



County of San Mateo

Inter-Departmental Correspondence

Department: BOARD OF SUPERVISORS
DISTRICT 5
File #: 18-862

Board Meeting Date: 9/25/2018

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: David Canepa, Board of Supervisors, District 5
Don Horsley, Board of Supervisors, District 3

Subject: Resolution Calling for Seton Medical Center to be Maintained as a Full-Service Acute Care Hospital

RECOMMENDATION:

Adopt a resolution calling for Seton Medical Center to be maintained as a full-service acute care hospital with an emergency department, under the conditions set forth by the state Attorney General's Office.

BACKGROUND:

Seton Medical Center ("Seton"), in Daly City, was founded in 1893 by the Daughters of Charity as Mary's Help Hospital, and it has been providing medical care to the people of northern San Mateo County and San Francisco for over a century. Verity Health System ("Verity"), is a regional health care system owned by Blue Mountain Capital, a hedge fund with extensive experience in the health care industry. In 2015, Verity assumed control of the system formerly known as the Daughters of Charity Health System (DCHS), which, as noted above, owned and operated Seton and, in the spirit of its founders, St. Vincent de Paul, St. Louise de Marillac and St. Elizabeth Ann Seton, was committed to providing holistic, spiritually-centered care to the sick and poor. The California Attorney General approved the 2015 sale of DCHS to Blue Mountain Capital, and Blue Mountain rebranded the system as Verity Health System.

Seton's 357-bed facility serves a highly diverse population of 1.5 million residents in San Mateo County and San Francisco with a comprehensive range of medical, surgical and emergency services. Verity employs 1,500 people at Seton and serves 28,000 patients annually in Seton's emergency department with 85 percent of them relying on Medicare or Medi-Cal coverage.

DISCUSSION:

In approving the sale of Seton and the other hospitals in DCHS to Verity, the California Attorney General imposed certain conditions on the transaction including the mandate that Seton continue to operate as a full-service acute care hospital with emergency department services for a minimum of

10 years after the change in control.

In July 2017, billionaire and philanthropist Dr. Patrick Soon-Shiong invested in the Verity system stating his intent to revitalize the former DCHS hospitals. Notwithstanding those statements, Verity filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code on August 31, 2018, stating an intent to sell some or all of its assets under Section 363 of the Bankruptcy Code and Verity is currently soliciting offers for its assets.

This resolution calls upon the California Attorney General to uphold California law and the integrity of the conditions of approval imposed on Verity Health System when it assumed control of the Daughters of Charity Health System by taking all possible steps to ensure that Seton Medical Center remains a full-service acute care hospital with emergency services, consistent with those conditions of approval.

County Counsel has reviewed and approved the resolution as to form.

SHARED VISION 2025:

Approval of this resolution contributes to the Shared Vision 2025 outcome of a Healthy Community because the continuation of Seton's operations is critical to County's health care safety net insofar as Seton provides medical care to underserved residents of the County.

FISCAL IMPACT:

No Net County Cost will be incurred with the adoption of this resolution.