

Commission on Healthcare Facilities in the 21st Century: Final Report and Recommendations

GNYHA Government Affairs Forum

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Summary of (Non-Binding) Policy Recommendations

■ Acute care

- ◆ Reinvest any funds freed up by reform in health care system
- ◆ Strengthen long-term viability of institutions serving vulnerable populations, focus on primary, preventive, baseline services
- ◆ “[I]t is reasonable to expect [private payers] to participate in initiatives to promote financial alignment between payers and providers, and to participate in reinvestment strategies by reimbursing adequately while maintaining adequate reserves to meet current and future health care needs.”

■ Long-term care

- ◆ Expand home and community-based alternatives, implement reimbursement reforms, explore alternate payment methods, implement single point-of-entry system, develop chronic care management reimbursement, address disproportionate uncompensated care burden on some nursing homes

Summary of (Non-Binding) Policy Recommendations

- Uninsured
 - ◆ Lower barriers to enrollment in public programs, achieve seamless system of insurance, study coverage efforts in other states
- Primary care
 - ◆ Stem erosion of primary care capacity, invest in primary infrastructure, gain all-payer support for investments, develop primary care workforce
- Hybrid delivery models
 - ◆ Develop hybrid delivery models for communities which do not need full-service hospitals
- SUNY hospitals
 - ◆ Analyze feasibility of privatizing SUNY teaching hospitals and develop concrete timetable for action

Summary of Restructuring Recommendations

- Hospitals: 57 recommendations
 - ◆ 9 closures
 - ◆ 48 re-configurations
 - ◆ Including downsizing, conversions, affiliations, new hospital construction
 - ◆ 4200 bed reduction
 - ◆ 6.6% of certified and 7.5% of staffed beds
 - ◆ 6402 FTEs affected by closure recommendations
 - ◆ Includes management

Summary of Restructuring Recommendations

- Long term care: 25 recommendations
 - ◆ 8 closures or full conversions to other uses
 - ◆ Reduction of 3068 beds (2.6% of current)
 - ◆ Creation of 1014 non-institutional slots

Financial Impact of *Closures*

- Estimated savings to all payers
 - ◆ \$806 M/year, \$8 B over 10 year
 - ◆ Reduction in inappropriate utilization
 - ◆ Avoided capital investment
 - ◆ Greater efficiency
- Estimated savings to Medicaid
 - ◆ \$249 M/year, \$2.5 B over 10 years
- Estimated benefit to providers
 - ◆ \$721 M/year
 - ◆ Redistribution of indigent care, GME, worker recruitment and retention funds
 - ◆ Incremental volume

Financial Impact

- Estimated one-time cost of implementation
 - ◆ \$1.5 B
 - ◆ After application of estimated \$300 M in sale of facility real property, net cost = \$1.2 B
 - ◆ Of \$1.2 B,
 - ◆ \$350 M in closure costs
 - ◆ \$11 M in affiliation planning costs
 - ◆ \$1.1 B in construction costs
 - Caveat: \$600 M to build 2 new hospitals should come from non-State sources
 - Orange Regional Medical Center
 - Peninsula and St. John's Episcopal

Types of Recommendations (Focus on Hospitals)

- Closure
- Full conversion to non-inpatient purpose
- Build 1 hospital to replace 2
- Other reconfigurations
 - ◆ Reduce or add beds
 - ◆ Convert beds to another inpatient purpose
 - ◆ Affiliate under “unified governance structure”
 - ◆ Merger or other affiliation

Recommended Closures

■ NYC

- ◆ Parkway
- ◆ Saint Vincent Midtown
- ◆ Cabrini
- ◆ Victory
- ◆ Westchester Square

■ Hudson Valley

- ◆ Dobbs Ferry

■ Northern

- ◆ Bellevue Women's Hospital

■ Western

- ◆ Millard Fillmore-Gates Circle
- ◆ St. Joseph's, Cheektowaga

Recommended Full Conversion

- NYC
 - ◆ MEETH (close all inpatient beds)
- Central
 - ◆ Albert Lindley Lee (convert to DTC)
- Western
 - ◆ DeGraff Memorial (convert to SNF)
 - ◆ TLC Lakeshore (convert to DTC)
 - ◆ Westfield (convert to DTC)

Recommended Consolidation and Re-building

■ NYC

- ◆ If funds are available, Peninsula and St. John's Episcopal should merge and build new 400-bed hospital to replace existing ones

■ Hudson Valley

- ◆ If funds are available, Orange Regional Medical Center should close existing 2 campuses and consolidate operations in new 350-bed hospital

Recommended Mergers, Affiliations, Joinders under Single Unified Governance Structure

- “Single Unified Governance Structure” = One with full authority to engage in strategic planning, restructure clinical services, bed capacity and facilities, negotiate and contract on behalf of subject facilities, and the incentive to structure services to achieve maximum efficiency. Governing board of new entity must have powers sufficient to compel actions by any of the individual institutions.

Recommended Affiliations

- Long Island
 - ◆ Eastern LI, Southampton, Peconic (unified governance)
 - ◆ Brookhaven should consider joining
- NYC
 - ◆ Methodist and Community Hospital of Brooklyn (merger)
 - ◆ North General and Mount Sinai (passive parent)
- Hudson Valley
 - ◆ Kingston and Benedictine (unified governance)
- Northern
 - ◆ St. Clare's and Ellis (unified governance)

Recommended Affiliations

■ Central

- ◆ Crouse and SUNY Syracuse (non-SUNY governance)
- ◆ Arnot-Ogden and St. Joseph's (participate in Commissioner-supervised affiliation discussions)

■ Western

- ◆ Erie County Medical Center and Kaleida (unified governance but not under ECMC, Kaleida or a public benefit corporation)
- ◆ Lockport Memorial and Inter-Community Memorial (full asset merger)
- ◆ Bernard Chafee, TLC Lakeshore, TLC Tri-County (affiliate)
- ◆ Mount St. Mary's and Niagara Falls (participate in supervised affiliation discussions)

Recommended Capacity Changes

■ Additions

- ◆ Queens Hospital Center, Eastern LI, Brookhaven

■ Reductions

- ◆ LI: St. Charles, Mather, Nassau Univ. Medical Center, Long Beach, Southampton, Peconic, Stonybrook
- ◆ NYC: Peninsula, St. John's Episcopal, NY Downtown, Methodist, CHOB,
- ◆ Hudson Valley: Orange Regional, Mount Vernon, Sound Shore
- ◆ Central: Crouse, SUNY Syracuse, Auburn
- ◆ Western: Sheehan, TLC Tri-County, Bertrand Chaffee

Other Recommendations

- Exploration of changes in corporate status or related issues, e.g., Westchester Medical Center (explore freestanding children's hospital structure), SUNY Stonybrook (give greater flexibility to enter into systems), SUNY hospitals (analyze spin off), Brooks (seek designation as sole community provider), etc.

Caveats: Needed Legislation

- New legislation probably required for:
 - ◆ Erie County-Kaleida unified governance
 - ◆ Crouse-SUNY Syracuse unified governance
- New legislation desired by Commission for:
 - ◆ Granting SUNY hospitals greater flexibility to enter into systems arrangements
 - ◆ Re-tooling payment system
 - ◆ To support freestanding ED and ambulatory care services
 - ◆ Developing hybrid financing/service models
 - ◆ Where less than full-service acute care hospital is needed

Enforcement

- Commissioner directed to revoke operating certificates for hospitals recommended for closure, approve CONs for service and governance reconfiguration, actively supervise merger and affiliation discussions if needed, ensure Board composition meets Commission recommendations where specified, other
- For recommended joinders under unified governance structure, Commissioner may *withhold* approval of CONs/other requests until parties effectuate binding agreement, and if agreement is not entered into by date certain (12-31-2007 if no date specified), Commissioner may *revoke* operating certificate of one facility and *transfer* beds to the other; Commissioner may take similar actions if in supervised affiliation discussion he believes parties are not acting in good faith

Principles for Financing

■ Closure costs

- ◆ Use proceeds of asset sale and any other available funding first
- ◆ If State funding is needed, use FSHRP
- ◆ Give priority to hospitals in Secured Hospital Program, then to other DASNY clients, then to non-DASNY clients not part of an obligated group

Principles for Financing

- Construction costs
 - ◆ Self-fund and use 3rd-party financing
 - ◆ If State funding is needed, use HEAL
 - ◆ Give priority to facilities not part of obligated group
- Affiliation costs
 - ◆ Self-fund except for planning costs
 - ◆ Give priority to full asset mergers or affiliations under an active parent

Current Status

- Governor Pataki and Governor-Elect Spitzer both indicated they believed report should be sent to Legislature
- If both houses of Legislature fail to disapprove report by 12/31/06, it is effective
- *Legislature held special session 12/13/06 – did not act*
 - ◆ Hearings have been held throughout State

Relationship to Recently Announced HEAL-NY Grants

- Grant award letters state that use of HEAL funding is required to be consistent with Commission recommendations
- DOH will ask grantees that are the subject of Commission recommendations to submit new work plans to demonstrate compliance

Interaction with F-SHRP

- By 1/31/2007, NY must certify to CMS that there are no State statutory impediments to implement of recommendations on reconfiguring hospital and nursing home bed capacity
- By 7/15/2008, State must report on the final Commission recommendations, including:
 - ◆ Certification “that each of the Commission’s recommendations has been acted upon”
 - ◆ Strategy and timeline for full implementation
- Commission statute requires implementation by 6/30/2008
- F-SHRP waiver ends 9/30/2011