

# My Word I Cloney's, Redwood Memorial woes point to larger problem

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You may think there's no relationship between the closing of Cloneys' retail pharmacies in Eureka and McKinleyville and the proposed closing of Redwood Memorial Hospital's birthing center in Fortuna. But the connection is there, via a complex system of finances which does not benefit our community.

Our current system promotes consolidation to increase profit.

Redwood Memorial Hospital is owned by Providence-St. Joseph Health, a merger that has allowed the hospital chain to negotiate for higher reimbursements from health insurance companies because their size increases their leverage. Under the current system, hospitals' global budgets are determined by prices for patient services that are negotiated with health insurance companies. Any surplus funds the hospitals extract from their global budgets are applied to their capital budgets. These capital budgets are used to build new facilities, buy medical equipment, to advertise and to repay loans. Consolidation permits hospitals to charge more for lucrative patient services and to decrease or eliminate services that are not as lucrative. This advantage is not an option for smaller hospitals. Small is not profitable. Obstetrics is only profitable when provided in a larger hospital setting.

Cloneys' retail pharmacies also closed because the current system relies on consolidation to increase profits. To understand this, the role of Pharmacy Benefit Managers (PBMs) needs to be explained. PBMs are professional middlemen hired by insurance companies to negotiate drug prices with pharmaceutical companies. One of the ways the PBMs negotiate prices with the pharmaceutical manufacturers is through rebates for preferred drug sales. These rebate monies often end up in the pockets of the PBMs and the insurance companies. Patients rarely benefit.

In their role as middlemen, they also have the capacity to set the rates at which pharmacies will be reimbursed. They have inserted fees into pharmacy contracts which keep increasing and have forced many of the mid-sized and smaller pharmacies to close. Larger companies such as CVS avoid this problem by being a PBM as well as a health insurance company and a pharmacy. CVS merged with Aetna Health Insurance in 2018. The PBM mergers dominate the market unfairly and they are too big to be trusted to operate in the interests of consumers or small pharmacies. The complexity of the PBMs role in setting fees helps create an aura of opaqueness that is difficult to comprehend. This is deliberate.

These two examples, the threatened demise of Redwood Memorial Hospital's Obstetrics Department and the actual demise of Cloney's pharmacies illustrate how consolidation to increase profits has injured our local community. This blight is replicated throughout California and the nation. The profit motive that drives the U.S. health care system promotes consolidation to further increase profits making our current health care system business model deaf and blind to the needs of patients.

A non-profit, publicly-funded unified insurance system also known as Single Payer/Medicare for All would address these problems by focusing on medical needs rather than on corporate profits. Middlemen would not be necessary; it would allow the publicly funded insurance system to negotiate with pharmaceutical companies to lower drug prices. This is what the Veterans Administration does leading to some of the lowest drug prices for all medications with an extensive formulary that covers all disease conditions. Single Payer will separate hospitals' global budgets from capital budgets thus preventing the former from bolstering the latter; therefore there will be no reason to shut down less lucrative medical services.

AB 1400, the California Guaranteed Health Care For All Act (CAL CARE), introduced by California Ash Kalra will create a single payer health care coverage system for all California residents. It will establish a payment system that eliminates waste and profit and aligns reimbursements with the actual cost of care. This means that services can be delivered in a much more economical and straightforward fashion based on the needs of individuals, their physicians and the communities they live in. Our state Senator Mike McGuire is an original co-sponsor.

Contact Assembly member Jim Wood, chair of the Assembly Health Committee and tell him to support AB 1400. Jim Wood has



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There is a real threat the Redwood Memorial OB Department might close. Sign this petition to save this vital medical service for mothers and babies: <https://savemomsandbabies.org/>.

We need to move beyond profits for our health.

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