Hospital Closures in New Jersey: Too Many or Not Enough?

Leadership Newark
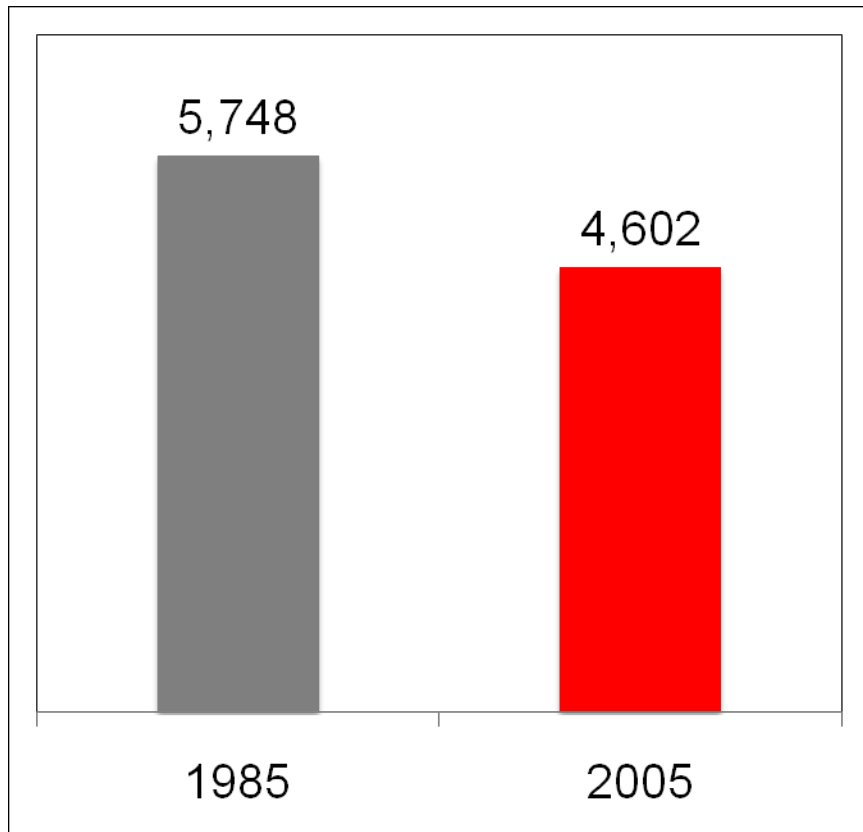Wednesday December 10, 2008
Newark, NJ

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The hospital closure problem in New Jersey

- General acute care hospitals
  96 in 1992
  74 in 2008

- Half generated negative profits in 2007
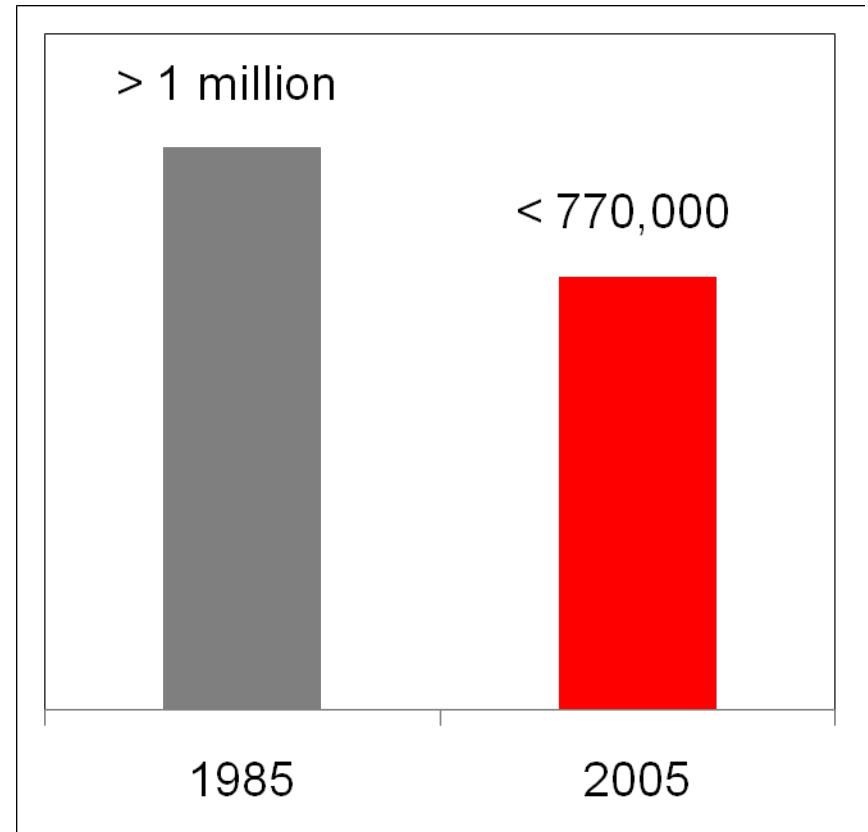
- More closures & bankruptcies expected

National context: NJ is not alone

Hospitals

1985	2005
5,748	4,602

Staffed beds

1985	2005
> 1 million	< 770,000

Source: AHA Annual Survey

Why are hospitals downsizing & closing?

- Policy goal 1980's & 90's

  Squeeze out "excess capacity/costs"

  More outpatient care, prevention, lower costs

  Tightening reimbursement (Public & private)

- Competition for profitable services

  Elective surgeries, advanced imaging – profitable

  Pneumonia, trauma – not profitable
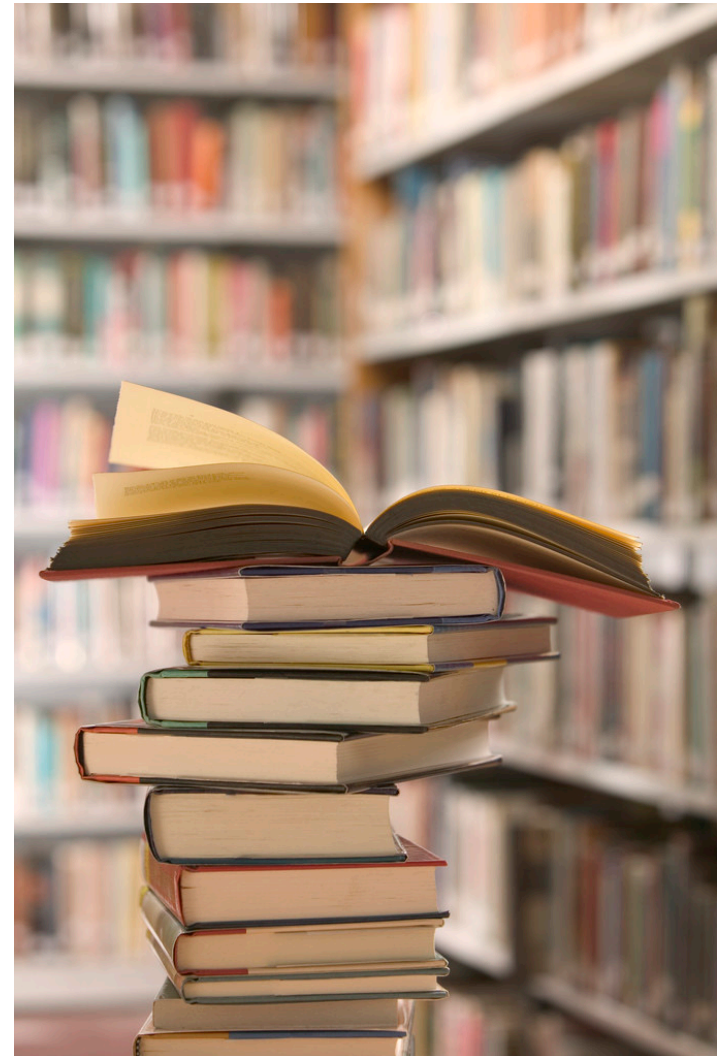
  Specialized facilities

- Hospitals w/uninsured, Medicaid, & unprofitable service lines are in trouble

Research on hospital closures up to mid-90's

- ## Closing hospitals

  Small

  Poor financial performance

  Low occupancy

  Fewer services offered

- ## Often in poor/minority neighborhoods

- ## Access after closures

  Usually other hospitals "nearby"
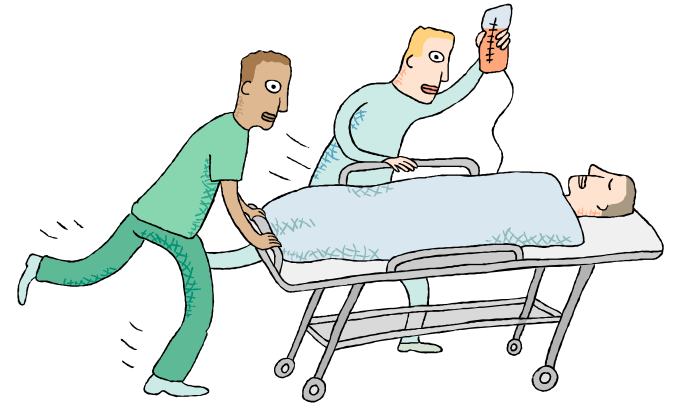
  Travel times ↑ in rural areas

Today's hospital environment

- ## Strained hospital capacity

  Emergency department (ED) overcrowding

  Ambulance diversion

- ## Other shortages
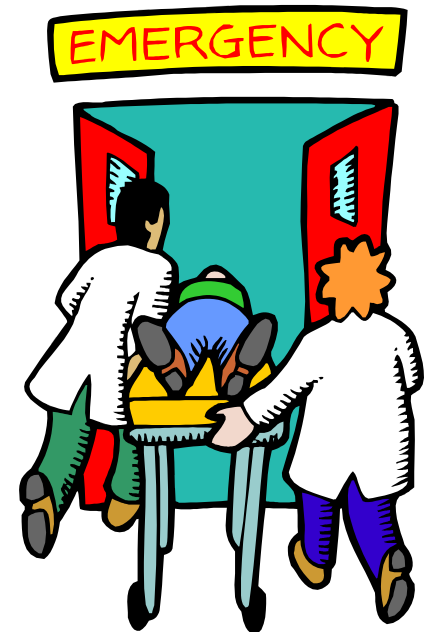
  Primary care

  Mental health care

  Others

- ## It all ends up in the ED

  Open 24/7

  Serves all comers

More recent research on hospital closures

- Los Angeles County, 1997-2004

  - More ambulance diversion
  - Longer travel times
  - More deaths from heart attacks & unintentional injuries

- Ongoing research
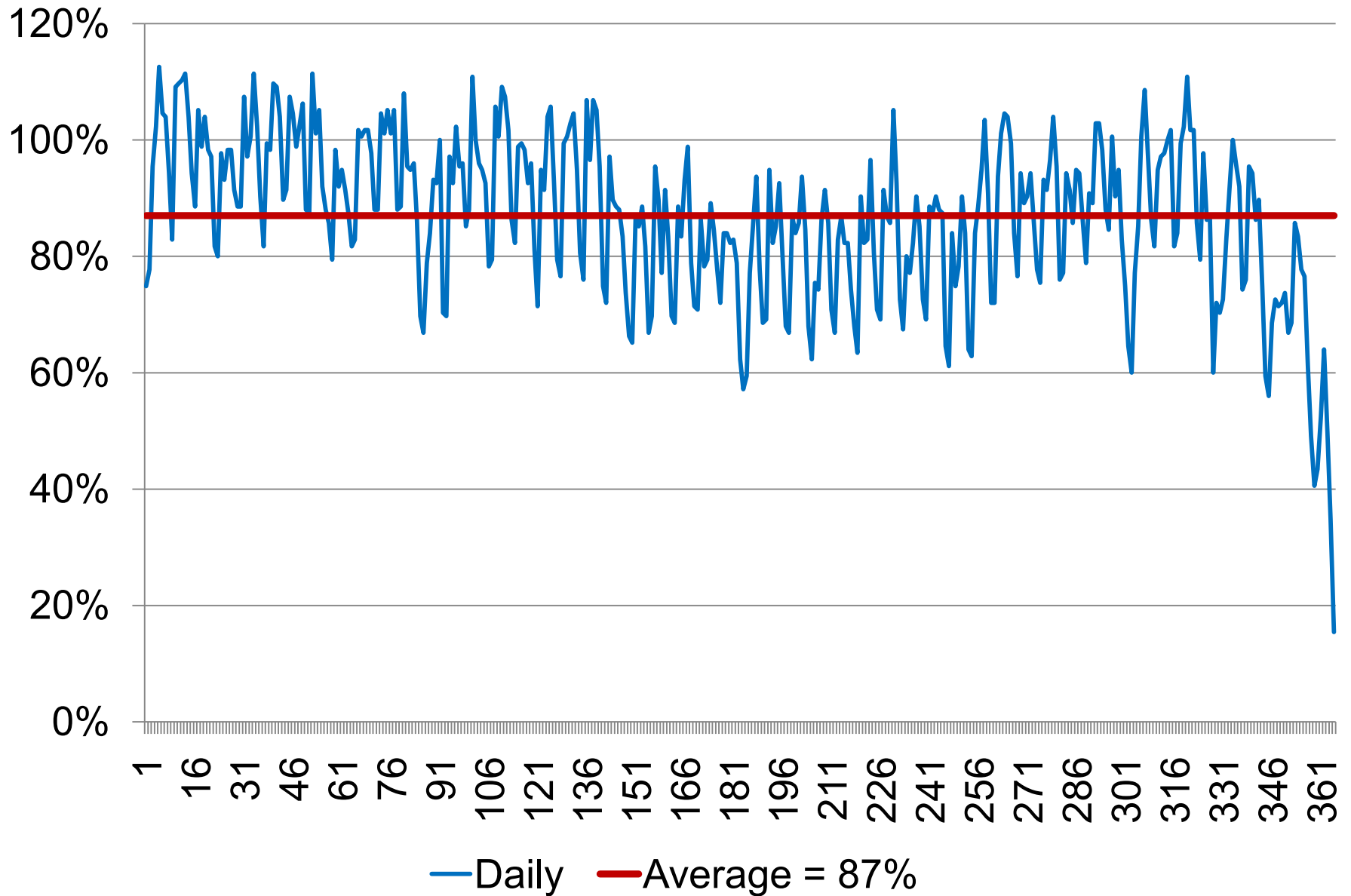 Effects of closure on HC quality

Does NJ still have too many hospitals?

- ## It depends on
  - Time of day
  - Day of week
  - Time of year

- ## The variability issue

- ## Domino effects
  - Payer mix
  - Service mix
  - Ambulance diversion

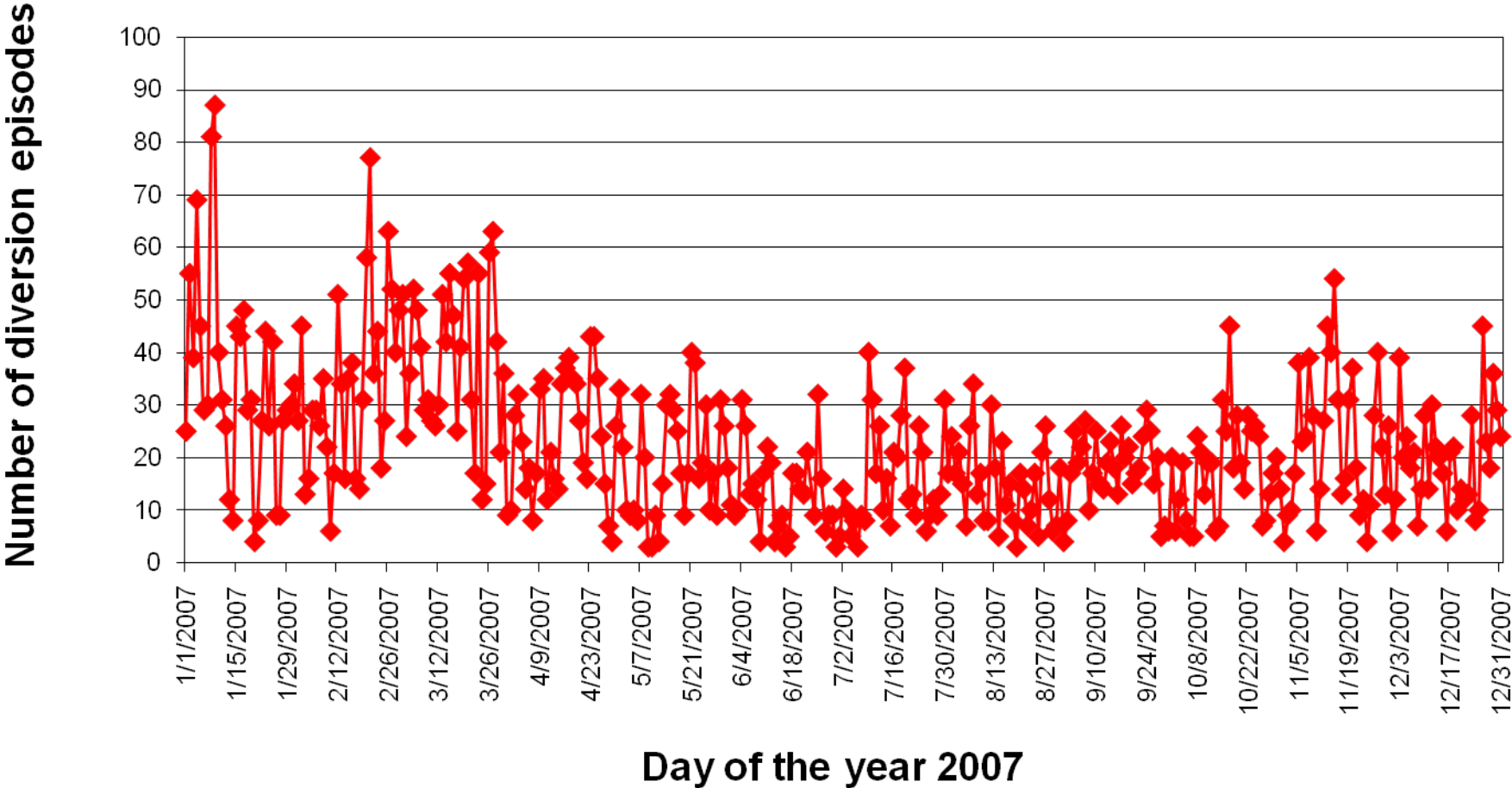# Example of variability: Columbus Hosp, 2005

Daily   Average = 87%

Occupancy rates at Newark hospitals, 2005

Hospital	Average OR	Days above given occupancy		
		85%	90%	95%
Newark BI	100%	307	261	210
St. James	89%	247	198	122
St. Michael's	98%	281	253	219
Columbus	87%	220	164	111
UMDNJ	98%	338	289	253

Sources: New Jersey UB-92, B-2

Ambulance diversions in NJ, 2007

8,172 total alerts ≈ once per hour statewide

Source: NJ EMS Status

Where to go from here?

- As more hospitals close, crowding & access will become larger issues

- Ways to avoid negative impact of closures

  Manage variability (hospital issue)

  Address care deficiencies in other areas (system issue)

- Level the playing field

  Fix payment imbalances

  Then let markets work

- Proceed carefully!