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# Daughters of Charity to sell California hospitals

Monica Clark | Feb. 6, 2014
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Faced with economic realities that make it impossible to continue operating its six hospitals, the Western province of the Daughters of Charity are putting the facilities up for sale.

Robert Issai, president and CEO of the Daughters of Charity Health System in California, said mounting debt caused by several factors, including the 2008 recession and changes in health care payment systems, necessitated the decision, which was announced last month. At the end of 2013, the system had a long-term debt of approximately $294 million.

"The status quo is no longer sustainable," Issai said.

For the last two years, Issai and the Daughters worked to establish a partnership with Ascension Health, the nation's largest Catholic health system, but ultimately Ascension and DCHS decided on a business affiliation instead. Finding no other viable partner, selling the hospitals was the "only option," said Issai, who also serves on the board of trustees of the Catholic Health Association.

DCHS will consider offers from Catholic, public, nonprofit and for-profit organizations to purchase its hospitals individually or the health system as a whole. Issai said initial interest from potential buyers has been high. Sale prices have not been made public.

Because the system's hospitals are spread throughout the state, competition for market share has been difficult, Issai said. Additionally, in keeping with the Daughters' charism of care for the poor, the hospitals have served large numbers of low-income patients with low reimbursement.

"The sisters are not leaving health care ministry," Issai said. "They are getting out of acute care and will look for new niches to serve the poor, including outpatient clinics." He also noted that selling the hospitals rather than closing them will preserve jobs, which he called another social good.

Daughter of Charity Sr. Marjory Ann Baez, chair of the DCHS board of directors, said the decision to sell the health system was "difficult. But the realities of modern health care are harsh, and after prayerful discernment, it became clear that the responsible thing to do is to find new ownership" that has the necessary resources to keep the hospitals alive.

The Daughters of Charity arrived in California in 1852 and opened an orphanage and school in San Francisco. In 1889, they established Mary's Help Hospital, the predecessor to Seton Medical Center in Daly City, one of the hospitals now for sale. The others are O'Connor Hospital in San Jose, St. Louise Regional Hospital in Gilroy, Seton Coastside in Moss Beach, St. Francis Medical Center in Lynwood, and St. Vincent Medical Center in Los Angeles.

Issai said he hopes the sale will conclude quickly because a prolonged process would create greater uncertainty and uneasiness "that are not good for the hospitals."

Elizabeth Nikels*, DCHS vice president for marketing and communications, said it is too early in the process to know what hurdles might need to be overcome.

Last month, Carondelet Health, a ministry of Ascension Health, announced that its plans to sell its two acute care hospitals and other subsidiaries in Kansas City, Mo., to HCA Midwest Health System, the area's largest health care provider, have been discontinued because "a timely, supportive decision from the Federal Trade Commission will not be forthcoming."

Issai said he doesn't see the sale of the six California hospitals as trend-setting for Catholic health care nationwide. But he does expect more partnerships, collaborations and affiliations, he said.

*An earlier version of this story misspelled Nikels' name.*

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