New York State Commission on Healthcare Facilities for the 21st Century

Northern Regional Advisory Committee Final Report

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Highlights

- Within the Northern Region there is a dichotomy between the northern and southern areas. The northern part of the region is primarily rural and relatively sparsely populated. The southern portion (the metro regions of Albany, Schenectady, Troy and Amsterdam) is more populated, and characterized by a range of urban, suburban, exurban and rural communities. Consequently, there is more opportunity for rightsizing in the southern area.

- The N-RAC focused its rightsizing analysis on the southern portion of the region (in particular, the Tri-City area - encompassing Albany, Schenectady and Troy). The majority of the N-RAC's report is devoted to discussing recommendations for rightsizing hospitals and nursing facilities in Schenectady.

- There are opportunities for acute care institutional rightsizing in the Saratoga and Glens Falls area, which the N-RAC did not fully explore. These regions may be further studied during the summer.

- Some of the N-RAC's system recommendations include:

    1) Expanding the availability of home and community based services
    2) Increasing workforce capacity
    3) Restructuring the reimbursement system
    4) Conducting a study on county nursing homes

Pat I. General Findings for Counties

Northern Region: Franklin, Clinton, Essex, Hamilton, Counties

Characteristics: These counties do not currently lend themselves to rightsizing. The counties are rural with a small population dispersed across a large area. Each county experiences winter weather conditions, which can significantly alter access to critical care services. The area is a popular vacation destination in winter and summer and is home to an Olympic Center. It is also home to a military base. Both of these characteristics can result in significant fluctuations in population and demand for health services. Fort Drum recently experienced an increase in population of over 10,000 soldiers (and their families) an additional 600+ civilian workers.

Long-Term Care: Less than 50% of the long-term care needs in the region are currently being met. This leads to insufficient capacity for area hospitals to safely discharge patients, resulting in a backlog at the hospitals, increasing length of stay, and exacerbating financial vulnerability. Champlain Valley Physician Hospital (CVPH) in Clinton County, for example, is already one day over the state's Average Length of Stay (ALOS). The closure of the Rouse Point Nursing Home may further impact ALOS at surrounding hospitals.

Although not all long-term care services have to be provided in a nursing home, a number of conditions make HCBS impractical in this area: Long travel distances between patient's homes; and adverse weather conditions, which create transit difficulties, make it inefficient for home care.

In order to be cost effective, HCBS care requires that services be provided in areas with dense populations. The N-RAC believes there are four areas where capacity building for long-term care services is warranted:

1) Increasing Day Care programs that support working families who are caring for seniors in their homes
2) Developing more affordable housing and assisted housing
3) Providing additional support for rural health clinics that offer primary care and case management
4) Approving a consumer directed home care program for people in the rural areas with supervision coming from either the hospitals and/or the nursing homes.

Acute Care: At this time, the hospitals in this region appear to serve the population and no downsizing is needed. These counties have experienced changes in acute care service delivery. One change has been the emergence of Medicare-designated Critical Access Hospitals and Sole Community Providers in place of full service hospitals.

Warren, Washington, Saratoga Counties

Characteristics: This region is more populated in the southern part of Saratoga County. Warren and Washington Counties are rural with some mountainous areas. Washington, Warren and Saratoga counties are now home to two hospitals and 12 nursing homes with a total of 1,755 beds. A small percentage of the population from these counties receives healthcare services in the Albany area. The DOH bed methodology shows a need for nearly 500 new beds in this area.

Acute Care: There are two hospitals in this area: Saratoga Hospital and Glens Falls Hospital. A third one, Mary McClellan Hospital and Nursing Home in Cambridge (Washington County) closed in 2003. Both hospitals are needed as both provide care in a large geographic service area. Over the past decade efforts have been made to coordinate lines of service between the two acute hospitals with little or no success. The N-RAC finds that this lack of cooperation and coordination does not serve these communities well and in fact, adds unnecessary costs to the system. The N-RAC recommends that these two hospitals collaborate on service lines to strengthen quality and reduce redundancy in the future.

Long-term care: While home and community-based long-term care services are scarce the area's institutional long-term care market is appropriate. There are three pending nursing home projects in Saratoga County: (1). Saratoga Hospital: The potential applicants want to purchase Saratoga Hospital's 72 RHCF beds, obtain approval for 88 more, and locate them all at a new 160-bed facility in Malta. (2). Life Care Center at Coburg Village: Wartburg Lutheran Services, Inc., has received contingent approval to establish and construct another 160-bed RHCF in Rexford, across from an existing 210-unit independent housing program. (3) Schuyler Ridge: An existing 120-bed RHCF (which also has 25 ADHC slots) in Clifton Park has received contingent approval to construct an 80-bed addition. Given the proximity of these nursing facilities to the adjacent southern counties (Albany, Schenectady) the N-RAC discussed the implications of the DOH CON approvals. The N-RAC concluded that approval for building these additional beds was premature without commensurate addition of home and community based services. The N-RAC is uncomfortable supporting this decision at this time and recommends that these pending projects be halted until further study is undertaken. In particular, more time is needed to study the 12 nursing homes in the region to determine if more beds are needed, and whether more HCBS and housing could meet the needs of the community.

Montgomery County & Fulton County

Characteristics: Montgomery County and Fulton Counties, located along the Mohawk River and Erie Canal, are similar in terms of land area (around 400-500 square miles), populations (around 50,000-55,000), and economic profiles (with median incomes of around $30,000 – $40,000 and around 12% of the population below the poverty line). Each includes one urban center (Amsterdam in Montgomery County and Gloversville in Fulton County) that was economically prosperous when the region had a stronger manufacturing base.

Acute Care: Montgomery County is home to two hospitals, Amsterdam Memorial and St. Mary's,, both in Amsterdam. Fulton County is home to one hospital, Nathan Littauer in

Gloversville. These counties have experienced a substantial rightsizing of their acute care industry in the last decade.

As early as 1997, St. Mary's, a Catholic hospital that is affiliated with Ascension Health, the nation's largest Catholic health system, began discussions with Nathan Littauer about a possible merger. At the time, it was clear that the region was no longer able to sustain three community hospitals. However, even after overcoming a challenge to that merger from the State Attorney General in 2002, the deal was terminated by St. Mary's. A merger contemplated by Amsterdam Memorial Hospital and Ellis Hospital in Schenectady was abandoned around the same time, perpetuating a clearly untenable situation.

That situation was relieved when, in the same year, Amsterdam Memorial determined that continued competition with St. Mary's was not sustainable. It converted its emergency department to a part-time urgent care center, close its six-bed intensive care unit, and transform its 24 medical/surgical beds into a swing-bed unit offering sub-acute care. Amsterdam Memorial now focuses on providing services that complement those offered at St. Mary's.

As a result, Amsterdam Memorial, St. Mary's and Nathan Littauer are on reasonable financial footing, and the N-RAC doesn't see the opportunity or need, to rightsize the acute care delivery system in Montgomery and Fulton Counties.

Long-Term Care: **Montgomery County** is home to five nursing homes, including one affiliated with Amsterdam Memorial Hospital, and one, Montgomery Meadows Residential Health Care Facility, that is owned by the county. The county is in the process of selling Montgomery Meadows to the operators of St. Johnsville Rehabilitation and Nursing Center, also in the county.

Fulton County is home to three nursing homes, including one affiliated with Nathan Littauer Hospital, and one, Fulton County Residential Health Care Facility, owned by the county. The N-RAC does not recommend rightsizing the hospital-affiliated facilities. Opportunities may exist to rightsize the two county-owned facilities.

Otsego County & Schoharie County

Characteristics: Otsego County and Schoharie Counties are located in the southwestern portion of the Northern Region. Otsego is the larger, with around 1,000 square miles and over 62,000 residents. Schoharie is smaller, with around 600 square miles and fewer than 32,000 residents. In both cases, the median income is in the $30,000 – $40,000 range. In Otsego, around 15% of the population lives below the poverty line, while in Schoharie that figure is around 12%. Both counties are primarily rural. The largest population center is the city of Oneonta in Otsego County, with a population of over 13,000.

Acute Care: Otsego County is home to two hospitals, A.O. Fox Memorial Hospital in Oneonta, and Mary Imogene Bassett Hospital in Cooperstown. Schoharie County is home to one hospital, Bassett Hospital of Schoharie County in Cobleskill. A.O. Fox is affiliated with Albany Medical Center. Mary Imogene Bassett and Bassett of Schoharie are both affiliated with Bassett

Healthcare, a four-hospital system providing services throughout central New York. All three hospitals are financially stable and necessary, and the N-RAC sees no need to recommend changes.

Long-term Care: Otsego County is home to three nursing homes, including an 80 bed proprietary home, one affiliated with A.O. Fox Memorial Hospital, and one, Otsego Manor, owned by the county. Otsego Manor is a new facility (a rarity among county nursing homes), but its occupancy appears to be insufficient to provide for its future sustainability Schoharie County is home to one nursing home, Eden Park Health Care Center, which is part of a family-owned chain of nursing homes with locations throughout New York, and in some other states. With the possible exception of Otsego Manor, the N-RAC sees no opportunity for rightsizing these facilities.

Columbia County & Greene County:

Characteristics: Columbia County and Green County are two similar counties located on either side of the Hudson River in the southern portion of the Northern Region. They have a similar land area (around 650 square miles), but somewhat different populations (with around 63,000 in Columbia County, and around 48,000 in Greene County). On average, Columbia County is slightly more affluent, with median income in the $42,000 – $50,000 range, and around 9% of the population living below the poverty line, as opposed to Greene County, where median income is in the $36,000 - $44,000 range, and over 12% of the population lives below the poverty line.

Acute Care: Columbia County is home to only one hospital, Columbia Memorial Hospital in Hudson. An affiliated hospital in Greene County, Columbia Greene Medical Center, was closed several years ago. The Columbia Greene Medical Center property is now used for various outpatient and long term care services. As a result of this previous rightsizing, the N-RAC sees neither opportunity nor need to rightsize Columbia Memorial.

Long-term Care: Columbia County is home to five nursing homes, including one, Pine Haven Home, that is owned by the County. Greene County is home to two nursing homes, one of which, Eden Park Health Care Center, is part of the family-owned Eden Park chain, and Kaaterskill Care, which is owned by Columbia Memorial Hospital. As is the case of acute care, previous rightsizing has occurred in both counties on the long term care side. In recent years, a facility operated by Eden Park in Hudson was closed. The 140-bed Firemen's Home in Hudson began the process of constructing a 92-bed replacement facility, and Kaaterskill Care, which is located on the Columbia Greene Medical Center campus, has begun expanding into more integrated models of care, most recently including low-income senior housing. So here, too, the N-RAC sees no need to rightsize.

Albany, Schenectady, Rensselaer Counties

Characteristics: The Tri-County area is characterized by multiple facilities, significant market penetration by free-standing ambulatory surgery centers and office-based surgery practices, unnecessary duplication of hospital services resulting in a "medical arms race", and over-bedding in acute institutional care in some areas. The majority of N-RAC's recommendations focus on acute care facilities in this Tri-County area, with the best opportunities for rightsizing in Schenectady County. For more information on each facility, see Exhibit A (in the appendix).

The flow of traffic between acute care facilities in this region tends to be on opposite sides of the Hudson River with Albany being the biggest draw for people in other regions (including Schenectady and north or south on the NYS Thruway). Other characteristics of the tri-city area include:

- ✓ Existence of multiple hospitals in each city
- ✓ One Catholic and at least one secular acute care facility in each city
- ✓ One academic medical center (Albany Medical Center)
- ✓ One separate, large, stable, integrated system that provides acute and long-term care (Northeast Health)
- ✓ Rightsizing of hospitals in Troy occurred in mid 90's with merger of Leonard and St. Mary's – St. Mary's is now the anchor hospital for Seton Health system which provides integrated acute, long-term & home health care
- ✓ Bellevue is one of only two women's hospitals nationwide (services are primarily, but not exclusively, OB).

Acute Care: **Albany County** is home to three hospitals: Albany Memorial, St. Peter's and Albany Medical Center. The existence of these hospitals combined with lower than average occupancy rates caused the N-RAC to examine one hospital, in particular, for rightsizing opportunities (Albany Memorial). However, this hospital is financially stable and serves as the linchpin for its larger healthcare system/network (Northeast Health). The network contains a second hospital (Samaritan – located in Troy) and provides several other home and community-based healthcare services including: the long-term home health care program, home care, PACE, housing, and daycare to 15 counties in the region. In late 2006, Northeast Health acquired Sunnyview Rehabilitation Hospital in Schenectady. The committee ultimately concluded that it is desirable to maintain Albany Memorial Hospital to preserve the services supported by the Northeast Health network.

Physician groups are a significant player in the Tri-City area. The penetration of managed care in this area is above 70%. Physician practices have as many as 150 physicians in a group. The largest HMO in the area is run by physicians and strongly influences hospital usage. The area has a large niche market of outpatient and ambulatory surgery centers that compete for best patients, both in terms of ability to pay and outcomes. This has left hospitals saddled with high-cost, low-paying patients, (negatively impacting the financial viability of the hospitals). Unfortunately the physicians groups have not shown an interest in succession planning. The N-RAC, in its recommendations regarding the tri-city area, has considered how best to ensure a level of sophisticated physician services, concluding that the hospitals should be strengthened in order to recruit highly trained physicians. Given that there is still duplication of services and that

cooperation between the entities is essential for future viability, the N-RAC recommends that collaboration must occur between the existing hospitals.

Rensselaer County is home to two hospitals: Samaritan and St. Mary's. Both hospitals are located in Troy, and are part of larger healthcare systems. Samaritan is one of two primary anchor hospitals for Northeast Health. St. Mary's, a Catholic Hospital is part of Seton Health, which is affiliated with Ascension Health. Both Samaritan and St. Mary's are financially sound. Both hospitals are in the City of Troy. In the last decade there was a closure (Leonard Hospital), which reduced excess capacity. While the N-RAC concludes that there is still excess capacity in the county, both hospitals are needed. These hospitals have made significant efforts to collaborate to minimize duplication of services and respond to the community's healthcare needs. One example of collaboration is an effort to provide universal access to basic healthcare and pharmaceutical services for residents of the county. Rensselaer Heart Institute is another example of collaboration, and they are working on an agreement for joint obstetrical and anesthesiology services. The N-RAC recommends that there be further collaborations between the two hospitals in Troy.

Schenectady County is home to four hospitals: Ellis Hospital, St. Clare's Hospital, Bellevue Woman's Hospital, and Sunnyview Rehabilitation Hospital.

The largest, **Ellis Hospital**, is a community hospital that in recent years has developed sophisticated specialty services not typically found in a community hospital. After several years of negative balances, in 2001 the hospital experienced a financial turnaround resulting in positive operating margins. This turnaround has come at a price both to the hospital, which carries a substantial debt load and to access to care in the Schenectady area. In 2000, Ellis Hospital eliminated its obstetrics program, and in 2004 spun off one of its primary care clinics (although the latter action actually provided that clinic with access to greater reimbursement as a Federally Qualified Health Center). Cost-cutting measures, including layoffs, have continued and customer service needs to be strengthened.

St. Clare's Hospital is a Catholic community hospital, providing emergency and primary care services with the highest percentage of Medicaid and self-pay patients in Schenectady County. This patient payment mix has had a negative effect on the hospital's financial health. While its debt load is not as large as that of other similarly-situated hospitals, its operating margins are consistently negative, forcing cost-cutting measures and placing the facility's future sustainability in jeopardy.

Bellevue Woman's Hospital is one of only two not-for-profit specialty hospitals remaining in existence for women in the nation, and the only one in New York State. It provides primarily obstetrical services although not high-end, risky obstetrical services. Bellevue converted to its current not-for-profit status in 2001, having previously been a family-owned, proprietary facility. That conversion has resulted in a substantial debt load, (see Appendix, Exhibit A and Exhibit F) which, coupled with a business model dependent on the provision of poorly-reimbursed obstetrical services, places the hospital's future viability in doubt. Bellevue has attempted to address this by diversifying the hospital's service base, and securing philanthropic support. However, these measures are not viewed as sufficient for short-term nor long-term sustainability.

Sunnyview Rehabilitation Hospital – Sunnyview is the region's major rehabilitation hospital with 104 beds. The other rehab hospital is Eddy Cohoes Rehab Center (in Cohoes – Albany County) with 37 beds. Both are medical and physical rehabilitation hospitals and are in transition to adjust to a new federal payment rate. Since the final rule regarding the rehabilitation rate was published in 2005, both hospitals have been exploring how to reorganize services under the new financing system. Northeast Health (the parent of ECRC) and Sunnyview have agreed to a merger which will facilitate right-sizing PM&R services in the region. The N-RAC concluded no rightsizing was necessary.

Long-term care: There are several nursing facilities in the tri-county area with some indication that restructuring is warranted. (See Appendix, Exhibits D and E). On the long-term care side, Child's Nursing Home closed in 2005, causing tighter capacity at nursing homes in the Tri-County area. Conversations with internists and family practice physicians revealed that there is significant demand for social care as well as clinical care. Most physician practices in the region are not designed to provide case management for patients. Yet they are required to provide such services detracting from the provision of clinical care. The N-RAC recommends that case management services be enhanced to move patients into community settings.

Part II. Facility Specific Recommendations

A. Acute Care Facilities

RECOMMENDATION #1: Assuming adequate resources are available to make necessary investments, the Commissioner of Health should execute a merger between the two major hospitals in Schenectady (St. Clare's and Ellis). In doing so, the commissioner should establish an advisory board that, at minimum, examines the structure of a parent corporation, how to consolidate assets, how to retire debt—including the sale or adaptive reuse of infrastructure rendered unnecessary, how to maintain adequate service levels, and what investments are needed for restructuring.

Target Date: This recommendation should be fully implemented by December 30, 2009.

Research: Members of the RAC met with the CEO's of Ellis and St. Clare's Hospitals. A second meeting was held with the CEO of Ellis Hospital to learn about prior efforts to consolidate the two hospitals – unofficially and previously referred to as "the Schenectady solution".

Justification: With adequate preservation of the core services to underserved populations, the N-RAC concludes that a consolidation could reduce duplication of services and create efficiencies. These savings could be re-invested in other needed services such as primary and preventive care. Absent an expedited consolidation of Ellis and St. Clare's, it is anticipated that existing competition among the two major hospitals in Schenectady will (i) continue to erode and destabilize both of them, (ii) necessitate further, otherwise unnecessary, infusions of capital (most likely from the State, as private lenders are unlikely to be willing to invest in such an unstable market), and (iii) adversely impact the quality of care in Schenectady.

Service to Vulnerable Populations: A high percentage (46%) of the patients at St. Clare's are Medicaid or self-pay patients, and it is imperative that services be maintained. The efficiencies derived by a consolidation of Ellis and St. Clare's are likely to provide better access for vulnerable populations. Approximately 24% of the patients discharged from Ellis Hospital are Medicaid or self-pay patients and with a merger or consolidation, the mission to provide service to vulnerable populations should be retained.

Availability of Services: St. Clare's Hospital provides more emergency and outpatient services than any hospital in Schenectady County, including around 38,000 emergency room visits, 51,000 general clinic visits and 24,000 ambulatory surgery procedures per year. Amid 38,000 ER visits to St. Clare's each year, a high percentage are estimated to be urgent care (although more analysis is needed). The hospital provides some unique services, including a six-bed geriatric unit and a five-bed sleep disorders unit. It is located in close proximity to Ellis Hospital, and is even closer to downtown Schenectady. It is essential that many of the *services* provided by St. Clare's be sustained.

The efficiencies to be derived by consolidating the expertise of St. Clare's in the delivery of high-volume, low-reimbursement services with Ellis' expertise in the delivery of more

specialized, high-reimbursement services will allow greater cross-subsidization, thereby ensuring the ongoing stability of such services. Ellis Hospital provides several unique services to the patients of Schenectady County, including a comprehensive stroke program, one of only three cardiac surgery programs in the Capital Region, and the only inpatient mental health services in Schenectady County. While it has deemphasized more basic services (and actually eliminated its obstetrics program), it still provides robust emergency and outpatient services, including around 33,000 emergency room visits, 34,000 general clinic visits and 14,000 ambulatory surgery procedures per year. It also provides 82 residential health facility beds within the hospital. It is located in close proximity to both downtown Schenectady and St. Clare's Hospital.

Quality of Care: The care provided by Ellis Hospital is generally adequate, and is excellent in the area of stroke and heart attack care. The care provided by St. Clare's Hospital is generally adequate, although there is some concern about the quality of its heart attack and heart failure care. The consolidation of Ellis and St. Clare's likely will improve existing deficiencies in the quality of heart attack and heart failure care at St. Clare's. Similarly, additional quality can be derived from linkages between the geriatric acute care unit at St. Clare's and Ellis' residential health care facility.

Utilization: Ellis Hospital has 368 certified beds, of which 256 are staffed. Its average daily census is around 200. St. Clare's Hospital has 200 certified beds, of which 118 are staffed. (See Appendix, Exhibit B) Its average daily census is less than 85. Thus, each hospital is underutilized. The merger of St. Clare's and Ellis will eliminate duplication of services more efficiently meet regional healthcare needs. The following chart roughly illustrates one possible arrangement to eliminate such duplication in medical/surgical beds:

Med/Surg	Current Beds (Certified)	Current Beds (Staffed)	ADC	New Beds (Both)
Ellis	292	180	147	264
St. Clare's	166	84	75	0
Total:	458	264	222	264

Viability: St. Clare's has a history of financial problems, and financial viability is questionable. Based on audited financials St. Clare's experienced operating losses in both 2003 and 2004. (See Appendix, Exhibits A and F). Of particular concern is this facility's ability to remain functional given its $27 million unfunded pension liability on an ABO basis ($34 million on a PBO basis). The hospital's current position shows little cash and recent projects required funding through a letter of credit backed by St. Clare's independent foundation. Cash flow for 2003 and 2004 were both negative and, as a result, St. Clare's would not be able to make the future investments required to remain competitive and efficient. While detailed review of St. Clare's 2005 results would be helpful, even if those showed some improvement, the migration of services and the competitive duplication in the Schenectady market will not allow St. Clare's to reach a long-term viable financial position.

Economic Impact: Ellis Hospital employs around 1,600 FTEs, representing over 2% of the workforce in Schenectady County. St. Clare's Hospital employs around 920 FTEs, representing over 1% of the workforce in Schenectady County. The consolidation of Ellis and St. Clare's is unlikely to have an immediate negative economic impact on the Schenectady area. However, it is possible that some of the efficiencies to be derived from such consolidation would take the form of staff downsizing. However, such downsizing is already occurring on a competitive basis, and is likely to continue in the future absent such consolidation. (See Appendix, Exhibit G).

Estimated Efficiencies The consolidation of Ellis and St. Clare's will: (i) improve the viability of the remaining entity; (ii) minimize the need for future infusions of State capital in Schenectady; (iii) eliminate the duplication of services between those entities and otherwise allow services to be rationalized between the two campuses; and (iv) provide maximum opportunity to achieve real cost saving by utilizing the excess capacity at both campuses to empty and reuse or transfer entire buildings, rather than simply decertifying and closing beds, rooms or wings.

Necessary Investments: The Commissioner must ensure that the plan for consolidation of services that is necessary prior to the granting of a license to a consolidated entity achieves genuine efficiencies, which may necessitate some capital investment in one campus or both campuses. Substantial capital investment, including State funds, will be necessary to ensure a successful merger.

RECOMMENDATION #2: The Commissioner of Health should revoke the Article 28 license of Bellevue Woman's Hospital, provided that some arrangement is made to ensure that the services provided by Bellevue continue to be offered by the remaining providers in Schenectady County, especially including obstetric and neonatal services.

Target Date: This recommendation should be fully implemented by June 30, 2008.

Justification: N-RAC members noted and Commission data confirmed that there is excess capacity in hospital services in the tri-city area, but particularly in Schenectady County. It also determined that the services provided by Bellevue should and could be maintained at the remaining facility with the appropriate investments. Moreover, the financial situation of Bellevue is particularly serious. Financial statements for 2003 and 2004 indicate a negative net worth, significant debt, and losses from operations requiring philanthropic support to maintain. In addition, Bellevue's patient mix, relatively limited role in the local economy, limited scope of services, and the potential for upgrading the overall quality of obstetrical services to the community by consolidating these services elsewhere, results in a closure recommendation by the N-RAC. The closure of Bellevue has the potential to significantly improve the viability of the remaining hospitals in Schenectady by allowing them to capture Bellevue's patient base, a high percentage of which is privately insured.

Availability of Services: As noted, Bellevue concentrates on obstetrical services, and offers no medical/surgical beds or emergency services. It does, however, perform over twice as many births per year as St. Clare's, the only other obstetrical service provider in Schenectady County (approximately 2,200, as compared to approximately 800 at St. Clare's) and provides the only level II neonatal intensive care unit in the county. It also provides around 2,000 ambulatory surgery services per year and houses a breast care center and pelvic health center. Bellevue has partnered with a local mental health provider and the local medical college to provide the educational portion of the region's eating disorder services. In comparison to the other hospitals in Schenectady County, its location is relatively remote. Provided that the unique services it offers (Level II neonatal intensive care unit and its eating disorder services) are transferred to another hospital in Schenectady, the closure of Bellevue will not affect the type of services available to the residents of the Schenectady area. Moreover, the volume of services provided by Bellevue can be absorbed with minimal investment by remaining area hospitals. Bellevue's ambulatory surgery volume of around 2,000 procedures per year can readily be absorbed within existing ambulatory surgery capacity at the consolidated Ellis/St. Clare's facilities. Its obstetric volume is more difficult to absorb, but if the Ellis and St. Clare's campuses are merged (per Recommendation #1), it is anticipated that the resulting efficiencies will allow for the expansion of obstetrical services.

Quality of Care: The care provided by Bellevue is generally adequate. It is anticipated that the consolidation of the services provided by Bellevue with similar services provided by Ellis and St. Clare's can expand the quality and services available. This is particularly true in regard to obstetrical services – consolidating all 3,000 births in Schenectady per year will allow for additional investment in neonatology, and could allow the host facility to provide an even more comprehensive neonatal intensive care unit than is currently offered by Bellevue. Similarly Ellis' mental health program will bolster Bellevue's education component for eating disorders

Utilization: All the hospitals in Schenectady are underutilized. (See Appendix, Exhibit B) Bellevue has 55 certified beds, only 40 of which are staffed. Its average daily census is around 20. The closure of Bellevue will increase utilization at the remaining hospital or hospitals, and in particular will ensure that existing obstetric beds in Schenectady are fully utilized (probably even requiring some minimal conversion of currently unused medical/surgical bed capacity).

Viability: Bellevue's continued viability is tenuous, as is the viability of at least one of the other two general hospitals in Schenectady. (See Appendix, Exhibit A and F). Bellevue is unaffiliated with any other hospitals or systems that could provide substantial financial or management assistance to reverse the current financial situation. The closure of Bellevue has the potential to significantly improve the viability of the remaining providers in Schenectady by allowing them to capture Bellevue's patient base, a high percentage of which is privately insured. The N-RAC recommends closure of Bellevue with the facility and property converted or sold, and the proceeds used to retire Bellevue's debt.

Economic Impact: Bellevue employs less than 300 FTEs, representing less than .5% of the workforce in Schenectady County. Therefore, the N-RAC believes that the closure of Bellevue is unlikely to have a negative economic impact on the Schenectady area, in light of the relatively small number of FTEs employed by Bellevue, and the fact that the elimination of services at Bellevue will be accompanied by a transfer of such services elsewhere in Schenectady. (See Appendix, Exhibit G.)

Service to Vulnerable Populations: Only a small percentage (12%) of Bellevue's patients are Medicaid or self-pay patients, particularly in comparison to Ellis and St. Clare's (24% and 46% respectively), so its closure is unlikely to have an appreciable effect on such populations.

Estimated Efficiencies: Absent a closure of Bellevue, it is anticipated that the existing competition among the hospitals in Schenectady, particularly for obstetric patients, will (i) continue to destabilize all the competitors, (ii) necessitate further otherwise unnecessary infusions of capital (most likely from the State, as private lenders are unlikely to be willing to invest in such an unstable market), and (iii) adversely impact the quality of care in Schenectady, particularly in the area of obstetrics. The closure of Bellevue will (i) improve the utilization and viability of the remaining hospitals in Schenectady, (ii) minimize the need for future infusions of State capital in the area, and (iii) improve quality of care.

Necessary Investments: The Commissioner must ensure that the volume of services provided by Bellevue can be absorbed by the remaining hospital in Schenectady.

B. Long-Term Care

Avenue and Dutch Manor

RECOMMENDATION # 3: The Commissioner of Health should approve a certificate of need application that would: (1) combine the Avenue and Dutch Manor into a single new 240 bed nursing home on the campus of the existing facilities; and (2) allow the renovation of Dutch Manor to create 40 assisted living program beds and a 30 slot adult day health care program.

Target Date: CON approval should occur as soon as feasible but no later than 12 months after submission.

Research: The N-RAC met with the Chief Executive Officer of Capital Living to discuss The Avenue and Dutch Manor Nursing Homes, which are on the same campus. A member of the RAC toured the facility, met with the Administrator, and reviewed current records on quality of care. The Avenue has 224 certified beds but 62 were taken off line because the age of the plant was tied to quality deficiencies. The second nursing home on the Campus, the Dutch Manor, has 86 beds.

The owners of the two facilities have been developing a rightsizing plan to make them a viable entity. (One facility was built in 1926 with two additions – the newest was built in the 1970s). The rightsizing plan combines the two nursing homes into one new 240 bed nursing home on the existing campus reducing the SNF bed capacity by 70. With the resulting space, The Dutch Manor would be renovated to be a 40 bed ALP and a 30 slot day care program.

Justification of Recommendation (The Avenue and Dutch Manor): The N-RAC determined that the conversion plans for the nursing homes would result in improved access to needed home and community based services (particularly supported housing and daycare for low-income families). Renovations to the facility would create efficiencies and have the potential to attract better staff resulting in higher quality of care. In the absence of these changes, the County could have inadequate beds, fewer HCB services would be available, and the two Nursing Homes could experience further deficiencies in quality of care.

Discussion of Core Criteria

Access to Vulnerable populations: The Tri-City area is characterized by a large number of high-end assisted living facilities and little or no low-income housing and related supports. The Avenue and Dutch Manor currently serve a higher percentage of Medicaid than other facilities in the region and their location in the city makes them accessible for families who use public transportation. The owners of The Avenue and Dutch Manor are interested in providing needed low-income ALP programming on a campus.

Availability of Services: Schenectady has a high number of elderly obese and diabetic residents. As a part of building a new nursing home, the owners are interested in developing

services that would support rehabilitation and chronic care needs. The addition of the ALP and daycare would enable better management of chronic disease needs and prevent unnecessary hospitalizations or early placement in nursing homes.

Quality of Care: Over the past two years and under the new management, the quality of care in both the Avenue and Dutch Manor has greatly improved. Building a new nursing home would create an environment that supports quality of life as well as quality of care.

Utilization: Both the nursing homes are full at 162 beds and 86 beds. The Avenue took 62 beds off line (out of 224) because the 1926 building had environment issues that made it unsafe for the residents. (See Appendix, Exhibits D and E).

Economic Impact: Expansion of services on the campus to include housing with services and a daycare would provide respite to families who care for elders, allowing them to re-engage in work activities that would benefit themselves and the economy. Data on the number of employees at each institution were unavailable. (See Appendix Exhibit G)

RECOMMENDATION # 4: The Commissioner of Health should not approve any certificate of need applications for the establishment, construction, or renovation of a county nursing home, for any county in the Northern Region until a study is completed that examines: (1) the current role of counties in providing safety net nursing home services; (2) the feasibility of counties continuing to provide such services; (3) the relative need for counties to provide such services; and (4) other potential models for providing care to nursing home residents who have no other care options.

Target Implementation Date: Effective January 1, 2007 and in effect until study is completed. Study should be completed no later than November 30, 2007 (although the Commissioner of Health may waive this requirement if circumstances clearly demonstrate community need and project delay would cause harm).

Research: The N-RAC's met with County Manager of Schenectady, staff from the County Executive's office in Albany, and the executives of each county facility. The county home executives communicated that they have a strong mission to be the safety net provider for people in need of nursing home care in their counties. Based on our review of the Schenectady Glendale facility, the N-RAC concludes that some downsizing of Glendale's older building is warranted.

Overview: Together in Albany, Schenectady, and Rensselaer counties there are 1,317 county supported beds. In Saratoga, Warren and Washington counties there are 558 county supported beds. The County Nursing Homes in the Tri-County area are large, have low occupancy rates, and antiquated buildings that are inefficient. Over the past several years, the viability of the nursing homes was partially supported by a financing mechanism that is being phased out. The financing support began in 1995 when the Counties and the State developed a system to obtain additional public assistance by billing the upper payment limit (UPL). The county homes received 10% of the money and the rest was transferred back to the State for other healthcare

spending. This Intergovernmental Transfer (IGT) program allowed all the county homes to operate in the black for several years. In 2001 the Centers for Medicare and Medicaid (CMS) published a final rule on IGT that lowered the upper payment limit and severely restricted the practice. Over the next four years the money was subsequently phased out by an average of 25% a year. This year is the last year the IGT payment methodology can be used.

Justification for Recommendation: The phase-out of the UPL and IGT has had a major impact on the financial viability of the county homes. In order to continue to meet their mission the homes would need to identify other sources of income, develop another subsidy, or compete in the market with private (both for profit and nonprofit) nursing homes. To compete, the public nursing homes would need to streamline their operations, which in most cases would require rebuilding their homes, significantly increasing the county's expenses – which must already underwrite the loss from the existing homes. In addition, the homes would need to increase their private and Medicare case loads, resulting in less safety net services for county residents who are often turned away from private nursing homes based on payment source. These factors led the N-RAC to recommend that a study be conducted of the utility and appropriate uses for county nursing homes, including how they can meet their self-identified mission of providing care to all resident regardless of health status or payment source.

Justification for decision not to make recommendations on the following facilities: (Northwoods of Troy, Resurrection Rest, Good Samaritan)

Research: The N-RAC interviewed officials at each of the nursing homes and visited two of them. The characteristics of the homes have changed since related information was provided from Commission staff to the N-RAC. The survey results in each of theses homes has improved in the last two years in part because of the closure of Childs Nursing Home, a 120 bed home in Albany.

Resurrection Rest is under new management and is supported by the Josephite Mother House in Illinois. Resurrection Rest is the only home on the west side of Rensselaer. The majority of the residents come from Rensselaer and just south of the county.

Good Samaritan has been merged into a Lutheran system which includes Coburg Village. This merger has helped improve financial and quality issues in the facility. Good Samaritan is on a campus in Delmar that includes independent senior housing, an adult home, and the nursing home. The adult home building is about half full compared to the nursing home and senior housing which is completely full – with waiting lists. The reason for the difference in occupancy rates between the nursing homes and senior housing is not clear but the management is looking at restructuring to better meet the needs of the community.

Finally **Northwoods** in Troy is fully occupied and has improved quality ratings on recent. An investigation of the owner by the Attorney General has put all of the Northwood homes in receivership. Therefore the impact on the future viability of these homes is not clear.

Part III. Structural and Policy Recommendations

A number of themes emerged from the public hearings, data analyses, and numerous private discussions with providers in the target area. Those themes and suggested structural and policy recommendations are briefly outlined in this section:

1. Change reimbursement policies so there is better reimbursement for preventive care, home and community-based care, nursing home, tele-medicine, equity in nursing care regardless of setting.

2. Develop incentives to increase the healthcare workforce, especially for home and community based providers (e.g. shortage of home care nurses).

3. Authorize a study on County Nursing Homes and place a moratorium on building until the study is complete.

4. Develop more affordable congregate housing for the elderly – particularly in the northern area of the region

5. Modify the bed need methodology to account for geographic regions rather than counties

6. Develop incentives for promoting the development of more home and community-based providers – including providers of social services and supports for the elderly and disabled.

7. Balance the degree of regulatory requirements for hospitals versus free-standing outpatient/ambulatory or physician-based clinics.

Appendix

Exhibit A. General Facility Financial Information (Tri-City Facilities Only)

Name of Hospital/Nursing Home/Network	Operating margin of facility[1] (2003)	Average operating margin of facility[1] (1999-2003)	Operating Expenses[1] (2003)	Days operating cash on hand [1] (2003)	Excess of Revenue over Expenses[2] (2004)
Albany Medical Center Hospital	3.8%	2.2%	$378,812,118	2	$16,754,962
Albany Memorial Hospital	4.3%	0.4%	$58,655,674	62	$3,988,000
St. Peter's Hospital (Albany)	3.4%	1.9%	$241,138,455	55	$13,596,000
Samaritan Hospital of Troy	2.2%	3.0%	$75,773,945	99	$5,145,000
Seton Health System	-3.7%	-2.5%	$107,129,823	29	$819,000
Bellevue Women's Hospital	-9.2%	-8.4%	$22,973,685	12	- $264,599
Ellis Hospital	2.8%	-2.6%	$149,690,755	29	$2,958,232
St. Clare's Hospital of Schenectady	-9.1%	-4.3%	$80,316,573	8	- $2,708,976

Exhibit B. Hospital Capacity Comparisons (Tri-City Area only)

Name of Hospital	Certified Facility Beds [3] (2004)	Certified Occupancy Rate [3] (2004)	Staffed Facility Beds [4] (2004)	Staffed Occupancy Rate [4] (2004)	Total annual discharges[3] (2004)	# of Total Outpatient Visits[4] (2004)	# of Total Inpatient Discharges[4] (2004)	# of Inpatient Bed Days Available[4] (2004)
Albany Medical Center Hospital	631	72.6%	584	80.7%	25,741	292,683	27,417	213,744
Albany Memorial Hospital	165	46.5%	85	90.7%	6,164	140,807	6,196	31,110
St. Peter's Hospital (Albany)	442	78.0%	427	83.0%	23,600	482,799	26,332	161,772
Samaritan Hospital of Troy	238	55.3%	136	99.2%	8,045	239,964	8,519	49,776
Seton Health System	201	56.9%	179	64.4%	8,089	311,426	8,572	65,214
Bellevue Women's Hospital	55	40.4%	40	89.4%	2,677	63,992	4,676	14,640
Ellis Hospital	368	52.2%	272	70.7%	12,888	245,070	13,056	99,552
St. Clare's of Schenectady	200	42.2%	200	43.6%	6,305	158,184	6,977	73,200

[1] Institutional Cost Reports (ICR)
[2] Excess of revenue, gains, and other support over expenses, from independently audited 2004 financial statements.
[3] Statewide Planning and Research Cooperative System (SPARCS)
[4] ICR

Exhibit C. Hospital Capacity Comparisons (Tri-City Area only)

Name of Hospital	Total Inpatient Average Length of Stay[5] (2004)	Annual ER visits[6] (2004)	# of licensed specialty beds (2006)[7]	% of ER patients covered by Medicaid or uninsured [6] (2002-04)	# of births (July 2004-June 2005)[8]
Albany Medical Center Hospital	6.5 days	57,459	287	28.8%	2,042
Albany Memorial Hospital	4.5 days	31,016	21	26.2%	0
St. Peter's Hospital (Albany)	5.3 days	45,623	144	20.5%	2,695
Samaritan Hospital of Troy	6.0 days	34,562	116	35.7%	516
Seton Health System	5.2 days	24,090	68	32.6%	573
Bellevue Women's Hospital	3.0 days	-----	55	-----	1,972
Ellis Hospital	5.4 days	32,435	103	23.6%	0
St. Clare's Hospital of Schenectady	4.9 days	37,249	50	46.3%	774

[5] SPARCS
[6] ICR
[7] "Specialty beds" is defined as all beds except for medical-surgical beds. From DOH, accessed on the Internet at : http://hospitals.nyhealth.gov/browse_view.php?id=4&p=beds
[8] From DOH, accessed on the Internet at: http://hospitals.nyhealth.gov/browse_view.php?pfi=1&p=vol&l1=13#open
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Exhibit D. Nursing Home Capacity Comparisons (Tri-City Area Only) *Option 1*

Name of Nursing Facility	Facility Beds (2006)[9]	Occupancy (2004)[9]	*% of Beds that are SNF*	*% of beds that are short-term rehab*	*% of beds that are adult day*	*Other bed uses*
Albany County Nursing Home	420	76.2%				
Glendale Home	360	96.6%				
Northwoods Extended Care Facility - Hilltop	110	80.0%				
Northwoods Extended Care Facility – Rosewood Gardens	80	98.7%	*Not licensed separately; no available data*	*Not licensed separately; no available data*	*Not licensed separately; no available data*	*Not licensed separately; no available data*
Northwoods Extended Care Facility - Troy	120	94.6%		*(Please see table below as an alternate table)*		
The Avenue Nursing and Rehab Center	224	88.9%				
Dutch Manor Nursing and Rehab Center	86	90.4%				
Good Samaritan Lutheran	120	98.0% (for 2002; did not report for 2003 or 2004)				
Resurrection	80	90.0%				

Exhibit E. Nursing Home Capacity Comparisons (Tri-City Area Only) *Option 2*

Name of Nursing Facility	Facility Beds (2006)[10]	Occupancy (2004) [10]	% Low Acuity[11]	% Days Paid by Medicaid[12]
Albany County Nursing Home	420	76.2%	21%	85%
Glendale Home	360	96.6%	24%	79%
Northwoods Extended Care Facility - Hilltop	110	80.0%	9%	57%
Northwoods Extended Care Facility – Rosewood Gardens	80	98.7%	26%	73%
Northwoods Extended Care Facility - Troy	120	94.6%	18%	74%
The Avenue Nursing and Rehab Center	224	88.9%	21%	81%
Dutch Manor Nursing and Rehab Center	86	90.4%	12%	67%
Good Samaritan Lutheran	120	98.0%[13]	14%	64%
Resurrection Nursing Home	80	90.0%	15%	82%

[9] On the Internet at: http://www.nyhealth.gov/facilities/nursing/county/
[10] On the Internet at: http://www.nyhealth.gov/facilities/nursing/county/
[11] A "low acuity" patient is defined as a patient with a RUG score of PA or PB. % of low acuity is calculated as a percent of low acuity patients of a nursing home's total resident population. From: Bureau of Long-term Care Reimbursement Rate Sheets 2001-03.
[12] From: RHCF Cost Reports 2001-03.
[13] 2002

Exhibit F. Facility Asset & Debt (Tri-City Area Only)

Facility Name	Cash & Cash Equivalents[14]	Short-term Investments[14]	Net Unrestricted Assets[14]	Current Portion of LTD and Capital Leases[14]	Depreciation and Amortization Expenses[14]	Interest Expense[14]	LTD & Long Term Obligation Under Capital Leases[14]	Total Expenses[14]	EBIDA Debt service coverage (2004)	Pension Fully Funded (Y). If not, estimated expense
Albany Medical Center Hospital	$5,351,124	$144,441	$123,295,190	$15,004,597	$60,762,300	$9,395,929	$128,181,445	$426,095,935	1.92	
Albany Memorial Hospital	$1,813,000	$8,041,000	$27,447,000	$2,936,000	$3,185,000	$750,000	$5,959,000	$65,605,000	2.15	
St. Peter's Hospital (Albany)	$35,882,000	$17,890,000	$122,980,000	$4,073,000	$14,836,000	$2,047,000	$27,520,000	$272,988,000	4.98	
Samaritan Hospital of Troy	$6,279,000	$9,200,000	$79,771,000	$987,000	$5,068,000	$101,000	$1,151,000	$87,418,000	9.48	
Seton Health System	$15,877,000		$16,056,000	$774,000	$4,894,000	$1,623,000	$39,714,000	$116,190,000	3.92	
Bellevue Women's Hospital	$1,199,833		- $2,003,057	$1,326,211	$1,570,056	$1,120,952	$13,688,437	$23,878,374	1.26	
Ellis Hospital	$2,178,875		$32,100,692	$4,094,957	$9,298,182	$1,913,842	$33,849,667	$174,762,603	2.36	
St. Clare's Hospital of Schenectady	$852,076	$79,477	$10,695,180	$1,766,071	$3,724,966	$477,743	$2,841,502	$86,665,783	0.10	

[14] From independently audited 2004 financial statements.

Exhibit G. Role in Local Economy – Tri-City Facilities Only

Hospital/Nursing Home	Total civilian workforce by county[15] (Dec 2003)	FTEs by facility (2003)[16]	% of county's total civilian workforce employed by facility (2003)
Albany Medical Center Hospital	161,500	3,018.9	1.87%
Albany Memorial Hospital	161,500	656.9	0.41%
St. Peter's Hospital (Albany)	161,500	2,658.9	1.65%
Samaritan Hospital of Troy	81,400	957.4	1.18%
Seton Health System	81,400	1,124.0	1.38%
Bellevue Women's Hospital	74,400	274.3	0.37%
Ellis Hospital	74,400	1,549.7	2.08%
St. Clare's Hospital of Schenectady	74,400	920.7	1.24%
Albany County Nursing Home	161,500	510.7	0.32%
Glendale Home	74,400	327.4	0.44%
Northwoods Extended Care Facility - Hilltop	74,400	179.8	0.24%
Northwoods Extended Care Facility – Rosewood Gardens	81,400	84.1	0.10%
Northwoods Extended Care Facility - Troy	81,400	139.7	0.17%
The Avenue Nursing and Rehab Center	74,400	-----	-----
Dutch Manor Nursing and Rehab Center	74,400	-----	-----
Good Samaritan Lutheran	161,500	-----	-----
Resurrection Nursing Home	81,400	69.5	0.09%

[15] US Census
[16] Institutional Cost Reports