

The **OAKLANDSIDE**

# Children's Hospital Oakland joined UCSF in 2014. Was it a good move?

*The hospital has long been considered “one of the best pediatric care centers in the nation.” Some say the university affiliation is damaging that reputation.*

by [Sara Kassabian](#) February 25, 2021

The life of a parent with a chronically ill child can include countless nights sleeping on uncomfortable hospital chairs, heated arguments with insurance companies, and most of all, the need to cultivate resilience in the face of grief.

Jeffrey Cheung knows this experience all too well. In 1980, his 10-month-old daughter Laura was diagnosed with cancer and admitted to Children's Hospital Oakland. This was the beginning of his family's 36-year relationship with the hospital. Later that year, Cheung, a bank executive, joined the hospital's board of directors and helped guide Children's Hospital as it developed a reputation as one of the best pediatric care centers in the nation.

Three decades later, Cheung was still on the board when Children's Hospital made a major decision. After lengthy negotiations, the storied East Bay nonprofit hospital, which was founded in 1912, decided to affiliate with the University of California San Francisco, or UCSF. In doing so, Children's Hospital—now officially named UCSF Benioff Children's Hospital Oakland—lost some control over its own programs and management but [stood to gain financial stability](#) at a time when the hospital was facing intense financial pressures and its future as an independent entity was uncertain.

Affiliation with the university—which, unlike a merger, would allow Children's to remain a nonprofit entity, with its president now reporting to UCSF—was also expected to help the hospital get more involved in academic research and have greater access to philanthropic donations.

However, since the 2014 affiliation, doctors, other employees, and parents of patients at Children's Hospital have repeatedly and, in some cases, [publicly](#) voiced concerns about how the affiliation has impacted their institution. Cheung, who stepped down from the hospital's board in 2018, said in a recent interview with The Oaklandside that the mission of Children's Hospital is being threatened, and he now thinks the affiliation was a mistake.

“UCSF is taking services out of our community, but that wasn't part of the agreement,” said Cheung. “It's my thought that, over time, it will become just an emergency room,” albeit “a great emergency room.”

Nairi Arabyan's son has been receiving treatment at Children's Hospital for a brain tumor since 2008, when he was nine months old. In her view, the hospital hasn't benefited from its

affiliation with UCSF. “We have been with Oakland for many years, and you definitely can see the changes now,” said Arabatyan. “You’re losing all your older doctors that have been there a long time, that skill set of having people who have years of experience. A lot of them have left.”

Some critics say the deal to combine Children’s Hospital and UCSF has resulted in less money for Children’s Hospital and higher fees for its patients. They say UCSF has relocated some of the Oakland hospital’s most sought-after services to San Francisco, making it harder for lower-income East Bay residents to get the care they need. And they point to the affiliation as a reason why doctors have been leaving Children’s Hospital, creating gaps in care. The internationally renowned sickle cell disease program at Children’s Hospital has been one of the hardest hit by physician departures.

Carrie Krupitsky, a family nurse practitioner and former co-director of a clinic at Children’s Hospital—who was recently laid off, for reasons Krupitsky said are unclear—wishes the hospital could have remained a freestanding nonprofit. “I started at Children’s Hospital 32 years ago because I felt really committed to the mission of the hospital and caring for this community, and I feel really sad at seeing the dissolution of that,” she said.

Not everyone shares these concerns, and UCSF’s administration tells a different story. According to UCSF officials, the affiliation actually expanded options for Bay Area kids because they can now receive care at either UCSF’s Mission Bay hospital or Oakland Children’s Hospital. UCSF administrators have said publicly and in internal communications with staff that they helped stabilize Oakland Children’s Hospital’s finances after the hospital suffered major losses in 2008, laid off dozens of staff, and struggled for years to fund programs.

To better understand what happened at Oakland Children’s Hospital over the past seven years, The Oaklandside interviewed over a dozen current and former employees there, including nine doctors and six nurses, and reviewed hundreds of pages of documents, including internal emails, memos, financial updates, and hospital division reports, and complaints that doctors and others have submitted to UCSF administrators. The records paint a picture of a relationship that hasn’t always been the boon to Children’s Hospital it was intended to be, and which may have reduced some services in Oakland while causing strife between hospital workers and administrators.

Starting in October, The Oaklandside made nine requests for an interview with UCSF leadership to ask about specific allegations made by staff in this story and to ask about the financial and operational details of the hospital affiliation deal. We also wanted to hear more from UCSF about how that hospital has invested in Oakland Children’s Hospital, and what they see as the advantages of this relationship. UCSF’s public affairs office declined to set up an interview. In February, UCSF responded to some questions by email, and UC’s Senior Public Information Representative sent us links to UCSF’s [“Setting the Record Straight”](#) website, which was launched in December and contains responses to some criticisms made over the past several years by staff and patients. We have included some information shared through that website in our story.

## Some medical services moved across the Bay while some Oakland clinics felt neglected

When Cheung stepped down from the hospital board three years ago, it was a bittersweet moment. He'd spent nearly four decades serving Children's Hospital as a board member and was the founding president of Family House, a nonprofit that provides parents a place to stay during lengthy hospital visits. His wife, Rosanne Cheung, served the hospital as a community representative member on its institutional review board, which is responsible for approving research projects. She also served on the ethics committee, whose purpose is to listen to families and medical teams when difficult, complex medical cases are brought before them, and to make recommendations about each case.

Cheung said it was their way of giving back to the hospital that helped their daughter Laura become cancer-free by age five. Her early years were spent in and out of Children's Hospital, but she later graduated from UC Berkeley and earned a master's degree from Harvard, working for a few years at the University of Washington in workforce education. Laura died at age 35 in 2015, three years before Cheung left the board.

"We had 30 more wonderful years with her," said Cheung.

By the time Cheung stepped down, he'd come to feel the affiliation with UCSF was leading Children's Hospital in the wrong direction. In his departing remarks to the board, he said that many patients who used to see their doctors in Oakland now had to travel across the Bay because some healthcare services—complex cardiac surgeries, cystic fibrosis care, and behavior and development specialists, among others—had been consolidated at UCSF's Mission Bay campus.

It also meant that low-income families insured by Alameda County had a more difficult time accessing care; the county covers some health services for low-income residents, but only if those health services are delivered here. Families were also forced to pay up to \$36 a day to park at the Mission Bay campus or spend more time on public transit.

"I think they've come in in a heavy-handed way, removed our autonomy, and tried to fundamentally change the way we treat children."

- *A physician at Children's Hospital who asked to remain anonymous for fear of retaliation.*

"You used to be able to take your child from 52nd Street in Oakland to have your child seen by a great doctor, and now you're being told you have to go to Mission Bay," said Cheung.

In some cases, out-of-pocket costs for care at UCSF Mission Bay are more expensive than in Oakland. In 2015, a Children's Hospital physician took their daughter for a quick follow-up visit to her ear, nose, and throat doctor, who was previously based in Oakland but had moved to Mission Bay. The physician was shocked when their expected co-payment was more than \$700 when, in Oakland, they paid roughly \$50. The physician had already met their deductible and they had the same private insurance provider as before. They were told that this was in part because their daughter was billed as a new UCSF patient, even though she had been seeing the

same doctor at Children's Hospital for several years. The physician shared a billing statement with The Oaklandside confirming the issue.

"This was a 15-minute visit with a brief exam," the physician wrote in an email to The Oaklandside.

The physician, who asked not to be named because they still work at Children's Hospital Oakland and fear retaliation, complained to their insurer but was told that the insurance company had no control over the balance. The physician complained to UCSF but said UCSF took no action.

UCSF did not address this particular situation in a February email exchange with The Oaklandside, but did say low-income patients who use publicly funded Medi-Cal insurance, which is managed by the state of California, should not see a difference in costs for care at Mission Bay or Oakland.

Some hospital employees say the shift in some services across the Bay is a subtle form of structural racism that disproportionately impacts low-income families who are less likely to have transportation or be able to afford frequent trips, and who are more likely to be Black and brown.

"I think they've come in in a heavy-handed way, removed our autonomy, and tried to fundamentally change the way we treat children," said a different physician at Children's Hospital who asked to remain anonymous for fear of retaliation. "I can see why people are using the words systematic racism."

Hospital employees have long been sensitive to the fact that their institution's mission of caring for Black and brown kids and low-income families can be undermined by high-level decisions affecting access to care. Elliot Vichinsky, who directs the sickle cell center at Children's Hospital and has worked at the hospital since 1979, said that in the early 1980s, Children's Hospital was offered a parcel of land in the more affluent and less diverse East Bay suburbs where it could build a new state-of-the-art campus.

"Somehow the community and the hospital decided it was important to stay in Oakland, and they decided to build on the facility in Oakland instead of moving to the Lafayette-Orinda area on donated land," said Vichinsky. "It was remarkable."

Vichinsky added that in his perspective, these problems aren't unique to Bay Area hospital systems, or to the relationship between Children's Hospital and UCSF.

"There isn't one program that's racist and the other program isn't," said Vichinsky. "I don't want to paint the picture that there is a good guy and a bad guy here."

**Hospital staff have complained, but UCSF administrators deny the Oakland hospital is starved of resources**

According to Children's Hospital staff, several years ago UCSF tried to downsize the Claremont Clinic at Children's Hospital, which receives federal funding to provide specialized medical services to children in foster care and juvenile detention and other vulnerable groups.

In a March 2018 letter to UCSF Chancellor Samuel Hawgood that was signed by more than 150 Children's Hospital physicians and alumni, staff objected to the closure plans and noted that the Claremont Clinic conducts over 80,000 patient visits each year. Closing or downsizing it would eliminate a pediatric clinic that serves as a safety net for many families in Alameda and Contra Costa counties, they said.

Hawgood responded to the staff letter with an internal memo to hospital employees. He wrote that after the affiliation, children could be seen by physicians in Oakland and San Francisco, which he viewed as an expansion of services for both sides of the Bay. According to Hawgood, services were not being reduced in Oakland.

"Public service is at the heart of the University of California and is integral to who UCSF is as a university and major provider of healthcare," Hawgood wrote.

In May 2018, nearly 400 physicians that work at Children's Hospital Oakland signed a second letter to Samuel Hawgood expressing their dissatisfaction with the affiliation, and discrediting accusations made by UCSF administrators that the Oakland-based physicians are upset with their salaries.

East Bay physicians continued to raise concerns about the affiliation. In 2019, Lubna Hasanain, president of the Alameda-Contra Costa Medical Association, which represents East Bay physicians, and Ralph Silber, executive director of the Alameda Health Consortium, which represents federally-qualified health centers like the Claremont Clinic, wrote a letter to Alameda County Supervisor Richard Valle alerting him to ongoing reports of reduced services at Children's Hospital.

"We are fortunate to have CHO serving our community, as one of the top children's hospitals in the nation that is recognized throughout the world as a leader in health and compassionate care, offering patients the highest quality medical treatment," wrote Hasanain and Silber. "We have received reports that a substantial number of critical specialty services have been consolidated on the UCSF Mission Bay campus and that longtime CHO specialty providers have been displaced from providing care to CHO patients. This has resulted in a diminishment of critical specialty services that may be compromising the quality of care in our community."

"Public service is at the heart of the University of California and is integral to who UCSF is as a university and major provider of healthcare."

- *UCSF Chancellor Samuel Hawgood*

The Claremont Clinic's pediatric eye center, for example, operates with less staff than it had before UCSF came into the picture. "There is no eye clinic anywhere that runs with three people. I go to coffee shops that run with five people," said a physician with knowledge of the situation who asked to remain anonymous for fear of retaliation.

This physician said the clinic had trouble getting funding from UCSF to pay for essential medical equipment and personnel to run the eye clinic, which has more than 900 patients on its waiting list, including a mix of low-income families and families on private insurance.

Vichinsky, the physician who directs the sickle cell program at Children's Hospital, recently committed himself to rebuilding the sickle cell clinic, which treats primarily Black patients for a disease that can lead to chronic pain and early death. Vichinsky said there have been challenges with team morale, staffing, and financing since his division integrated into UCSF in early 2019. He says these challenges were to be expected as growing pains inherent in merging a nimble but lean specialty hospital like Children's with a billion-dollar health and research enterprise like UCSF.

"I think [UCSF] would love sickle cell to thrive and develop in a conceptual abstract way," he said. "One of their pillars is health diversity and health equity from an intellectual standpoint, but when you translate it down to, 'do I get another piece of equipment that I need to service the community here?' there are a number of challenges."

The affiliation with UCSF has benefitted the sickle cell center at Children's in other ways. It's growing the number of sickle cell clinics across Northern California, and recently received a grant for cutting-edge research, something that would not have been possible without the backing of UC, said Marsha Treadwell, director of the network of care for sickle cell disease at Children's Hospital. Among other plans to expand, Vichinsky was recently given approval by UCSF to hire three new physicians to work on sickle cell in Oakland.

Others have been more critical of the affiliation. Last June, another hospital staffer sparked internal debate after sending an email to administrators complaining about UCSF's management decisions.

"Many were hopeful that the merger between UCSF and Children's Hospital would allow for more equality among the two campuses, but this has not been the case," wrote Scott Parker, an emergency department nurse. "Instead of allocating resources where they are needed most and helping out the underserved communities that [Children's Hospital] serves we have seen the exact opposite."

Profitable services, such as pediatric cardiac surgery, continue to be moved from Children's Hospital to UCSF's Mission Bay campus, wrote Parker. Today, it's hospital policy to send all pediatric cardiology patients requiring complex care to UCSF Mission Bay, even if they come to Children's Hospital first, according to physicians and hospital records reviewed by The Oaklandside.

Hospital staff shared Parker's email widely. Parker declined to comment for this story.

"It used to be you walk into our Pediatric Intensive Care Unit and it would be full and busy and lots going on, and now it's a ghost town," said another physician who asked not to be identified. "Those patients have been moved to San Francisco. That can't help our bottom line."

UCSF leaders have repeatedly objected to these criticisms. The hospital issued a public statement on Dec. 4, 2020 denying that the financial health of Oakland's Children's Hospital had been harmed by moving lifesaving services across the Bay. The administration wrote in an

email to The Oaklandside that UCSF has invested \$5 million in rebuilding the cardiac surgery program at Oakland.

But staff at the Oakland hospital say the surgery program continues to struggle. In December 2020, the single cardiovascular surgeon who covered Oakland cases resigned after complaining that they weren't receiving support from more senior physicians, who have moved their practices across the Bay, according to a different doctor who is not part of the cardiac surgery program.

In an email, UCSF representatives told us they are "actively recruiting for a new Oakland-based cardiothoracic surgeon to meet anticipated future needs at the Oakland hospital."

The number of pediatric cardiology patients staying at Children's Hospital fell from 2,428 during UCSF's 2018 fiscal year to 1,814 in UCSF's 2019 fiscal year, a 26% decline according to hospital data reviewed by The Oaklandside. Inpatient stays at Mission Bay grew from 8,972 to 9,250 over the same period. The decline in cardiology patients treated at Children's Hospital resulted in less money going to Oakland and more money going to Mission Bay, according to a physician familiar with the numbers.

"We're seeing a pattern," said the physician. "Patients who bring the hospital prestige and money are being triaged to San Francisco, while patients who don't have the ability to pay or commute to San Francisco are being left behind."

In an email to The Oaklandside, UCSF representatives acknowledged that there have been fewer patients receiving cardiac surgeries in Oakland, and said the university has instituted a five-year strategic plan to expand cardiac services in Oakland, including hiring more nurses and other staffers.

According to UCSF's "Setting the Record Straight" website, the relocation of some specialty care **services** from Oakland to San Francisco after the affiliation is a "rumor." It says the affiliation actually expanded the Oakland hospital's programs, helped recruit new doctors in fields like neurology, neurosurgery, and gastroenterology, and set up new physician practices in orthopedics; ear, nose, and throat; and pulmonology.

## **UCSF says it has invested millions in Children's Hospital Oakland**

Children's Hospital Oakland was shaken by immense financial problems in the years prior to its affiliation with UCSF, including \$80 million in losses during the Great Recession. Expansion plans were derailed in February 2008 when Alameda County voters unexpectedly rejected a parcel tax on homeowners to pay for the project. The hospital was also facing huge costs to seismically upgrade its buildings, a state requirement in order to continue operating. These losses caused Bertram Lubin, then the CEO of Children's Hospital Oakland, to cut \$15 million from the budget over a three-year period, with the aim of getting back on a solid footing by 2012.

The hospital relies on insurance payments for most of its income, but an estimated 70% of the children it cares for come from low-income families who rely on public safety-net health insurance programs, primarily Medi-Cal and Medicaid. The reimbursement rates the government pays for these patients are low, sometimes lower than the cost of care, making it hard to maintain a balanced budget.

When Lubin signed the affiliation agreement with UCSF that gave the University of California more control of the private nonprofit hospital, the hope was new philanthropic funds and UC's deep pockets could stabilize the hospital's budget and help it grow. Under the affiliation, UCSF covered \$55.5 million in debt held by the Oakland hospital and gave another \$50 million in loans. In 2014, Marc Benioff donated \$50 million to Oakland Children's Hospital that was meant to fund construction on the new outpatient center. In a December statement, UCSF said the university donated \$90 million in philanthropic funds toward the outpatient center. The Oaklandside made a public records request to UCSF about how philanthropic funds are allocated between Oakland and Mission Bay, but UCSF declined to provide any records.

UCSF committed to funding the seismic retrofit under the agreement, but construction has not yet started.

The decision to structure the agreement as an affiliation, and not a complete and total merger, was intentional, Lubin wrote in a letter to his colleagues obtained by The Oaklandside. By keeping Children's Hospital separate, it could maintain its nonprofit status, which makes the hospital eligible for state, federal, and county funds. One example is a county intergovernmental transfer (IGT) program, designed to help local safety-net hospitals with the costs of serving low-income patients. UCSF and Children's Hospital agreed that UCSF would contribute money to Children's Hospital through the county IGT program, which the federal government matches.

UCSF has contributed substantial IGT funding since the 2014 affiliation, roughly \$7 million in 2014, \$12 million in 2015, and \$22 million in 2017, according to financial statements reviewed by The Oaklandside. UCSF representatives said the hospital has contributed \$90 million in IGT funding in the past five years, totaling \$180 million with the federal match.

Critics say that despite these substantial contributions, UCSF has not answered questions about how much of this money is being used to fund health services for low-income patients who visit Children's Hospital. Cheung and others have pressed UCSF to answer questions about how the hospital is budgeting IGT funding, but have not received clarity. Cheung and others have also accused UCSF of imposing higher administrative costs and fees on Children's Hospital, leaving less money for patient care in Oakland.

"That money is supposed to stay in Oakland to help offset costs in Oakland," said Cheung. "How much of that money has been transferred to San Francisco for administrative purposes has never been disclosed. There is a lack of transparency in how the funds flow back and forth."

The California Nurses Association, which represents nurses at Children's Hospital, has sought detailed financial information from UCSF as part of its members' bargaining with the hospital, responding to union members' concerns that the Oakland hospital isn't getting its fair share of funds from UCSF. The union hasn't succeeded in obtaining records, however. CNA first filed a



request for information in October 2019 asking about philanthropic funds, the IGT funds, and other questions about Children's Hospital's financial situation. UCSF has yet to provide records to the union, said Martha Kuhl, a CNA representative.

"I'm hopeful that with time they find a balance. I think that the potential is there to collaborate and become a more united hospital."

- *Nairi Arabatyan, parent of a Children's Hospital patient*

In September, The Oaklandside filed a public records request with UCSF asking for financial records that could shed light on how the affiliation has affected the Oakland hospital's budget, but UCSF administrators declined to provide any records and responded that they felt the request was "too broad." We also requested records about staffing, philanthropic donations, and emails and letters from hospital staff complaining about the affiliation sent to UCSF Chancellor Sam Hawgood, former Benioff Children's Hospital president Mike Anderson, and other UCSF leaders. UCSF declined to provide any of these records.

Another source of conflict tied to the hospital's finances involves the integration of medical groups, a process by which doctors who work for Children's Hospital Oakland sign new contracts with UCSF and officially become part of the UCSF School of Medicine. While many of these doctors continue to work at Children's Hospital, they are considered UCSF faculty. As a result, Children's Hospital has to pay fees associated with employing UCSF physicians. Integrated medical groups cost Children's Hospital as much as 50% more than non-integrated medical groups. Critics of the affiliation say that this has caused money to flow from the East Bay to San Francisco.

The Dean's tax is another source of friction. The Dean's tax is a fee that is attached to medical services performed by physicians that are part of the UCSF School of Medicine, which includes doctors who work at Children's Hospital Oakland. The revenue collected from Children's Hospital in the form of the Dean's tax can be spent by the chairs of the various medical divisions, most of whom are UCSF-based leaders. Though paid for by Children's Hospital, the Dean's tax revenue is not allocated specifically to the Oakland hospital, according to physicians we interviewed.

The Oaklandside was unable to verify how much money Children's Hospital has paid via the Dean's tax, but physicians say it adds up to millions in Dean's tax-related fees.

"It's taxation without representation," said a physician who asked to stay anonymous for fear of retaliation.

UCSF representatives said that Children's Hospital's connection to the UCSF School of Medicine through the Dean's tax has contributed to expanding patient programs and recruiting clinical leaders and physician-scientists but did not provide specific examples.

Cheung and physicians said that the potential benefits that come from the Dean's tax in the form of funds for the School of Medicine do not benefit the Oakland hospital. Although some Children's Hospital physicians are given professorship titles with the UCSF School of Medicine, they do not teach at the academic institution, nor do UCSF resident physicians train at the Oakland hospital. But the more Children's Hospital-based physicians that are moved from

individual or collective contracts onto UCSF contracts, the more money Children's Hospital pays to UCSF, a much wealthier institution, in the form of the Dean's tax.

In 2020, Children's Hospital expects to lose roughly \$30 million, due in part to the COVID-19 pandemic, according to an email sent to Children's Hospital staff on December 4 that was shared with The Oaklandside. According to a public statement by the UCSF Benioff Children's Hospital Office of the President, the affiliation between UCSF and Children's Hospital has helped the Oakland hospital stay afloat financially during the pandemic.

In any business merger, there is a top-dog, said Cheung, who ran a number of banks throughout his career. In the affiliation between UCSF and Children's Hospital, he felt it was clear that UCSF was holding the bulk of the political and financial power. "They're taking services out of our community, and that wasn't part of the agreement," he said.

For families with children battling severe illnesses, Children's Hospital becomes like a second home, a place where some patients live for months at a time throughout their childhoods. For these families, ripples from the friction caused by the affiliation feel far more personal and dire than budget disputes or bureaucratic decisions about resource allocations.

"We were there every week," said Nairi Arabatyan. "It did feel like home for many years. There's a sense of comfort there for sure."

Raffi Arabatyan has been a patient at Children's Hospital for the past 13 years, where he has been treated by many different doctors for a brain tumor. In June 2019, his mother, Nairi Arabatyan, pulled him out of the Children's Hospital intensive care unit, where he had been living for four months, to admit him at Lucile Packard Children's Hospital at Stanford University, where he was stabilized and discharged after just seven weeks.

Arabatyan said she decided to move Raffi to a new hospital system because she felt Raffi's neurosurgeon wasn't able to collaborate effectively with other doctors in the UCSF-Children's Hospital system and beyond to find a solution for her son, who had more than 30 surgeries in the four months he was living at Children's.

"It was this horrible situation; Raffi was so sick and there was an unwillingness to collaborate within their own team, even with months of pleading from us. That was the biggest issue," she said. "Oakland and San Francisco had already merged years before, but they were refusing to come together to get Raffi out of the ICU."

Raffi is still a patient at Children's Hospital, where he receives oncology care. The family has a strong relationship with his oncologist and said that despite the earlier frustrations, they still value the care they receive at Children's.

"I'm hopeful that with time they find a balance. I think that the potential is there to collaborate and become a more united hospital," said Arabatyan. "As a patient family, we're hopeful that with time the merger will find their groove in a way, and it will be a better outcome for families, having Children's Hospital and UCSF united like this—time will tell right?"

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