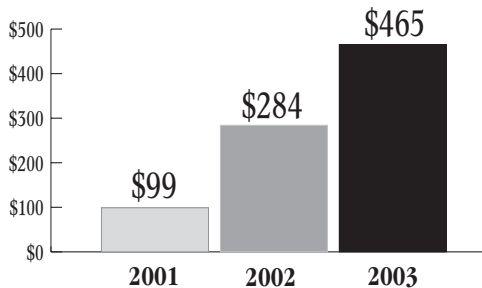
Last week, Sutter Health reported record profits of nearly a half billion dollars during 2003—a 64% increase from the prior year. Sutter's intense focus on profits at the expense of patients, caregivers and communities has made the company one of the most profitable hospital systems in the nation. The company's profit margin of 8.2% was nearly four times the average for hospital systems across the nation.

Profits in some Sutter hospitals are so high, they're rare in virtually any industry. In 2002, Sutter Tracy Community Hospital achieved a 33% profit margin. What does this mean? For every three dollars that the hospital collected from its customers, one dollar went into the hospital's pocket as profit.

Other Sutter hospitals were not far behind. California Pacific Medical Center and Sutter Roseville Medical Center both recorded profit margins of more than 20% in 2002 (figures for 2003 are not yet available). In fact, state records reveal that Sutter operated two of the top ten most profitable hospitals in the state that year. All of the remaining top-ten hospitals were run by a for-profit company later charged with defrauding the federal government to boost its own profits. ❖

Sutter Profits (in Millions)

Source: Audited financial statements



Sutter Health: "Poster Child of Corporate Greed"

Sutter Health recently earned a new title from the president of the California Public Employees Retirement System, a public agency that provides health coverage for 1.4 million state employees, retirees and their families. "Sutter Health," said CalPERS President Sean Harrigan at a recent public meeting, "is the poster child of corporate greed" in the California health care industry.

According to CalPERS, Sutter is gouging the public by demanding prices that are 80% higher than the average California hospital. Sutter's exorbitant prices have contributed to sharp increases in health care costs for CalPERS members, whose premiums have risen 50% during the past 3 years.

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In an effort to hold down health care costs, CalPERS asked large hospital chains for flexibility in their pricing arrangements. Both Catholic Healthcare West and Tenet Healthcare agreed, while Sutter continues to fight CalPERS in a bid to maintain its bottom line.

Sutter's behavior has received sharp criticism from the CalPERS board, which includes the State Controller and State Treasurer. In comments to the Sacramento Bee, the CalPERS president stated, "Every Californian should be outraged by Sutter" and called for "every aggressive action possible" to stop Sutter from using its "monopoly hold on some markets" to demand high prices. Other board members called Sutter's high prices intolerable and "absurd" and accused the multi-billion dollar company of "attempting to hold CalPERS hostage." ❖

Where Do Sutter's Profits Go?

Sutter executives say that the company earns barely enough to rebuild its hospitals, but the company's financial records tell a very different story. During the past two years, Sutter spent nearly as much money on Wall Street investments (\$665 million) as on construction projects and new equipment (\$769 million). Sutter spends millions more on cushy executive salaries, personal expense accounts and multiple pensions for highly placed Sutter officials.

Sutter's funneling of multi-million-dollar sums onto Wall Street has caused the company's investment fund to skyrocket. It grew from \$1 billion at the end of 2001 to approximately \$1.8 billion by the end of 2003. Sutter is using this treasure chest of profits to play the stock market rather than investing in patient care—its real business. ❖

Pricing Scandal Sparks Probe

Sutter's exorbitant prices and massive profits have sparked various investigations into the company's practices. Last year, CalPERS initiated its own audit of Sutter Health. Just last month, the CalPERS board agreed to a second, broader audit to be conducted by the State Controller. Meanwhile, Sutter is facing scrutiny from state legislators, who introduced a bill that would require corporations like Sutter to make more business information available publicly. The bill also would make illegal some of the strong-arm bargaining tactics Sutter uses when negotiating health care prices with groups like CalPERS. These tactics, according to industry analysts, have increased prices for California consumers and further lined Sutter's pockets. ❖