December 4, 2006

ST. CHARLES HOSPITAL TESTIMONY TO THE RIGHTSIZING COMMISSION

Recently the New York State legislature received the report of the ***Commission on Health Care Facilities in the 21st Century*** which was chartered in order to "Stabilize" and "Strengthen" New York's Health System. In the Port Jefferson region and large tracts of eastern Suffolk County on Long Island, the subtitle might have read "A Commission Plan to Stabilize and Strengthen University Hospital at Stony Brook at the Expense of Local Community Hospitals in Suffolk County." In its myopic focus on Suffolk County, the Commission has significantly threatened the mission of local community hospitals there, and undermined economic future of these facilities.

The Legislature's first error was to appoint a Regional Advisory Committee consisting of individuals having major competitive conflicts of interest and who have used the body to pursue their own independent strategies at the expense of other interests not at the table.

Largely drawn from Nassau County, the Regional Committee led by George Farrell its Chairperson, has insulated that area from any meaningful recommendation. As an example, Long Beach Hospital, a long-term strategic objective of South Nassau Communities Hospital, the CEO of which sat as a member of the regional group, was allowed to remain open because the bridges across the barrier islands "sometimes don't work." Almost from the start, and probably as a diversion, the Regional Committee and specifically its Chairperson focused on Suffolk County and the strategic needs of University Hospital at Stony Brook to assert the most relevant aspects of their plan.

That is not to say those strategic needs are not important. University Hospital is a first rate institution and a major regional resource. The clinical programs it has developed are among the best in the region. Unfortunately those programs are also expensive and like any hospital, the Medical Center requires funding sources if it is to operate them successfully. As recently as 2005, a state subsidy in excess of fifty million dollars annually was required to fund

benefit costs at the facility. Under the guise of what was to be an independent analysis of "community's need" the Regional Committee set out to solve that problem.

At the outset, the Regional Committee believed University Hospital required a Suffolk County institutional based "network" (rather that a physician driven linkage) if it and other Suffolk community hospitals were to prosper. Simply link facilities in a geographically based framework throughout Suffolk County and "voila," subspecialty tertiary referrals would seamlessly move to the Medical Center from the surrounding communities, with local community hospitals enjoying the clinical fruits of that relationship. Financial stability would be achieved by the elimination of duplicative services and economies of scale.

Unfortunately in health care policy as in other areas of our society, what is proffered as "knowledge," is often just "opinion" assertively argued. Much of it does not stand the test of time or common sense especially when it is politically motivated. It is an axiom in health care administration that hospitals do not refer patients, physicians do. Rather than recognize that essential fact, the Regional Committee began to cajole area facility Chief Executive Officers to join the networking imperative and form the necessary hospital based "System" in Suffolk County.

This is where the irony begins.

There are no two hospitals in Suffolk County who have done more over the last fifteen years to eliminate duplicative services in their community, improve efficiency, and integrate clinical delivery at the physician level *where it matters most* than St. Charles Hospital and Rehabilitation Center and John T. Mather Memorial Hospital both located in Port Jefferson. The irony is that now they are being punished for that effort and the problem it poses to other competitive institutional interests in Suffolk County.

Together these facilities have formed a local operating model that has integrated their medical staffs and differentiated service lines between the facilities. As one example, St. Charles provides Obstetrics and Pediatrics, while Mather does not. Mather in turn handles

major acute service lines while St. Charles focuses on Rehabilitation and is Long Island's ***largest*** provider of Orthopedic Joint Surgery. There is a revenue normalization formula between the facilities that strives to eliminate financial inequities that result between service lines. After many years of complex startup issues, both facilities enjoy high quality reputations and reflect financial performance that is better than most hospitals in Suffolk County. Unfortunately, for Mr. Farrell's Regional Committee that was a problem – it did not fit their desired objective of a University based referral network.

Both St. Charles and J.T. Mather belong to the Long Island Health Network, a consortium of healthcare facilities in Nassau and Suffolk that have sought to integrate clinical resource management, and regionalize clinical programs. A tremendous amount of meaningful improvements have been made in clinical quality, patient safety, and operating efficiency as a result of the LIHN program. In Suffolk County, it has made possible the regionalization of physician level services in key areas like Neonatology, Radiology, and Pathology.

Mr. Farrell and the Regional Committee made repeated entreaties for one or both of the Port Jefferson facilities to leave the LIHN Network and join the Suffolk County System being created. Both facilities politely said "no." As Port Jefferson is only five miles away from University Hospital this presented a significant issue for Mr. Farrell's goal of a University hub and spoke model. The Committee then pursued a different path.

If the local Alliance and LIHN were inhibiting participation in a University led network, than the Committee would test how strong those ties were and whether the two hospitals could be separated. Again, the Committee found to its disappointment that they could not be. Obviously frustrated by that fact, the Committee made a recommendation that can only be characterized as misfeasance. It recommended the closure of St. Charles Hospital in order to eliminate the Alliance altogether.

That recommendation was conveyed to the Statewide Commission for legislative implementation. It was an irresponsible and politically motivated act, unsupported by any meaningful analysis or methodology. In doing so, the Regional Committee completely

abdicated its responsibility to make an objective assessment of area needs as an "honest broker". It took an active advocacy role favoring the individual strategic goals of certain facilities and not others. It made itself an active broker and lost its essential role as an independent evaluator.

The Statewide Commission and Health Department staff subsequently determined that the Regional Advisory's recommendation was unsupportable on its face. There was no case to be made for the closure of St. Charles. In fact, the Statewide Commission recommended that the Mather – St. Charles Alliance be strengthened and empowered to do more in the way of service integration. Something both hospitals, and more importantly, something the Port Jefferson community strongly supports.

Had that been the limit of the Statewide Commission's finding for St. Charles and Mather, the local Alliance could have continued in its planning evolution with the Department of Health, and given appropriate sensitivity to the clinical and economic aspects of further integration. Rather than do that, the Statewide Commission decided to act in an "r*eady, fire, aim*" mode and made specific service allocation recommendations for the Alliance that frankly, make no sense.

In respect to the recommendations made for St. Charles, the Commission supports a whole scale reassignment of medical surgical capacity to J. T. Mather, and the closure of the hospital's Emergency Department but maintaining Obstetrical and Pediatric programs at the hospital. One must ask, what happens to the Obstetrical patient who has an emergent condition, or requires critical care support as a result of complications during delivery? If that weren't egregious enough, all of the Statewide Commission's recommendations for St. Charles taken together will result in a net revenue loss of almost 25 million dollars, effectively bankrupting the facility (see attachment to this testimony). The Commission "supports" a reallocation of a clinical service mix at St. Charles that is financially unsupportable and could very well result in the wholesale loss of 1500 jobs in the local community.

For J.T. Mather, the Commission recommendation that the hospital re-locate behavioral health programs to St. Charles and absorb all medical surgical capacity for both facilities will require an estimated 110 million dollars in capital spending to duplicate facilities that already exist at St. Charles. That financial assessment was given directly to the Regional Committee by Mather. Why would J.T. Mather want to incur crushing debt and encumber its financial well being in order to do that?

For anyone that has read the "Financing" Section in the Commission document, these changes are to be "self-funded" by the affected hospitals, meaning no state support will be forthcoming to either facility for the changes being recommended by the Commission. It is clear from the report that the Federal "HEAL" dollars purported to be available, for facility reconfiguration, will only be used to bail out the Federal FHA Loan Guarantee Program which has significant default exposure in New York State.

While the Commission report opines about hospital excess capacity leading to inefficiency and unoccupied beds, the Commission is silent on University Hospital at Stony Brook's current plans to spend over *three hundred million* in taxpayer dollars over the next few years to duplicate the very same services available within the Mather-St. Charles Alliance and in community hospitals throughout Suffolk County. In many cases this expansion will add to further excess capacity in our region and financially undermine community programs that are struggling to survive.

What the Regional and Statewide Committees apparently fail to understand by these recommendations is that University Hospital like all Academic Medical Centers, requires a mix of primary and secondary care referrals to support high fixed overhead costs associated with complex tertiary care services. In fact, the majority of patients being admitted to University Hospital falls into those former categories, not tertiary care. The Commission's recommendation would have community hospitals such as St. Charles and J.T. Mather yield services as well as their financial viability to the larger goals associated with University Hospital's expansion. Ironically, these primary and secondary level admissions are now

appropriately cared for in local community hospitals at costs far lower than that found at tertiary centers such as University Hospital.

Had the Commission been wiser, or perhaps more knowledgeable, it would realize University Hospital at Stony Brook's success as a Major Academic Medical Center as well as its growth as a tertiary patient referral center, will require it to partner and not compete with local *Medical Staffs* not local hospitals. A regional "System" built on facility linkages and dictated by legislative fiat will accomplish nothing. Only by engaging in complimentary and mutually beneficial programs within community hospitals will local voluntary medical staffs have the confidence and trust to support the clinical, teaching, and research aspirations of the larger academic center.

As presently structured, the Medical Staff model at University Hospital operates much as any other voluntary community based physician staff and is viewed as being "in competition" with local subspecialty referral sources. Is it any wonder why tertiary referrals in Suffolk County largely by-pass University Hospital and find their way into Nassau County and New York City, leaving a vital tertiary resource to compete with local community hospitals and their medical staffs?

It is unfortunate that the Commission has been manipulated by proprietary interests to promote individual institutional agendas under the banner of "good" public policy. It is in fact, bad public policy and as presently proposed promises to irreparably harm community assets that have served the greater Port Jefferson area for over 100 years. Spending taxpayer dollars to duplicate and seriously undermine these community hospitals and their employees is a travesty of public policy that will ultimately undermine and frustrate the realization of the Commission's goals.

In order to promote a fuller discussion of options which might be achievable within the Mather - St. Charles Alliance and meet the spirit and intent of the Statewide Commission, we are providing specific alternatives in an attachment to this document.

We ask that the Department of Health be given discretion and flexibility in working with the Alliance so that severe and lasting damage to the hospitals located in Port Jefferson can be avoided.

Obviously, legislative intent will be an important guide for the Department should it attempt to implement the Commission's findings.

Thank you,

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