



July 12, 2010

The Honorable Jeff Grover
Chairman
Stanislaus County Board of Supervisors
1010 10th St.
Modesto, CA 95354



Bernardette Arellano

Manager, Government Relations & Public Policy

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Dear Supervisor Grover,

We are writing to notify you that effective July 2, 2010, Children's Hospital & Research Center Oakland (CHRCO) has suspended operations at the Modesto Children's Hospital & Research Center Oakland Specialty Care Center.

Children's Hospital Oakland is proud of its nearly 100 years of service to Northern California families and of the services we provided to the families in the Modesto area. This was a very difficult decision that was made after careful deliberation. It is deeply unfortunate that today's poor economic climate is forcing us to restructure the ways we deliver health care. As you know, over 70% of the patients we now serve are covered by Medi-Cal. The State of California's Medicaid reimbursement rate is the 49th lowest in the Nation and is not sufficient to cover the services that we provide.

The closure comes as a part of the recently announced three-year plan that includes developing new business opportunities and actively negotiating higher private insurance and government reimbursements to cover patient care costs and enable it to address capital needs. The Modesto clinic did not see enough patients or generate enough revenue to cover its costs.

Children's is actively pursuing other options in the area so that select pediatric sub-specialists can continue to deliver care locally. Cardiology services will continue to be delivered at 4120 Prescott Road, Modesto. CHRCO ensured that



CHILDREN'S HOSPITAL
& RESEARCH CENTER OAKLAND

all clinic employees have employment - either at other locations within the hospital network or with other local health care providers. Children's is taking care to notify all patients and providers about the changes and will continue to work with all stakeholders for a smooth transition.

Thank you for your patience and understanding during this difficult time.

Sincerely,

A handwritten signature in black ink, appearing to read "Bertram Lubin". The signature is written in a cursive, flowing style.

Bertram H. Lubin, M.D.
President & Chief Executive Officer

A handwritten signature in black ink, appearing to read "Carol L. Brosgart, MD". The signature is written in a cursive, flowing style.

Carol L. Brosgart, M.D.
SVP & Chief Medical Officer

Cc:

Supervisor Monteith

Supervisor O'Brien

Supervisor Chiesa

Supervisor DeMartini