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California Department of Justice Attempts to Block Sale of Verity Hospitals to the County of Santa Clara

Court Hearing set for January 30; delay could end deal between Verity and County, leaving future of O'Connor and St. Louise hospitals uncertain

SANTA CLARA COUNTY, CALIF. – The California Department of Justice is trying to block the sale of O'Connor and St. Louise hospitals to the County of Santa Clara. The California Attorney General has filed an appeal of the U.S. Bankruptcy Court's sale order by requesting a stay of that order, asking the court to stop the sale. Today, the U.S. Bankruptcy Court in Los Angeles set a hearing date regarding the stay for January 30.

A stay will cause a breach of the purchase agreement between Verity and the County, thus preventing the sale. "Since the County was the only party to bid on Verity's hospitals in Santa Clara County, it is likely that such an action would cause the closure of O'Connor and St. Louise hospitals," said County Executive Jeffrey V. Smith, M.D., J.D.

If the Bankruptcy Court denies the stay at the January 30 hearing, the Attorney General can appeal the decision and cause further delay of the sale. "Our concern is that if the transaction is not completed on time, the deal is dead and the future of the hospitals is uncertain," Smith said. "The Attorney General's actions to block the sale of Verity's hospitals to the County is a real threat to the health of our community, our residents and the vulnerable populations the hospitals serve."

On December 27, the U.S. Bankruptcy Court in Los Angeles approved the County's bid to acquire O'Connor Hospital in San Jose, St. Louise Regional Hospital in Gilroy, and DePaul Health Center in Morgan Hill for \$235 million. The County would be adding the hospitals to its health system which already includes Santa Clara Valley Medical Center in San Jose.

The hospitals, their staff and physicians, all share the County's mission to provide high quality, compassionate, and accessible healthcare. As a public hospital system, the County provides care to all people living in Santa Clara County, and this acquisition would support the County's ability to serve even more residents in the community.

“County leadership is already working on transition planning with the leaders, managers, and employees in these hospitals in preparation for an expected late-February ownership change, and to make the transition as seamless as possible,” Smith said. “Adding these hospitals to our health system would ensure the continued availability of essential healthcare services that their communities have depended on for more than a century. Because of this attempt to block the sale, our efforts and the viability of these community hospitals are now in jeopardy.”

This link provides access to the documents filed in the federal bankruptcy action
<http://www.kccllc.net/verityhealth/document/list/4736>

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ABOUT THE COUNTY OF SANTA CLARA, CALIFORNIA

The County of Santa Clara government serves a diverse, multi-cultural population of 1.9 million residents in Santa Clara County, the sixth largest county in California. With 20,000 employees and more than 70 agencies/departments, the County of Santa Clara plans for the needs of a dynamic community, offers quality services, and promotes a healthy, safe and prosperous community for all. The County provides essential services including public health and environmental protection, medical and preventative services through Santa Clara Valley Health & Hospital System, child and adult protection services, homelessness prevention and solutions, roads, parks, libraries, emergency response to disasters, protection of minority communities and those under threat, access to a fair criminal justice system, and scores of other services, particularly for those members of our community in the greatest need.