Catholic Healthcare West
CHW

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June 29, 2009

Mr. Jerry Yee
OSHPD
400 R Street
Room 200
Sacramento, CA 95811

ATTN: Jerry Yee/SB 1661 Report

Dear Mr. Yee:

Attached are the Catholic Healthcare West reports to comply with the deadline set forth by SB 1661. We appreciate this opportunity to also provide comments with regard to our overall status on seismic retrofitting projects.

The economic crisis that is facing our nation and California has had a profound impact on our organization. The declining economy has adversely impacted our hospitals and our communities. As the largest, private provider of Medi-Cal hospital services in the State, the recent budget cuts, and proposed budgets, disproportionately impact CHW and ultimately our ability to fund needed capital to retrofit our hospitals.

The current economic situation for the vast majority of all hospitals, not just CHW, could be described as "the perfect storm" -- decreasing reimbursements from State and Federal programs (due to budget deficits), increasing numbers of uninsured seeking care in our emergency departments as unemployment rises, decreasing number of elective surgeries as individuals put off care for fear of losing their jobs compounded by increased demands for capital to meet looming deadlines for critical issues like Health Information Technology (electronic medical records) and seismic safety.

CHW Economic future is challenged:

- Like most organizations, CHW experienced enormous investment losses over the past 9 months.
- We have seen a decrease in our days cash on hand.
- Our debt to equity ratio has risen.
- In order to maintain stable finances, we have frozen capital and IT spending, frozen non-union salaries for 2 years, as well as the hiring of non-essential staff.

- CHW alone is facing nearly $500 million dollars in pending reimbursement reductions annually from public programs like Medicare and Medicaid. These cuts will be on top of nearly $500 million in current underfunding of these programs below our costs.
- More individuals have become uninsured and are seeking care through our emergency departments.
- Our hospitals face continued huge demands for normal upgrades to their hospital infrastructure for facilities and equipment, and to meet patient and physician demand for state-of-the-art equipment and technology. Many hospitals can barely afford to keep up with needed equipment upgrades to maintain compliance with life/safety codes.

For all of the above mentioned reasons, it is not possible to project reasonable start and completion dates for future seismic retrofit projects until the nation's economic recovery, and healthcare reimbursements, can generate sufficient net revenue to fund the cost of hospital capital requirements.

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We are happy to meet with you and further discuss the specific challenges CHW faces in these uncertain times.

I have reviewed and corrected and/or confirmed to the best of my current knowledge that the information regarding the status of the Catholic Healthcare West facilities SPC-1 buildings, included as attachments, is ready to be submitted to OSHPD. My dated signature below approves the information for posting on the OSHPD website in accordance with the requirements stated in Senate Bill 1661:

David Jarrett
System Director Design and Construction
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