Grossmont Hospital, Sharp nearing decision on merger

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The possible merger of Grossmont Hospital and the Sharp HealthCare group is moving toward a decision, after months of behind-the-scenes discussions and a growing discontent among some physicians.

With 2,400 employees and an annual budget of $140 million, the district hospital is East County's largest institution. The current proposal calls for the tax-supported Grossmont to be leased for 30 years to a newly formed corporation, which would be controlled by a board with a majority of members from Sharp, a private non-profit hospital chain, officials and records say.

Grossmont's publicly elected board tentatively plans to hold a hearing on the proposal March 5. A final decision could come later in March, after a possible second public hearing, or in April.

The hospital's officials say they are attempting to build assurances into the agreement whereby the facility will be operated to the benefit of the communities in the sprawling East County hospital district, which extends east from La Mesa.

Some East County physicians, however, say the district hospital is being lost in a corporate takeover that is proceeding for questionable reasons with too little public comment.

Under the proposal, Grossmont essentially would be operated similarly to Sharp's other hospitals in Kearny Mesa, Chula Vista and Loma Portal. Sharp also includes the Rees-Steeley Medical Group.

"We are trying to predict what the best strategy is to survive the future to carry out our mission for our communities. We have to recognize that a network of hospitals will be in a better position to survive than a hospital standing by itself," Grossmont's top executive, Michael H. Erne, said.

Adrian Jameson, past chairman of the five-man Grossmont board, said: "I don't necessarily think bigger is better. But I believe we could develop some health plans that would be a benefit" to employers and their employees.

Hospital and medical groups being able to contract directly with employers -- thereby cutting out insurance companies, and their incumbent profits -- is a much discussed concept for the future of health care here and across the nation.

Peter K. Ellsworth, the top executive of Sharp HealthCare, said the merger is being discussed "with a goal of providing a better network of hospital and physicians to perform our mutual missions of community benefit and patient care."

Sharp officials acknowledge they also have talked to Palomar Pomerado Hospital District in Escondido about a similar merger, but they deny there are formal talks under way. Sharp last year also pursued a merger with Scripps Clinic and Research Institute in La Jolla but lost that deal when the Scripps Clinic board decided instead to reaffiliate with the Scripps Memorial Hospitals chain.

Asked about the Grossmont-Sharp proposal for an 11-person corporate board that would include six appointees by Sharp, Jameson said: "I can deal with that."

The proposal calls for the five elected Grossmont board members to serve on this new board. Future Grossmont representatives would be elected from the district, Erne said.

But the Grossmont-Sharp proposal -- and the manner in which the merger discussions have taken place -- has drawn fire from some East County physicians who are alarmed at joining one of their biggest competitors.

"This isn't a merger; it is a takeover by a large corporation," said Dr. Dennis D. Wilcox, a 42-year-old general surgeon at Grossmont whose father helped found the hospital.

"They are talking about leasing the hospital to an organization (Sharp) that is not responsible to the physicians or patients of East County," said Dr. G. Wesley Clark, a surgeon who practices at Grossmont and Alvarado Hospital Medical Center in eastern San Diego.

"People don't understand that Grossmont Hospital, effectively, is being given away for little consideration," said Clark, a resident of Alpine.

Grossmont is in strong fiscal condition now, officials say, and is operating at about 70 percent occupancy. With 464 beds, a new women's center and the busiest emergency room in East County, it is predominant in that region.

There seems to be little awareness in East County over the merger plans, interviews show, and not much political interest to date.

El Cajon Mayor Joan Shoemaker said she was not the least bit familiar with the plans and noted that it has not been a political issue in her city.

La Mesa Mayor Art Madrid added: "I only know what I read the papers" on the issue.

Both Shoemaker and Madrid use the Kaiser Health Plan.

Grossmont officials say that one reason they are pursuing the Sharp deal is because the competing Kaiser group is punishing them in East County -- treating about 25 percent of the district's residents.
Some East County physicians say they feel there is little public awareness of the Grossmont-Sharp plans because of the “secretive” discussions.
"This whole matter has been kept very hush, hush," said Wilcox. "They have deliberately tried to keep the public in the dark. The public doesn't know what is going on."

Clark and Wilcox pointed to a recent Grossmont board meeting in support of this theory.
The Grossmont board met at 7:30 on a Saturday morning, Feb. 16, to hear its staff, for the first time, present details of the merger proposal in a public session, officials say.
Board meetings normally are conducted in the evening on the fourth Tuesday of the month; this Tuesday, for instance, but the Sharp deal is not on the agenda this week.
No one from the public showed up for the Feb. 16 meeting, officials say.
No district residents expressed concern about a loss of local control of an institution their property taxes built. No citizens questioned leasing a taxpayer-financed institution to a private corporation for 30 years, with an option for an additional 20. No employees asked about job losses.
Few people knew the Saturday meeting was being held, interviews with physicians and officials show. There were only two physicians there, including Clark, who said he had difficulty learning of the meeting.
"Erne and Ellsworth have deliberately kept this out of the public eye," said Wilcox.
Notification of a special board meeting was not sent to the media or other interested parties because the board had adjourned to that date from its last regular meeting on Jan. 22, officials said.
"There was no intent to hide anything," Erne said, "It is hard to get everyone together."
The board is made up of, Curtis J. Kelly, Robert Muscio and Dr. Basil Maloney, all retirees; El Cajon attorney George G. Hurst, and Jameson, who has an El Cajon residence but works in Newport Beach where he maintains an apartment.
Holding the Saturday meeting was perfectly legal, said John H. Whitney of Jennings, Engstrand & Henrikson of San Diego, which has been Grossmont's law firm since efforts to form the hospital district began in 1954.
Whitney noted he also does legal work for Sharp. He was the attorney for Community Hospital of Chula Vista when it was taken over by Sharp several years ago. Whitney said he still represents the Chula Vista hospital, and does other work for Sharp.
But Whitney, whose annual Grossmont bill is about $200,000, said:
"There are conflicts and there are conflicts. This one does not pose any kind of a problem that isn't resolvable. There is no problem representing parties with their permission; I have permission from both parties."
Maloney -- the new Grossmont board chairman, who was a long-time practitioner at the hospital before retiring -- was out of town last week and unavailable for comment.
The merger discussions began quietly last May, officials say, when Jameson, then-chairman, first met with Erne, Ellsworth, Whitney and other Sharp officials.
As late as September, other board members -- such as Kelly -- were unaware of any merger discussions until questioned by a reporter from The San Diego Union.
In October, as the Union was preparing a story on the Grossmont-Sharp talks, a short news release was issued saying that formal affiliation discussions had begun.
But even with two board members -- Kelly and Maloney -- up for election in November, the Sharp deal didn't emerge as a major election issue.
Kelly topped the candidates, with Maloney coming in second. There was one unsuccessful challenger for the two open seats.
Asked why the Sharp deal didn't become a district issue, Dr. Joseph F. Leonard Jr., Grossmont's chief of staff, said: "On such local issues, the citizenry is just not very involved."
Family practitioner Leonard said he understands Sharp's possible control of Grossmont "is a major concern of physicians" at his hospital. He added he doesn't believe information is purposely being withheld from doctors or taxpayers.
Among some founding physicians of Grossmont, there is bewilderment over the merger proposal and the lack of public interest.
"It is an unnecessary move," said Dr. Marshall Persky of El Cajon, 72, a retired pediatrician who was one of the 14 doctors who founded the hospital in the 1950s.
"They say it will bring more patients and increase their purchasing leverage; it won't do a damn thing. It is detrimental to those who have produced an outstanding hospital."
But in an era when hospitals are under increasing pressure to trim costs -- a job that rising expenditures show isn't being done too effectively -- they look at such mergers as a life-line.