



**TESTIMONY  
OF  
LLOYD C. BISHOP, VICE PRESIDENT  
GOVERNMENT AFFAIRS AND COMMUNITY HEALTH INITIATIVES  
GREATER NEW YORK HOSPITAL ASSOCIATION  
BEFORE  
MANHATTAN COMMUNITY BOARD 2  
ON THE  
BUILDING OF A NEW SAINT VINCENT'S CATHOLIC MEDICAL CENTER  
JANUARY 22, 2007**

Good evening. I am Lloyd C. Bishop, Vice President for Government Affairs and Community Health Initiatives at the Greater New York Hospital Association, an organization that represents nearly 300 not-for-profit hospitals and continuing care facilities, both voluntary and public, in the greater New York metropolitan area. I am also a resident of Lower Manhattan, having lived in Battery Park City for the past six years. I am here this evening to express my personal support and my Association's support for the building of a new Saint Vincent's Catholic Medical Center.

Saint Vincent's, a hospital that has a long history of commitment to meeting the health care needs of the Lower Manhattan and West Side Manhattan community, has detailed the need to build a new Saint Vincent's. These reasons include the growth of these communities, the Berger Commission closings of St. Vincent's Midtown Hospital and Cabrini Medical Center, and the age of the physical plant—Saint Vincent's being a series of buildings, the newest of which were designed in the 1970s and that cannot accommodate the latest health care technology or the growing population.

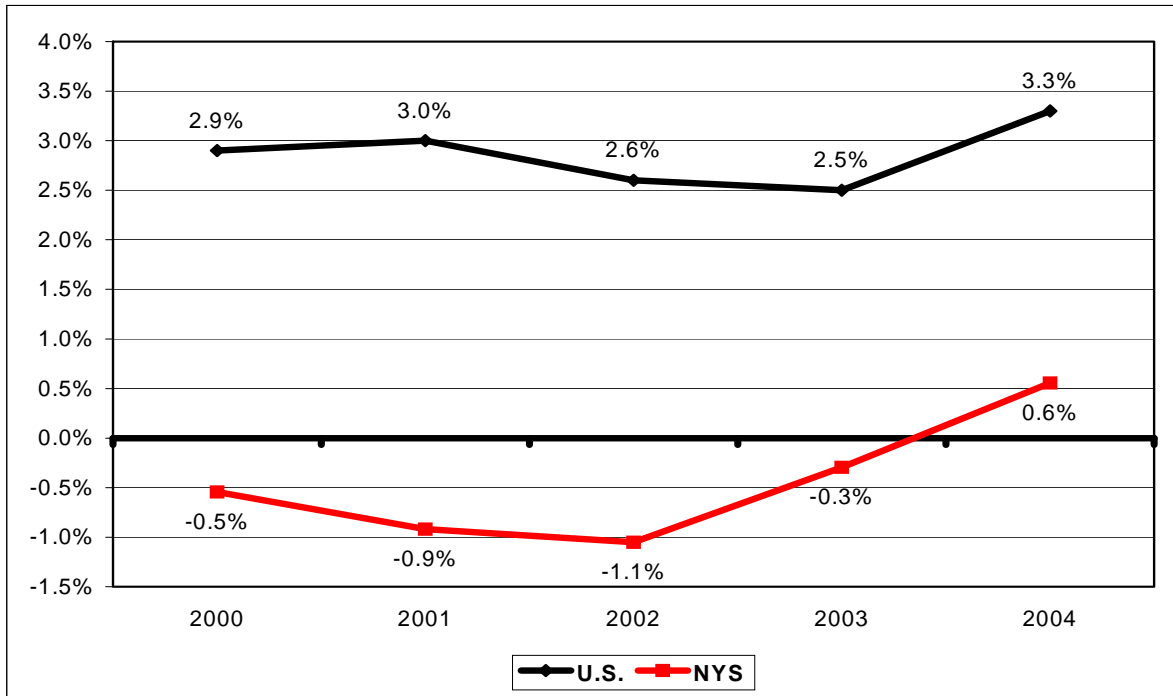
Having an aging physical plant that is no longer able to meet the needs of the community is not a situation unique to St. Vincent's. As the Greater New York Hospital Association has cited to Federal, State and local government officials, the fact that the physical plants of New York hospitals are so old is a reflection of the general financial condition of health care facilities in New York State. According to the 2007 Almanac of Hospital Financial and Operating Indicators, compiled from U. S. Department of Health and Human Services Medicare Cost Reports, the average age of New York State hospitals is 15.4 years, the oldest of all states in the nation and far below the national average of 9.9 years.

The old age of plant of New York facilities reflects poor access to capital, which in turn is a function of the low operating margins of New York hospitals as a whole. Hospitals in New York have for many years trailed the rest of the country in overall financial health. The goal of financial health and stability in the hospital community is important because it translates into better patient care and satisfaction, as well as improved quality and patient safety. Financial health and stability also allows our hospitals to make needed financial and human capital investments to be able to practice 21<sup>st</sup>-Century medicine.

Unfortunately, overall financial health, especially to the point where they can make needed capital investments, continues to elude hospitals in New York. The reasons New York hospitals lose money are complex, but are rooted in years of losses in Federal Medicare reimbursement, the fact that New York State's Medicaid rates do not cover the cost of actual patient care (hospitals lose more than \$2 billion a year on delivering care to Medicaid patients), managed care payment rates that are set artificially low, and the rising costs of pharmaceuticals, among other reasons. While hospitals nationally enjoyed a 3.3 percent bottom line operating margin, New York's hospitals are essentially at the breakeven point after eight straight years of operating margin losses. Operating margins themselves are negative overall, and only the infusion of contributions and other income

nudges New York hospitals bottom lines into a breakeven position. Figure 1 below illustrates this point.

**Figure 1. Hospital Bottom Line Margins, New York State and U.S.**



Source: GNYHA analysis of Medicare cost reports.

The lack of a sufficient operating margin directly undermines New York hospitals' ability to make capital investments for the future, a fundamental principle of survival for any organization, whether it is a publicly traded corporation, a museum, a college, a library, or a school system. For a hospital, investing in the future means upgrading the physical plant, implementing new information technology, expanding operating rooms to accommodate modern medical equipment, building state-of-the-art surgical suites, and the like. The lack of sufficient operating margin means that hospitals in New York: 1) lack the funds they need for this reinvestment in their infrastructures and 2) lack the access to capital—the ability to borrow money—that hospitals in other parts of the country enjoy.

For the Greater New York Hospital Association, the issues related to the poor financial health of the hospital community—an aging physical plant, the lack of sufficient operating margins for investments, and the related poor access to capital to make investments to physical plant—resonate here in the Saint Vincent's situation just as they do across our membership. As Saint Vincent's officials have stated, the current hospital's infrastructure is simply too outdated to meet both current and future needs. Renovation of the current campus would take over a decade to complete, would disrupt patient care, and would fail to yield the necessary clinical improvements that could be accommodated by a

new facility. The financing approach advanced by Saint Vincent's, including philanthropy and making the best use of its real estate assets to finance the needed capital investment, is consistent with the options that New York hospitals have available to them.

As a resident of Lower Manhattan, I want to know that the local hospitals that serve my community can meet my health care needs as well as the needs of the growing numbers of my Lower Manhattan and West Side neighbors. I am confident that Saint Vincent's officials are committed to working with Community Board 2, the Community Working Group, elected officials and other community leaders on issues related to the scale of the project as work proceeds to design a new facility that will meet the 21<sup>st</sup>-Century health care needs of our communities.

Thank you for the opportunity to address you this evening.