

# LOCAL NEWS



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Orchestra's all-Bach concert highlights the harpsichord

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## Phony name proclaims character flaw

Although they came from different political camps, Gael Douglass and Larry Pegram were friends — one a PR man who worked for then-state Sen. Al Alquist, the other a conservative ex-San Jose councilman and financial adviser.

When Douglass' wife inherited a bit of money, he turned to Pegram for financial advice. And when Pegram himself encountered financial difficulties in the late 1980s, Douglass loaned the ex-councilman an estimated \$50,000.

The legendary PR man died in 1990 with the debt essentially unpaid. Six years later, his wife and his son got a letter saying that a "Lawrence Pellman" had filed for bankruptcy. Thinking it was a mistake, they threw the missive away.

We know now that Lawrence Pellman and Lawrence "Larry" Pegram were one and the same. After a union group recently accused him of misstating his name to avoid creditors, Pegram explained that it was a typo and that he had signed quickly, under pressure.

"I came in and quickly scribbled my signature," said Pegram, who is running once again for council against Don Rocha in District 9. "There was certainly no intent on my part to mislead, manipulate or obfuscate the proceedings."

I don't believe Pegram. There's no reason he couldn't have asked that the documents be redrafted. In the four times he signed his name as Pellman, the "l" is clearly visible. In each case, it is different from the way Pegram signs his real name, which shows a "g" below the line. Just take a look for yourself. If you think that's a mistake, I have a bridge to sell you.

### Benefits

And as the Douglass story makes clear, Pegram stood to benefit if creditors tossed the letters away in confusion. "From our perspective," said Douglass' son Paul, "Pegram's alias was an effort to hide from his creditors."

Of course, the Douglass family might not have gotten much back of the \$47,500 that the bankruptcy documents said they were still owed, even if Pegram had filed initially under his own name. (The name was corrected when one creditor wrote in about three weeks later to question the discrepancy. It's unclear whether a notice of the correction went out to all the creditors.)

Still, there are important reasons why creditors are notified. Under bankruptcy law, they have 60 days from the date a creditors meeting is called to protest why their debts should be treated in a different fashion. It gives them a chance to bring a lawsuit.

And that's not to mention the benefits of the confusion to a man steeped in politics and hopeful about maintaining a career as a financial adviser. A bankruptcy filing under the name "Pellman" would not alert potential critics or opposition researchers.

### Campaign time

Naturally, the flap has very current political dimensions. The story helps Pegram's opponent, Rocha, and undermines Pegram's pledge to bring fiscal responsibility to the city.

As a society, we've reached the point where a filing of bankruptcy is no longer a mark of shame. But filing under a different name suggests a shabby attempt at evading the truth.

Pegram acknowledged to me that he felt great regret about letting his creditors down. "If there's one chapter I could erase in my life, it would be that one," he told me.

I initially made light of this story. The Pellman signatures, though, make me think he was looking for another way to avoid the stigma. He didn't need to erase the chapter. He signed the book with a different name.

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COLUMNIST



KAREN T. BORCHERS/MERCURY NEWS PHOTOGRAPHS

Above, Natalie Belen, 10, and her mother, Joy Belen, of Milpitas, do some kayaking at Saturday's Day on the Bay in Alviso. Below, Fernando Hernandez, 7, of Milpitas, has his hands full as he carries a free pumpkin to his father, Oscar Hernandez.

### DAY ON THE BAY

# Alviso awareness

## Supervisor co-hosts city's first multicultural festival

By Tracy Seipel

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Alviso — the next Sausalito. Go ahead and laugh, but that's the word from some who spent a warm, breezy Saturday at Alviso Marina County Park enjoying the first Day on the Bay multicultural festival.

"I think it *could* be another Sausalito — this whole slough could be lined with shops and restaurants," said Roy Hays, a member of the Alviso-based South Bay Yacht Club, as he watched hundreds of people, many of them families, enjoying themselves during the free event hosted by Santa Clara County Supervisor Dave Cortese and the county parks department.

For many years, the former San Jose city councilman hosted the Evergreen area's annual Day in the Park multicultural

event at Lake Cunningham Park, which drew from 8,000 to 10,000, he said. Councilwoman Rose Herrera continues that tradition.

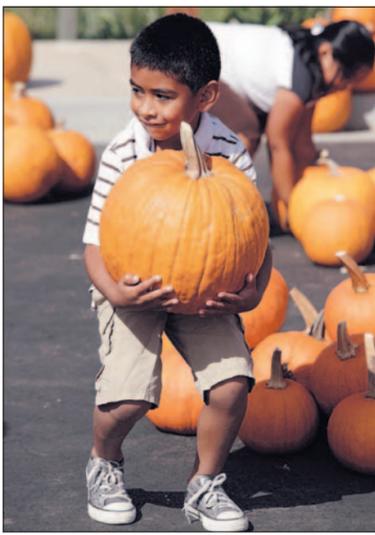
Cortese's inspiration to stage a similar event at the marina came after attending the June opening of a new boat ramp there that provides access to Alviso Slough, which flows four miles to the open bay. He said he'll promote the annual event in Alviso and build it up in popularity.

"The location itself is by far more unique than other places," Cortese said, pointing out the nearby waterways where eventgoers were kayaking and trails being explored by hikers.

"It's got more of a destination feel, and that's part of our reason for holding this here. I believe this community can be the Sausalito of San Jose."

Divulging what he calls San Jose's "well-kept secret of bayfront property"

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### ENVIRONMENT

# Nursery's closure sows seeds of worry

## State-run program sells trees for specific regions

By Suzanne Bohan

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WOODSIDE — Harold Segelstad calls his 325-acre ranch on the western flank of the Santa Cruz Mountains "Segelstad's Sanctuary."

When he bought the Woodside property in 1970, he said it was a run-down cattle operation overgrown with brush. Since then, Segelstad has torn out thick stands of greasewood, blackberry and poison oak. In their place, he and his hired hands planted 60 acres of forestland with seedlings purchased from a unique state-run nursery, which over the

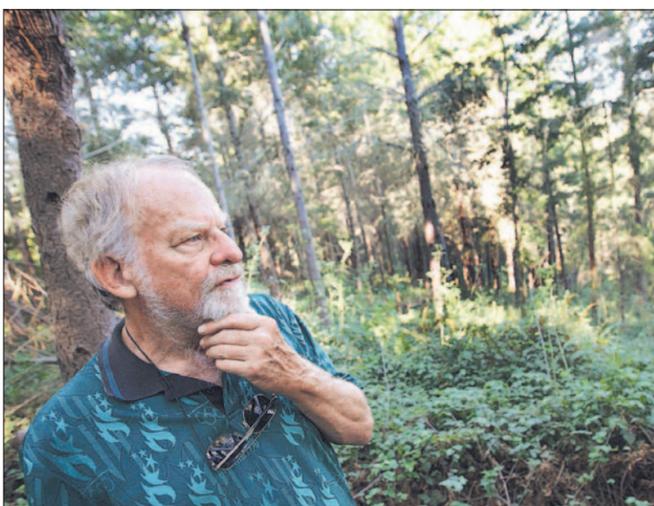
years sent him 31,000 coastal redwood and Douglas fir seedlings perfectly suited to his growing zone.

Throughout his land, stands of healthy conifers grow, ranging in size from recently planted seedlings to stately trees that are two or three decades old.

But Segelstad's forest-expansion days soon may be behind him. The nursery, the last of a nearly century-old system of state-run nurseries established to help preserve the genetic vigor of the state's forests, is scheduled to close in February.

The agency running the nursery, CalFire, took a \$3 million hit to its budget last year. Afterward,

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ARIC CRABB/BAY AREA NEWS GROUP

Harold Segelstad looks at his property in the Santa Cruz Mountains near Woodside. He planted forestland with seeds from the state.



KARL MONDON/BAY AREA NEWS GROUP

Mary McClung, of San Francisco, was shocked by the initial bill for a recent medical procedure. She fought for a reduction and won.

### HEALTH CARE IN CALIFORNIA

# Bay Area hospital costs rise to top

## Paying up no guarantee for better care, data show

By Jordan Rau

*Kaiser Health News*

Soon after her colonoscopy, San Francisco resident Mary McClung received a bill from California Pacific Medical Center for \$4,871. The amount fell within her high insurance deductible, leaving her responsible.

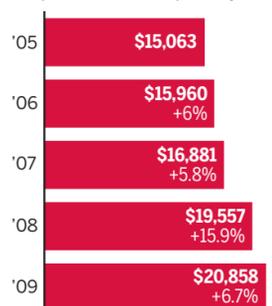
"Nobody should be billed \$4,800 for a colonoscopy. This is wrong," McClung, 56, recalls thinking.

Hospital rates in the Bay Area are among the most expensive in California, propelled by prominent hospitals and networks, including Sutter Health, Stanford

## Rising costs for inpatient stays

Average payment for an inpatient stay at California hospitals

With percent increase from previous year



Source: Kaiser Health News  
BAY AREA NEWS GROUP

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## Nursery

Continued from Page 1

it decided to close the \$600,000-a-year operation, run on 15 acres surrounded by forest in the Butte County town of Magalia, north of Sacramento. The nursery's operating costs, however, were offset by nearly \$150,000 in revenues last year.

The Magalia Reforestation Center grows trees such as redwoods, ponderosa pines, sugar pines, Jeffrey pines, incense cedars, oaks, madrones and buckeyes, all of which are genetically suited to the 88 "seed zones" in California — because growing seasons shorten with rising elevations — and to the various elevations within those zones.

The trees play a key role in preserving California forests, which are essential for maintaining water quality, creating wildlife habitat, improving air quality, controlling runoff, and providing timber and recreational opportunities, among other benefits.

Native trees evolved into many genetic strains adapted to different climates within their range. When planted in regions far from where they evolved, trees often grow poorly and die prematurely, blighting the area and increasing fire danger with dead wood. Genetically incompatible trees can also reduce the vigor of new seedlings, as pollen from the nonlocal trees drift into the forest.

The pending closure of a nursery whose sole purpose is ensuring that small private landowners — who own one-quarter of the state's 32 million acres of timberland — can establish or maintain healthy forests angers Segelstad.

"Never before have we needed a state nursery more," he said, citing the devastating wildfires now regularly consuming forests, as well as the critical role of forests in capturing carbon dioxide.

Reforestation is included in state plans for reducing total emissions of heat-trapping carbon dioxide.

## Nursery's final days

For nearly a century, landowners have been able to turn to a state nursery program to purchase native trees for regenerating forests lost to logging, fire or pests. But given a \$3 million budget cut last year, Cal Fire will close the last nursery in February, which is located in Magalia and where 400,000 tree seedlings are now growing.



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ARIC CRABB/ARIC CRABB

Cal Fire nursery manager Dave Derby stands in a field of Douglas firs at the Magalia Reforestation Center just north of Sacramento. The state is closing down the operation that offers seeds to reforest land.

## 'Personal campaign'

Segelstad's labor-intensive endeavor at first "was just kind of a wild idea to have my own forest," said Segelstad, a nuclear physicist and former director of a renewable-energy program PG&E started in 1976. Before long, however, Segelstad's plans morphed into a more earnest goal.

"It's my personal campaign against global climate disruption," Segelstad said. "It's just a demonstration of what people can do to make some contribution to putting things back in the right direction."

The budget cuts triggering the planned nursery closure also hinders CalFire's ability to fulfill its responsibilities under AB32, California's climate change law, said Russ Henly, an assistant deputy director with the agency. The law aims to reduce overall carbon emissions to 1990 levels by 2020, and reforestation is part of that strategy, as carbon sequestration — the act of removing carbon from the atmosphere — would count as an offset for emissions from other sources.

"The problem is not only have we not gotten any new

funding to do this," Henly said, "we've gotten funding cuts."

In addition, the nursery would serve as a critical resource, along with the seed bank, in efforts to help the state's forestlands adapt to changing temperatures and rainfall levels induced by an altered climate, Henly said. "We're probably going to need to be changing what we're planting, or where we're planting it, in response to that."

CalFire has documented that wildfires are damaging more forestland than ever before. Of the 20 largest wildfires in California since 1932, 11 occurred in the past decade, said Janet Upton, a deputy director with CalFire. Eight occurred in the past four years.

"That's alarming," Upton said. "What we're attributing this to is climate change."

In addition, she said, more people are living near the wilderness or using it, and 94 percent of fires are caused by people.

## Near-century of history

The state nursery program began in 1917, with an operation in Davis. A nursery

in Ben Lomond, in the Santa Cruz Mountains, opened in 1947, followed by the Magalia site in 1952. At their peak, the nurseries were selling 5 million to 6 million tree seedlings a year to private landowners.

CalFire has run the nursery program as part of its dual mission of protecting natural resources and preventing wildfires. The state resource code also mandates that to protect the vigor of the state's forests, the agency must run the nursery program, along with a seed bank in Davis that stores 40,000 pounds of forest tree seeds gathered from around the state.

Funding for the Davis seed bank is secure for now, Upton said, and CalFire regards it as an invaluable resource that no commercial firm could profitably operate.

"It essentially harbors the biodiversity for the state of California," she said.

But CalFire officials decided to close the nursery after the state legislature directed the agency to cut \$3 million from its resource management budget, which was \$55 million in fiscal year 2010. That accounts for 5 per-

cent of the agency's overall \$1.1 billion budget in 2010, most of which pays for protection of life and property from wildfires. For fiscal year 2011, the agency's budget remains roughly the same.

The decision to close the nursery wasn't an easy one, Upton said. "We do not want to do this," she said. "It was the best choice among poor options."

Upton said CalFire last year requested an additional \$40 million over seven years for the resource program. Although Gov. Arnold Schwarzenegger supported it, the Legislature cut the allocation in its budget.

Now CalFire is working on a proposal to issue a special-interest license plate showing the state tree — a redwood — superimposed over a yellow outline of the state. Revenue would help fund the state nursery operation, although the proposal's fate is uncertain.

Another option is seeking private-public partnerships to sustain the nursery program, she said.

"It's not for lack of trying," Upton said of efforts to fund the nursery.

But Rich Eliot, the former manager of the Davis seed bank and Magalia nursery whose position was eliminated in December 2009, along with most other nursery staff, said CalFire could have spared the nursery by redirecting funds from the prescribed forest-burning program, which was under consideration to be cut, but wasn't.

Despite the state mandate to maintain a nursery, Upton said the agency decided to cut it because commercial nurseries could fill much of its role.

Nursery customers, however, say that's not the case. And Upton agreed that "there is a niche not being served" by commercial nurseries.

The offerings at commercial operations are typically limited to seedlings adapted to the nurseries' regions, and they wouldn't fare well planted in distant locations.

"It's going to be much harder for landowners" to buy the right types of seedlings, said Dave Derby, manager of the Magalia nursery. "What's going to happen is either they're going to forgo their planting, or they're going to be planting the wrong tree."

## Hospital

Continued from Page 1

Hospital & Clinics and John Muir Health, private and government data show.

Statewide, hospital prices have been rising rapidly for years. For privately insured patients, the cost of a stay has increased annually by an average of 8.5 percent during the past five years, and the cost of an outpatient visit has grown by 9.6 percent a year, state records show.

Because hospitals account for a third of all health care spending, this growth is a major factor in rising health insurance costs borne by employers and consumers.

In many cases, hospitals are able to keep raising prices beyond inflation because their sizes or reputations give them clout in negotiating rates with insurers, researchers say.

"Some hospitals are able to charge higher prices than the market normally would bear, even without providing higher quality," said Dr. R. Adams Dudley, a professor of medicine and health policy at UC San Francisco. "That means they're getting those higher prices without really offering more to patients or the rest of society."

Nationally, hospital price increases for the privately insured have averaged 4.9 percent a year in the past decade, according to the federal Bureau of Labor Statistics. In California, premiums for families with employer-based coverage grew by an average of 4.6 percent a year from 2005 to 2009, according to the federal Medical Expenditure Panel Survey.

Hospital executives insist their rates are fair and that there is enough competition among them that if they charge too much, insurers and employers can take their business elsewhere. The hospitals also say they charge more to pay for better equipment, compete for talented nurses and doctors, treat complex cases and make up for reduced payments from government health care programs, including Medicare, which serves the elderly and disabled, and MediCal, which covers the poor.

But some acknowledge their charges are increasingly unaffordable.

"The pressure on organizations like ours and others

throughout the United States is they are going to have to get much more efficient than they have been in the past," said Patrick Fry, chief executive officer of Sutter, a large hospital system in Northern California that owns California Pacific Medical Center and Mills-Peninsula Health Services, among others. "We are not where we want to be at this point in time."

California requires hospitals to publicly reveal more information about their finances than other states do. Hospitals must report to the California Office of Statewide Health Planning and Development how much they collect from insurers, employers and patients. The data show:

■ The typical price of an inpatient stay rose to \$20,858 in 2009 from \$15,063 in 2005. The typical price of an outpatient visit rose to \$728 in 2009 from \$505 in 2005. Overall, California acute care hospitals last year collected \$28.7 billion from nongovernmental sources, principally people who get coverage through their employers. That was a 37 percent increase from 2005, when hospitals were paid \$20.9 billion.

■ Sutter Health is California's priciest large hospital system. An average day worth of care cost 37 percent more than the state average, even more than the University of California hospitals, which see more of the sickest patients. Catholic Healthcare West, another nonprofit chain that is one of Sutter's main competitors in many Northern California markets and owns Sequoia Hospital in Redwood City, was paid 4 percent below the state average.

■ Inpatient stays in Santa Clara County averaged 65 percent more than the state average, while all of Southern California, including San Diego and Los Angeles, are below average. Only the West Bay (Marin, San Francisco and San Mateo Counties) was more expensive.

## Employee pain

Few employers are willing to limit workers to plans with less expensive hospitals.

But a few employers are trying to stop the upward march of hospital prices. CalPERS, the state pension fund, estimates it has saved \$252 million in five years by kicking some of the costliest hospitals and doctors — including some of Sutter's



KARL MONDON/BAY AREA NEWS GROUP

Mary McClung was initially billed \$4,871 from Sutter Health for a colonoscopy procedure. Sutter eventually agreed to let McClung pay \$825 because her doctor had told her she would be eligible for a lower rate.

— out of several of its HMO networks in 2005.

Stanford University has put the onus on its workers. Stanford pays all the costs of their employee-only coverage for the cheapest health plan it offers, and most of the cost of dependent coverage. Employees who choose a more expensive plan must pay the difference, says Les Schlaegel, Stanford University's associate vice president for benefits.

Still, 6 out of 10 employees don't choose the cheapest policy. And Schlaegel says so

many employees like to see doctors at the Palo Alto Medical Foundation, a doctors' organization affiliated with Sutter, that the university feels obliged to keep offering insurance networks that include Sutter.

"Sutter basically has a stranglehold on Northern California," says Schlaegel. "They are strategically situated, both for hospitals and medical groups. They know purchasers need them. When you are strategically located, you can say 'this is our price

and you can pay it.'"

Sutter officials dispute their rates are unfair. Cynthia Greaves, a spokeswoman for Palo Alto Medical Foundation, said the foundation's relationship with Stanford is built on "a connection aided by convenience of proximity and reinforced by shared priorities of outstanding medical care."

Stanford's own hospital is one of the most expensive in the area — even for routine procedures. For an MRI of the lower back, the least Aetna paid Stanford Hospital was \$3,221, twice as much as Aetna's lowest payment of \$1,405 to Sequoia Hospital, a Catholic Healthcare West facility in nearby Redwood City.

Yet Stanford's basic care isn't uniformly superior to Sequoia's. In fact, Stanford's ICU mortality rate and patient satisfaction ratings are below Sequoia's, though Stanford does better in patient safety, according to CalHospitalCompare.

But Stanford has something nearby competitors lack: an international reputation for sophisticated brain surgeries and organ transplants, bolstered by prestigious faculty at Stanford's medical school.

"We do certain procedures that are only done in a handful of places in the country," says Gary May, a Stanford vice president who negotiates contracts with insurers. He says it's because of "those kinds of services and Stan-

ford kind of being the last stop for people, they need to have us in the network."

Rarely able to evaluate hospital costs and quality, patients often defer to physicians when choosing a hospital. John Metz, the executive director of JustHealth, a Santa-Rosa based advocacy group, said, "Most people trust hospitals are going to treat them right. ... When they get these bills, they are literally impossible to understand, and people just accept them."

After four months of negotiations with California Pacific Medical Center, McClung got Sutter to reduce her \$4,871 colonoscopy bill.

The actual colonoscopy was \$3,193; there were accompanying charges for supplies, the recovery room and a polyp removal.

Sutter said it agreed to let McClung pay \$825 because McClung's doctor's office had wrongly told her she would be eligible for a lower uninsured-patient rate.

"You buy a box of nails, the person selling it can tell you the price of it," McClung said. "But not with health care."

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