



California National Organization for Women
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December 31, 2014

Attorney General Kamala Harris
1300 I Street
Sacramento CA 95814

RE: Sale of Daughters of Charity Care Hospitals to Prime Healthcare

Dear Attorney General Harris:

I am writing on behalf of the California National Organization for Women (“California NOW”) to urge you to grant approval of the proposed sale of DCHS to Prime Healthcare pursuant to the recommended conditions set out in the St. Vincent, St Francis, O’Connor Hospital, Saint Louise Regional Hospital and Seton Medical Center/Seton Medical Center Coastsides impact reports dated December 24, 2014. In addition, Prime Healthcare should be required to provide all basic health services, including all reproductive health services, i.e., all birth control methods including sterilization, miscarriage management, abortion, and some infertility treatments; as well as, end of life and transgender services.

California NOW urges you to grant conditioned approval of the proposed sale because we believe that the recommended conditions, including but not limited to collective bargaining, pension and other worker and community member protections; in addition to the expansion of reproductive end of life, and transgender healthcare access throughout all affected communities adhere to the human rights principle that all human beings have the right to control the terms and conditions of their physical, mental, and reproductive labor.

Expanding women’s reproductive healthcare access is in the public interest.

Approval of the sale of the Daughters of Charity Hospitals to Prime Healthcare, with the above referenced recommended conditions, not only will enable these hospitals to continue to provide needed comprehensive healthcare services to the communities they currently serve; the conditionally approved sale to Prime Healthcare will also expand much needed reproductive healthcare services to the same community.

Est. 1975 California NOW is the largest feminist organization in the state

◆ Patricia Bellasalma President ◆

Reproductive Health Services

Some women's reproductive health services are prohibited by the Ethical and Religious Directives of the Catholic Church, including infertility treatment, elective abortions, tubal ligations, and sterilization. Upon the proposed change of control and governance, the Hospital will no longer be sponsored by Daughters of Charity of St. Vincent de Paul, Province of the West. Therefore, the Hospital will no longer be required to adhere to the Ethical and Religious Directives. Although the Hospital does not currently offer women's reproductive health services or obstetrics, it is possible that such services, including those formally prohibited by the Ethical and Religious Directives, could be offered in the future. Currently, the Hospital's primary and secondary service areas have 261 licensed obstetric beds with an occupancy rate of 66%.

Additionally, without the Ethical and Religious Directives, physicians will no longer be prohibited from offering reproductive health services in their campus offices, and thus, could choose to start providing these types of services. According to Prime, the physicians at its other hospitals provide services that include sterilizations, access to contraception, and other reproductive health services. Prime cited that these services have been added at St. Mary's Regional Medical Center, a formerly Catholic hospital in Reno, Nevada, that was purchased by Prime in 2012. P. 88, [St. Vincent Medical Center AG Report](#)

It is particularly important that Prime must provide abortion services. While most abortions are performed in clinic settings, hospital based abortions are critically important for women with high-risk pregnancies, many chronic medical conditions, and for women miscarrying non-viable pregnancies. While the MDS report states that Prime has represented that it will add some reproductive health services and abortion in "high-risk delivery program" - that assurance is inadequate. The Attorney General should require that Prime provide all reproductive health services including abortion services – regardless of the reason the woman seeks an abortion.

In addition, Prime must be required to maintain the neo-natal intensive care unit (NICU). St. Francis serves a population with higher rates of infant mortality and low birth weight babies. The St. Francis NICU provides nearly a quarter of the NICU services in the area. It is important to note the new Martin Luther King Hospital will not have a NICU, making maintenance of the St. Francis NICU even more important. That is why the Attorney General must require maintenance of the NICU along with all other services for at least 10 years.

Your conditioned approval for the longer 10 year period with proper oversight will result in an increase in much needed reproductive, end of life, and transgender healthcare services. And, at

a minimum, conditional approval will provide the maintenance of current levels of other healthcare services without interruption, by the current nursing and other healthcare workers.

We are confident that Prime Healthcare will live up to the recommended conditions because we are confident that your watchful oversight will ensure that those conditions are met.

The public record reveals that your office has been inundated with vague letters signed by state and federal elected officials at the behest of SEIU-UHW President Dave Regan that question Prime Healthcare's suitability for buying DCHS. Notably, however, these letters fail to mention the actual Blue Wolf offer, its suitability in meeting the needs of healthcare workers, the communities they serve, including women's reproductive health, or Blue Wolf's history, especially related to pension management.

Blue Wolf Capital Partners ("Blue Wolf") is proposing a board substitution, disaffiliation of DCHS and its subsidiaries from the Daughters of Charity and continuation of operations under a new sponsor. Initially the new sponsor would need to be a Catholic Church-affiliated organization in order to allow the DCHS entities to continue their tax-exempt status, which requires Catholic sponsorship, while DCHS and its subsidiaries apply for IRS approval of stand-alone tax-exempt status. [DCHS Board of Directors Minutes Oct 3, 2014, p. 3.](#)

Equally disturbing is the analysis offered by the DCHS Board regarding the Blue Wolf offer:

The Board then discussed a key element for Blue Wolf in its proposal: that, for the next ten years, the Blue Wolf investment entity would have the option to buy the assets of DCHS and its affiliates for the amount of their liabilities, thus converting DCHS into a for-profit for a price that would not necessarily be the fair market value of the Health System at the time. Blue Wolf, as a private equity fund, has emphasized that it is not interested in a long-term management services contract as its source of return on investment, but rather would look to a purchase transaction in the future at a favorable price. Conversely, if the turn-around is not successful, Blue Wolf can walk away completely and the Health System would be in the same if not worse situation than it is in now.

HL noted that Blue Wolf rejected DHCS 's requirement that all bidders must agree to fund a deposit for the transaction. Without loss of a deposit as a deterrent, Blue Wolf could walk away without any financial risk beyond transaction costs if it is unable to find a sponsor prior to closing.

In the discussion following, various points of view were expressed that the Blue Wolf offer, at its essence, is that they are confident in their ability to take our assets and

manage them better than we can, that what Blue Wolf has offered, in the form of a management agreement, is not what we asked for when we solicited bids to purchase our health system and that while Blue Wolf would have strength in getting government concessions on a variety of levels, it has not offered a deposit, it is not a purchase of the Health System, and therefore it is not really an offer.

After the Board reconvened, discussion turned to the question of the reasons that Blue Wolf would think its proposal is attractive to the DCHS Board. Mr. Turnbull surmised that Blue Wolf expected to be the only alternative at the end of the process and that DCHS would not have a choice. Their representatives indeed stated that all other alternatives would be like us "chasing angels" and would fall away, and then Blue Wolf would be able to come in and purchase the Health System at a cheaper price. Discussion of the Blue Wolf offer's terms then concluded. [Id. At p. 4-5](#)

It is deeply disturbing that such troubling points related to Blue Wolf are left unaddressed in the letters submitted by state and federal elected officials. There is no legitimate public interest served by exposing the communities served by DCHS to the risks of future closure presented within the Blue Wolf non-offer, nor is there a legitimate public interest in denying women access to full reproductive healthcare services.

And further there is no legitimate public interest served by exposing DCHS workers to the risks of lost jobs, pension and other worker rights.

Blue Wolf has provided evidence of that it has commitments from UHW and UNAC for cost-saving concessions but terms have not been presented or approved. Blue Wolfs financing is contingent on union ratification of amended collective bargaining agreements before closing. [Id.](#)

Exactly what "cost-saving concessions" have been made by SEIU-UHW? Why haven't workers and the public been informed of these "cost-saving concessions"? Contrary to the above mystery, the California Nurses Association not only came to an agreement with Prime Healthcare to fully fund pensions, maintain services, and present workers, but they affirmatively acted to ensure Prime Healthcare would provide full reproductive healthcare. It's understandable that SEIU 121RNs are in favor of the sale to Prime Healthcare.

As Attorney General it is your job to ensure that potential hospital sales are in the public interest and to protect the public's interest through conditions and oversight. That responsibility holds for assessing Blue Wolf's offer, as well as, Prime Healthcare. The impact reports address all of the above and the recommended conditions address each and every concern raised by opponents.

Again, we believe that the approval of the proposed sale of DCHS to Prime Healthcare is in the public's interest for the following reasons:

1. Recommended conditions provide the maintenance of all healthcare services;
2. Recommended conditions provide that the level of charity care will continue;
3. Recommended conditions provide that workers will remain employed, collective bargaining agreements will be respected and pensions will be funded and protected; and,
4. Sale of DCHS to Prime Healthcare will expand access to reproductive healthcare services.

The Daughters of Charity Healthcare System has stated that its hospitals are in very real danger of closing or filing for bankruptcy. California NOW agrees with the [California Nurses Association](#) that "closure of Daughters of Charity Hospitals would have a huge impact on access to care." The analyses of the California Nurses Association, the impact reports and [Board of Directors of DCHS](#) all conclude that conditioned approval of the sale of DCHS to Prime Healthcare is in the public's interest.

For all of the foregoing reasons, California NOW respectfully urges conditioned approval of the proposed sale of DCHS to Prime America. If you would like additional information regarding our support, please feel free to contact me at (916) 442-3414 and/or president@canow.org.

Respectfully,



Patricia Bellasama, J.D.
President, California NOW