

Tenet's vital signs weak in Palm Beach County.

Source: 📍 Palm Beach Post (West Palm Beach, FL)

Publication Date: 28-MAY-07

Byline: Phil Galewitz

May 28--When Tenet Healthcare Corp. Chief Executive Trevor Fetter talked to Wall Street analysts in May, he cited the weak performance of the Palm Beach County market as an impediment to the hospital company's turnaround plans.

The remark was stunning because for years the company's South Florida operations were the "crown jewels" of Tenet's operations and were largely immune from the chain's financial struggles.

Tenet's hospitals, like others in Palm Beach County, have always counted on steady population growth and the annual influx of snowbirds and tourists to spur demand for hospital care.

Last year, for the first time in recent memory, most hospitals in the county saw declines in admissions and nearly every hospital had fewer emergency room visits.

While all of the area hospitals face business issues resulting from fewer tourists and slowing population growth in the county, Tenet's five hospitals face those problems and their own unique issues: Among them:

--St. Mary's Medical Center in West Palm Beach is hemorrhaging physicians. Many specialists have left the hospital because of its high proportion of uninsured patients, and they don't get paid to be on call.

--Tenet's Delray and Palm Beach Gardens medical centers' heart business is hurting. For 20 years, they had a monopoly on lucrative open heart surgery in the county along with HCA's JFK Medical Center in Atlantis. But last year, Boca Raton Community Hospital, an independent nonprofit, began offering the service and Bethesda Memorial Hospital in Boynton Beach will begin its own heart surgery program early next year.

Meanwhile, Palm Beach Gardens Medical Center has lost heart patients to Martin Memorial Hospital in Stuart, which started a program last year.

--One of three medical office buildings at Tenet's West Boca Medical Center sustained major damage from Hurricane Wilma that drove doctors to relocate their practices. Having fewer doctors' offices on campus has cost the hospital admissions.

--Neither of Tenet's two West Palm Beach Hospitals -- St. Mary's and Good Samaritan medical centers -- receives ambulances with heart attack or stroke patients. The two hospitals don't have the state certification to provide emergency stroke care or the clearance to do open heart surgery.

Because Tenet has sold three hospitals in Broward and Miami-Dade counties in the past year, Palm Beach County has emerged as Tenet's biggest South Florida market. Tenet's five hospitals handle about 40 percent of the hospital patients in the county and it is the exclusive provider of trauma services.

Tenet (NYSE: THC) was concerned enough about its South Florida operations to disclose the information in filings with the Securities and Exchange Commission. Publicly traded companies are required to disclose anything that could have "material" impact on its bottom line.

Tenet also sent top managers to visit the state several times this year and provided investment analysts with a tour of some of its South Florida hospitals.

The hurricanes that hit Palm Beach County in 2004 and 2005 have cut the number of snowbirds and tourists, which has hurt admissions and ER visits, Tenet told investors.

The county's rising cost of living has resulted in slowing population growth and made it harder to attract physicians. Further, the high malpractice premiums in South Florida have also made it difficult for Tenet and other hospital operators to attract new physicians.

Fewer county visitors and residents and fewer doctors mean fewer patients. "When you walk the floor you see fewer occupied beds," said Dr. Kevin Gilbert, chief of the medical staff at St. Mary's.

He said the hospital has struggled to recruit specialists to replace those that have left. "We have a disproportionate share of those moving to other places." St. Mary's admitted 15,501 patients in 2006, down from 17,428 in 2005, according to data from the Treasure Coast Health Council.

That 11 percent drop was the biggest of all the county's hospitals. Nine of the 13 hospitals in the county saw drops in enrollment last year, including all five Tenet hospitals. Good Sam's admissions fell by 9 percent.

Tenet's problems in South Florida aren't just related to fewer snowbirds. Fetter, Tenet's CEO, said the new open-heart centers at Martin Memorial and Boca Raton Community are also to blame.

"In Palm Beach County, where we have our largest cluster of hospitals, we've lost some market share in cardiology and in managed care in general," Fetter told analysts. "We believe the diversion of a significant portion of our cardiovascular business to new open heart surgery competitors is primarily responsible for this noticeable drop in both Medicare and commercial managed care business at our hospitals." When Bethesda Memorial opens its heart surgery unit early next year it is likely to detract from Tenet's heart business in the county.

Tenet also is concerned it may not have enough doctors in the Palm Beach County market. "Our analysis shows a worrisome aging of the primary care base, especially for our Palm Beach hospitals," according to Fetter.

Tenet was a savior to the county when it bought Good Sam and St. Mary's in 2001 when the previous nonprofit owner, Catholic Health East, was looking to close Good Sam.

As part of its deal to buy the facilities, Tenet pledged to keep the two hospitals open until at least 2011 and agreed that it would not cut services.

Members of the Town of Palm Beach Medical Commission, upset that Tenet has not expanded heart and stroke services at Good Sam, have said they would like to see Tenet sell the hospital to the county or a major academic medical center.

Rudolph Scheerer, a longtime surgeon at St. Mary's, said St. Mary's falling admissions could lead Tenet to sell the hospital when its commitment ends in 2011. "At the end of the day, it's a business. If they are losing money why would they keep it?" **Resuscitation projects** St. Mary's has lost some physicians in the past few years as it failed to make major upgrades.

But Tenet, whose other major markets are in Texas and California, has started pouring millions of dollars into the local market in the past year.

Projects include installation of a digital radiology system at all of its hospitals, building a boutique or VIP-style elective surgery wing at Good Sam and expanding the ER at Delray Medical.

At West Boca Medical Center, Tenet is expanding its neonatal intensive care unit by 10 beds, and adding two operating rooms and new MRI and CT scan equipment. It also has recently installed a robotic surgery system.

Tenet officials refused to comment on this story because they are meeting with analysts early next month.

Investment analysts say Florida performance is critical to the company's future.

"If you don't fix Florida, then you don't fix Tenet," said Jeff Villwock, managing partner at Genesis Capital in Atlanta. "And I'm not confident Florida can be turned around." While Florida will bounce back as a destination for snowbirds and visitors, he's not sure Tenet will recover its credibility with physicians.

"Palm Beach and Florida was the company's crown jewel, but no more," Villwock said. "Of all the major markets where Tenet continues to operate, Florida is showing the worst metrics." Fort Myers health consultant Peter Young said it may already be too late for Tenet.

Some doctors will never come back to Tenet despite the company's promises to add new technology and services.

"I think doctors are asking if Tenet is a stable place where they want to bank a career and many have said 'no' and have relocated. At this point it may be too little too late for Tenet."

To see more of The Palm Beach Post -- including its homes, jobs, cars and other classified listings -- or to subscribe to the newspaper, go to <http://www.palmbeachpost.com>.

Copyright (c) 2007, The Palm Beach Post, Fla.

Distributed by McClatchy-Tribune Information Services.

For reprints, email tmsreprints@permissionsgroup.com, call 800-374-7985 or 847-635-6550, send a fax to 847-635-6968, or write to The Permissions Group Inc., 1247 Milwaukee Ave., Suite 303, Glenview, IL 60025, USA.

TICKER SYMBOL(S): THC