

October 11, 1982

### HISTORICAL OVERVIEW

Douglas Community Hospital certificate of need (C/N) application for modernization, expansion of support services and replacement of medical, surgical and intensive nursing care units in a new bed tower at \$12,350,000 in project costs and \$44,880,920 in interest cost.

### Chronology

- October 1981 Douglas filed a C/N application.
- October 1981 Mercy Medical Center requested and was granted affected party status.
- December 1981 Western Oregon Health Systems Agency analysis expressing concerns, including the applicant's projections for rates of population growth and utilization. WOHSAs project review committee recommended denial 7 to 0.
- January 1981 WOHSAs Board of Directors voted 17 to 0 to recommend denial of the project.
- March 1982 SHPDA, on the recommendation of WOHSAs and its own staff findings, issued an order denying the project.
- March 1982 SHPDA held separate informal hearings with Douglas Community Hospital and Mercy Medical Center.
- April 1982 Douglas Community Hospital requested a formal hearing, which was scheduled for July 1982. Mercy Medical Center and WOHSAs both filed to be considered as an affected party in the reconsideration and filed briefs outlining their objections to the project.
- May 1982 Douglas Community Hospital filed objections to the motions to intervene by Mercy Medical Center and WOHSAs.
- May 1982 SHPDA served a letter on parties in support of the motions of Mercy Medical Center and WOHSAs to intervene.
- June 1982 Hearings officer granted affected party status to Mercy Medical Center and WOHSAs and set hearing date for July 6.
- June & July 1982 SHPDA and Mercy Medical Center requested time extensions to prepare briefs and hearing is rescheduled for July 19, then subsequently for August 12.
- July 1982 Douglas requested and was granted a postponement of the reconsideration hearing to October 13. No objections were received.

- July 1982 SHPDA requested a 7-day postponement and the hearing was rescheduled for October 20.
- September 1982 Douglas Community Hospital requested and was granted postponement of the hearing at a procedural conference until December 1982. They expressed a desire to consider project modifications and for time to make such changes.

PRIMARY REASONS FOR SHPDA DENIAL  
OF DOUGLAS COMMUNITY HOSPITAL C/N APPLICATION

Number of Beds: The project would replace more beds than our State Health Plan methodology indicates will be needed (111 to 114 needed vs. 127 planned for). The number of beds, to be reconstructed in a new bed tower, is excessive.

Modernization Need: SHPDA's inventory and hospital physical analysis indicates that the extent of modernization requested is not warranted. No physical deficiencies have been cited by any public or private review organization. The analysis indicates the condition of existing patient care units is about average for hospitals in the Western Oregon Health Systems area. We do, however, agree with some parts of this proposal.

Duplicative Services: Other than CT scanning services, little has been accomplished in Roseburg to prevent unnecessary duplication of high cost services, particularly obstetrics and pediatrics. Both hospitals operate these services at low occupancy rates (30-40 percent).

High Hospital Costs: Both Roseburg hospitals are in the high third and fourth quartile in cost level for Oregon hospitals even before the impact of a major project is felt.

Observations: Roseburg is a classic case of how competition in hospitals is often not for cost, as in most business, but for physical amenities, equipment and services to attract use by the local physician and his patients. Douglas Community Hospital, having the older physical facility in Roseburg, is pressured by the presence of a much newer Mercy Medical Center which offers all private patient rooms. While SHPDA agrees with parts of this project, much appears to result not from true patient needs, but from this competitive environment.

Mercy Medical Center has also employed legal, planning and architectural staff to oppose this project and filed a letter of intent for their own project for 80 additional beds with space for 40 more to be partially completed.

We at the state level cannot solely resolve this struggle under the C/N program; only disapprove projects which do not appear in the public interest.