



Healthcare Association
of New York State

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VITAL SIGNS FADING SHOWS A HOSPITAL SYSTEM ON COURSE FOR COLLAPSE

Like the Recent Wall Street Debacle, Early Signs of Trouble Are Not Being Addressed

ALBANY, N.Y. — Numerous warning signs pointing to a potential collapse of the state's hospital system are not being addressed, endangering patient care for millions of New Yorkers, according to a new report from the Healthcare Association of New York State (HANY).

Vital Signs Fading: Clear Indicators of a Collapsing Hospital System (available online at http://www.hanys.org/finance/budget/state/2009/docs/vital_signs_hanys.pdf) explains how New York's non-profit hospitals are being squeezed by a variety of forces that threaten the delivery of patient care and, ultimately, the very survival of these important institutions.

Yet, these clear indications of impending disaster are not being addressed—like the warnings that preceded the recent collapse of the nation's financial system.

“Today, New York's health care system ominously moves toward a systemic calamity—but only if we continue to ignore the key structural problems that threaten the health care services of 19 million New Yorkers,” said HANY President Daniel Sisto. “If the breaking point comes, access to emergency and routine health care will be compromised in many communities across the state.”

Vital Signs Fading explains how non-profit hospitals and health systems in New York are struggling to deliver care amid extreme financial pressures, workforce shortages, intense regulatory burdens, constantly changing managed care requirements, and the threat of deep reimbursement cuts in the 2009-2010 state budget.

“These factors are eroding the foundation of our health care providers. As these pressures to do more with less are ratcheted up to unsustainable levels, hospitals will have no choice but to lay off staff and curtail medical services,” said Mr. Sisto. “Like our nation's financial firms, New York's hospitals seem permanent, but are far more fragile than most people think.”

The ongoing national and state fiscal crises have weakened already fragile health care facilities across the state. Hospital balance sheets have been hit particularly hard, making it increasingly difficult for health care providers to access the capital needed to invest in the latest technologies and improve facility infrastructure.

With the economic downturn expected to continue—or likely worsen—into the foreseeable future, hospitals across the country can expect reduced revenue, continued cost increases, potential for declines or shifts in utilization, and increased uncompensated care. These effects are magnified in hospitals in New York State, as they are already operating with margins well below the national average. In 2007, the bottom line margin for New York State hospitals was second worst in the country, at 1.9%. However, financial information provided this fall to HANYS indicates that the picture is even more dismal, and that hospital margins have decreased substantially because of the economic downturn, to minus 1%.

With the recession, the number of uninsured and underinsured is growing, increasing the amount of uncompensated care that hospitals provide. This also leads to more emergency room use as people put off preventive care and wait until their illness reaches an emergent level before seeking treatment.

The warning signs are clear:

- insufficient reimbursement from government payers and insurance companies;
- ever-escalating costs for labor, pharmaceuticals, energy, technology, etc.;
- the debilitating and costly impact of the uninsured;
- payers, not providers, drive care decisions;
- the explosion of administrative burdens;
- crippling malpractice costs;
- vast physician and nursing shortages;
- a growing population in need of services;
- an aging infrastructure;
- the exorbitant negative impact of the financial crisis; and
- the failure of government both in Albany and in Washington to propose long-term, systemic solutions to any of the above.

“All of these factors limit providers’ ability to make investments in technology and infrastructure that are necessary to keep pace with the evolution of health care services,” said Mr. Sisto. “As a result, we are all impacted by a health care system that, from a physical plant, technological, and efficiency standpoint, will be falling behind the rest of the nation.”

Vital Signs Fading concludes with HANYS’ recommendations for strengthening the health care system to ensure that it will continue to provide high quality medical services to all New Yorkers. These recommendations include expanding coverage for the uninsured; providing all people with access to primary care; encouraging efficient, high-quality care; ensuring that every payer contributes their fair share of reasonable costs; medical malpractice insurance reform; increasing access to affordable capital; and making sound investments in health care technology.

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.