



Healthcare Association
of New York State

EMBARGOED UNTIL
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FOR MORE INFORMATION
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SURVEY: HEALTH CARE JOBS AND SERVICES IN JEOPARDY AS HOSPITAL MARGINS FALL INTO NEGATIVE NUMBERS

80% of Hospitals Considering Significant Cutbacks to Cope With Economy

Nation's Second-Worst Margins Decline Even More in Face of Fiscal Crisis

Moody's Report Confirms Increasing Financial Pressures on Non-Profit Hospitals

ALBANY, N.Y. — To cope with the devastating effects of the current economic crisis, approximately 80% of hospitals in New York have been forced to consider drastic measures, including cutting services, implementing layoffs, or delaying capital improvement projects, according to a survey completed recently by the Healthcare Association of New York State (HANYS). In addition, New York hospitals—which posted the second worst operating margins in America last year—have seen their bottom lines sink even further, to minus 1%.

“Hospital balance sheets have gone from bad to catastrophic. The national and state economic crises and repeated governmental cuts to health care have devastated the most important services our communities need,” HANYS President Daniel Sisto said.

According to HANYS' survey, 80% of hospitals are considering cutbacks to cope with the economic crisis; 68% of hospitals are considering scaling back improvement projects; 51% are considering a hiring freeze; 30% are considering cuts to existing services; and 18% are considering layoffs. Of the hospitals contemplating these or other measures, nearly 75% indicated they could take more than one action. HANYS' survey was conducted this fall and reflects financial information through three quarters of 2008 for 107 facilities across the state.

These impacts do not yet reflect the more significant market collapse in the fourth quarter of 2008.

“Hospitals are the economic anchors of the communities they serve. As the financial condition of hospitals continues to degrade, there will be very little choice than to eliminate jobs in order to protect core services—further weakening already fragile local economies and threatening the level of care and service the public demands,” Mr. Sisto continued. “For years, New York hospitals have been victims of government cut after government cut. As a result, we have the second worst operating margins in the country, and have been placed in a position to fail as we try to navigate through the worst economy in generations.”

In 2007, the bottom line margin for New York State hospitals was second worst in the country, at 1.9%. The national average bottom line margin was 6.88%. Only Mississippi ranked below New York. However, financial information provided this fall to HANYS indicates that the picture is even more dismal, and that hospital margins have decreased substantially as a result of the economic downturn, to minus 1%.

Last month, the American Hospital Association (AHA) conducted a similar survey, which showed deterioration of hospital margins nationally and similar consequences of the economic turmoil. Hospitals that participated in the AHA survey indicated that the economic climate has forced them to consider cutting administrative costs (60%), reducing staff (53%), and reducing services (27%).

This week, Moody’s Investors Service provided further evidence of hospitals’ struggles, issuing a report showing a dramatic spike in bond rating downgrades for not-for-profit hospitals during the fourth quarter of 2008. Moody’s downgraded 18 hospital bond ratings in October and November while upgrading only one. This was a steep increase in downgrades over the first nine weeks of a quarter, and is a troubling change from the equal ratios of upgrades to downgrades seen in recent quarters.

Moody's cited a number of factors that led to the downgrades, including: the softening of revenue as patients defer elective procedures; a decreasing number of insured patients; and increased bad debt and charity care expenses as unemployment rises. Hospitals are also facing the loss of philanthropy, tightening of credit markets, exploding pension obligations, and the loss of income from their investments.

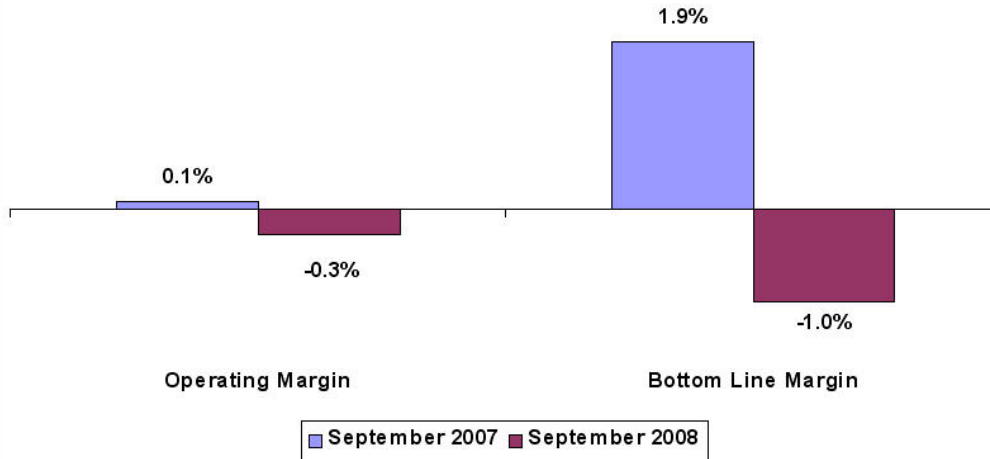
The survey of hospitals and the Moody's report come as health care providers brace for another round of state budget cuts. Governor David Paterson will release his Executive Budget proposal on December 16 and will target Medicaid cuts as a means to achieve savings. Health care providers have already suffered cuts this year—in April and again in August—totaling nearly \$1 billion. The Governor proposed another \$1.8 billion in cuts and taxes to hospitals, nursing homes, and home care in November.

“The warning signs are clear. And policymakers should heed the alarms. The ability to continue to provide critically needed health care services in communities across the state is very much in doubt,” Mr. Sisto said. “Even in the best of times, New York's non-profit hospitals must scratch and claw for every dollar, just to cover basic operating costs. In this economic climate, patients' access to care and hospitals' ability to deliver services face the threat of being eliminated.”

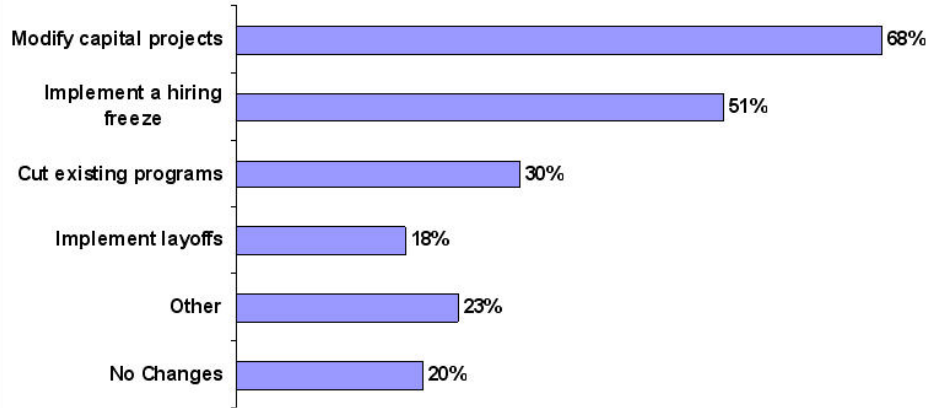
Note: The charts on the next page illustrate deteriorating hospital margins and how hospitals plan to cope with the economic crisis.

HANYS, the only statewide hospital and continuing care association in New York State, represents more than 550 non-profit and public hospitals, nursing homes, home care agencies, and other health care organizations.

**Operating and Bottom Line Margins, CYTD September 2007 vs.
CYTD September 2008**



**Percent of Hospitals Making or Considering Changes to Cope with the
Current Economic Situation**



Facilities taking more than one action

