

Attorney General Lockyer Approves Sutter Health Affiliation with St. Luke's Hospital Conditioned on Continuing Charitable Care to San Francisco Community

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FOR IMMEDIATE RELEASE

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(SAN FRANCISCO) Attorney General Bill Lockyer today approved the nonprofit hospital transaction involving St. Luke's Hospital and Sutter Health conditioned on continuing charity health care to the local community and protections to ensure hospital assets are retained for charitable purposes.

"By taking this action, St. Luke's-Sutter Health will be able to keep the hospital doors open while ensuring the delivery of charity care to the poor and immigrant communities South of Market in San Francisco," Lockyer said. "And, Sutter Health has made a commitment to fund health clinics in these communities. The plan achieves the best outcome possible within the authority of the Attorney General to ensure the delivery of charity care."

By law, the Attorney General must review nonprofit hospital transactions to ensure that they are consistent with state charitable trust law. Two public hearings were held in San Francisco on the proposed transaction in which the financially troubled St. Luke's Hospital would affiliate with Sutter Health to continue operating in the south of Market Street area of San Francisco. In the affiliation arrangement, the St. Luke's Hospital board of directors would continue to operate the facility with financial assistance from Sutter Health. St. Luke's Hospital would become part of the Sutter Health Obligated Group, which operating as a pool would cover operating losses at St. Luke's and share in any resulting net revenues.

"The public through tax breaks recognizes the special role private nonprofit hospitals such as St. Luke's play in delivering health care to the needy," Lockyer said. "My job as Attorney General is to make sure that charities keep their original promise to benefit the public. The conditions imposed on Sutter Health and St. Luke's keep this in clear focus and aim to have the nonprofit hospital carry out its commitment to charity care."

Under the affiliation approved, the Attorney General is requiring:

FOR AT LEAST FIVE YEARS

*Sutter Health must maintain a state-licensed acute care hospital at St. Luke's Hospital.

*St. Luke's Hospital must maintain an emergency room service and Intensive Care Unit at the current St. Luke's Hospital site at current or improved levels.

*St. Luke's Hospital must maintain primary care services offered by clinics of St. Luke's Healthcare Center and the hospital outpatient departments. Access to care is required to be consistent with policies and procedures in place on January 1, 2001.

*Sutter Health and St. Luke's Hospital must maintain commitments to historic levels of charity care of at least \$2 million annually. Additionally, Sutter Health cannot reduce historic levels of charity care at California Pacific Medical Center and Davies Medical Center.

*St. Luke's Hospital must maintain linguistically and culturally appropriate staff.

*If St. Luke's decides to close its subacute unit within five years, Sutter Health must make a good faith effort to influence affiliates in the San Francisco Bay Area to maintain the availability of subacute capacity existing currently at St. Luke's Hospital.

ONGOING

*St. Luke's Hospital must establish a separate nonprofit public benefit corporation, the Brotherton Fund, in perpetuity to fund health clinics and ensure continuing health care services to the local community.

*If St. Luke's Hospital ceases operation, Sutter Health must pay specified amounts into the Brotherton Fund to keep the health clinics operating. These payments range from \$15 million if St. Luke's Hospital is closed within five years to \$3 million if closed after nine years.

*Periodic Attorney General formal review of compliance with the affiliation agreement and any proposed changes in the charitable purposes of St. Luke's Hospital.