Impact of Urban Hospital Closures on Healthcare Delivery

Escalating hospital closures in urban communities are raising concern about whether these populations can receive quality health care, especially emergency treatment. The number of hospitals in 52 major cities in the United States has fallen from its peak of 781 in 1970 to 426 in 2010, a drop of nearly 46%.(1)

Closures of urban hospitals have a direct and significant impact on low-income patients and community resources. Researchers have found an association between closures (and resulting increases in distance to the nearest hospital) and increases in deaths from heart attacks and unintentional injuries and other negative patient outcomes.(2; 3)

Studies on the effects of safety-net hospital closure have shown that minority, elderly, and uninsured populations are subsequently at risk for poorer access to care and health outcomes.(4-7) Moreover, potential overcrowding of area hospitals as a result of another hospital closure can significantly increase workload of hospital staff and compromise quality of care.(8; 9)

An early study of urban hospital closures found an association between hospital closures and initial surges in emergency department (ED) crowding and ambulance diversions.(10) More recently, investigators found a 10-30% surge in emergency department admissions in surrounding hospitals following the closure one urban hospital in Los Angeles. This created a number of challenges, including difficulties maintaining patient privacy, increased workload, decreased staff morale, and increased patient time/expense traveling to new healthcare providers.(11) Additional analyses found that a significant proportion of respondents who had a physician affiliated with the hospital reported greater challenges accessing care since the closing, compared
to those who did not have a doctor affiliated with that hospital. (12)

A similar study examining the impact of another safety-net urban hospital closure on primary care physicians also highlighted the strain and burden felt by the local and regional system and poorer patient health outcomes due to challenges navigating the system.(13) For vulnerable populations, such as individuals with severe mental illness, the impact is even greater, as they have greater reliance on ED services and experience increased lengths of stays in EDs, when compared to the general population.(14)

A Case Study: The Changing Landscape of New Jersey Healthcare

In the early 1990’s, New Jersey insurance companies successfully lobbied to end government rate setting and create a “competitive” marketplace in which insurers and hospitals are free to negotiate the prices insurers would pay to hospitals for treating their insured patients. This deregulation significantly impacted urban hospitals throughout New Jersey, which serve low-income patients, including working class white, black, and Hispanic populations. In many communities, these hospitals serve as a “safety net” for the indigent and uninsured; greater than 25% of many urban hospital patients are uninsured.

The unintended consequences of deregulation included significant cuts to uncompensated care reimbursement that were originally covered by the government at 100 percent of costs, the discontinuation of the state government subsidizing Medicare funding shortfalls and cuts in Medicaid payment rates to providers. As deregulation took effect, insurers recognized the need to negotiate in-network provider agreements. While suburban hospitals, which generally treat a higher-income population (typically covered by their employers), were considered the highest priority because this would ensure that their employer-sponsored patients would have coverage
in their communities. However, because urban hospitals have smaller numbers of insured patients, they had little bargaining power and, therefore, were less of a priority for insurers to reach an in-network provider agreement.

Healthcare price deregulation, combined with the unwillingness of insurers to negotiate adequate reimbursement for services contributed to the closure of many urban hospitals in New Jersey. The New Jersey Hospital Association reports that 20 hospitals closed in the 2000-2012 period, and eight hospitals filed for bankruptcy from 2007-2012. (15)

Among the hospitals that filed for bankruptcy were: Bayonne Medical Center (BMC), Bayonne, NJ, in 2008; Hoboken University Medical Center, Hoboken, NJ, in 2011; and Christ Hospital, Jersey City, NJ, in 2012. These hospitals are located in urban, working class areas within Hudson County, which has the highest rate of uninsured, underinsured and Medicaid patients in the state of New Jersey.

**CarePoint Health Model**

**Acquisitions**

In 2008, CarePoint Health, a for-profit healthcare system, acquired BMC, which was bankrupt and on the verge of closing. CarePoint Health believed that a well-operated hospital in a low-income urban area such as Bayonne, NJ, could work financially by investing much-needed capital, improving management practices and restructuring the hospital so that it could continue serving the community, employ doctors and nurses, and advance the quality of care available in Bayonne.

Following the acquisition of BMC, CarePoint Health acquired two nearby hospitals that were also in bankruptcy: Hoboken University Medical Center (Hoboken, NJ) in 2011 and Christ
Hospital (Jersey City, NJ) in 2012. CarePoint Health is now the largest private employer in Hudson County. Moreover, by bringing the hospitals out of bankruptcy, CarePoint Health saved the state an average of $22 million per year in state funding and prevented an estimated loss of $750 million annually to the regional economy.

“Turn Around” Strategy

Critical to the success of CarePoint Health in turning around BMC was securing new reimbursement rates from insurers, which were, at the time, significantly lower than those paid to suburban hospitals. However, because efforts to renegotiate reimbursement agreements were unfruitful, CarePoint was compelled to cancel all insurer contracts and significantly increase its charges for emergency room services. This led to a short period of time during which previous insurers were out of network and obligated to pay these fees for any of their insured members who presented at the BMC emergency department for care.

Following successful litigation with Horizon Blue Cross and further negotiations, a contract was reached between BMC and Horizon Blue Cross, which is now the largest private insurer at BMC, making up greater than 50% of the hospital’s private pay volume. BMC subsequently reached similar agreements with other private insurers, including MagnaCare, Empire Blue Cross Blue Shield, Emblem Health and AmeriHealth. Today BMC and its sister facilities are financially sound, with 95% of patients covered by some type of insurance payment.

Behind the Controversy

During the past several months, CarePoint Health has been the subject of several media reports, criticizing the group because its charges are considered among the highest in the nation.
In essence, these reports sensationalize the high charges billed to out of network patients who have received treatment at one of the CarePoint Health facilities, insinuating that these patients are responsible for full payment, (16)which is blatantly false. Typically a patient is treated, released, and the bill is submitted to the insurer. The insurer will typically refuse the bill or pay what it feels is appropriate.

Although New Jersey law requires hospitals to submit bills to patients for charges, the rule also states that patients cannot be penalized when they go to the nearest hospital in an emergency. Even if the hospital is not part of their insurer’s network, patients are not responsible for paying any more than if they had gone to a hospital within their network. Thus, the only party with exposure to the charges is the insurance company, the same company that does not want to pay a fair reimbursement rate to be in-network, and then attempt to force patients into the middle of the dispute.

The motivation behind these stories remains suspect as it relates to who stands to gain by positioning CarePoint Health in this negative context. However, these reports coincide with efforts by the New Jersey General Assembly’s Insurance and Financial Institutions Committee to revise the out of network policy in New Jersey to the insurance companies’ advantage. In essence, New Jersey insurers’ unwillingness to provide fair reimbursement rates necessary to provide quality healthcare compelled CarePoint Health to significantly increase its charges as a starting point for negotiating adequate payments for services rendered. Interestingly, other New Jersey for-profit hospitals, such as Meadowlands Hospital Medical Center, Secaucus, NJ, have adopted similar tactics to bring insurers back to the negotiating tables.

However, obtaining fair reimbursement rates was only part of the Bayonne model. Management recognized that investment in infrastructure, cutting-edge technology and
Community outreach was essential to achieving viability as a provider of quality healthcare in the communities served.

**Improvements in Quality and Performance**

*Modernization*

Since acquiring BMC, CarePoint Health has invested tens of millions of dollars in the physical plant improvements and upgrading its information technology and use of electronic medical records. In 2014, CarePoint renovated the BMC emergency department with a number of innovative upgrades, including: state-of-the-art isolation areas; a new Fast Track area to allow patients to avoid unnecessary wait times in the main ED area; a rapid response area with faster access to EKG and Telemetry; monitored patient bays linked to the displays at the nurses’ stations; and wall mounted computers in patient rooms for faster documentation.

Also in 2014, Christ Hospital became the first hospital in New Jersey to receive the da Vinci® Xi™ Surgical System, the latest and most advanced robotics platform in the da Vinci series. This 4th generation robotic platform is a technological leap and a profound step forward in innovation. The intuitive da Vinci Xi has broad capabilities and can be used across a wide spectrum of minimally invasive and complex surgical procedures. The acquisition of the da Vinci Xi represents a breakthrough for health care in New Jersey. Previously, patients had to travel out of state to find the technology and a trained physician to perform robotic surgery at the highest level. Now, patients have access to the most advanced robotic surgery program in the state.

CarePoint Health also recently implemented PatientSecure, a ground-breaking patient identification technology. The system quickly scans a patient’s palm to identify the individual.
and securely retrieves his/her medical records. PatientSecure enables CarePoint Health to improve patient safety, to provide fraud protection, to streamline registration processes, to identify unconscious patients in an emergency and to enhance the overall patient experience.

**Alignment with Community Physicians**

In addition to technological innovations, CarePoint has partnered with many physicians in the community through the acquisition of physician practices or alignment with physician practices via referral base. This allows CarePoint to work more effectively and efficiently with physicians to focus on patient care; getting patients to the right setting, at the right time, for the best possible outcome.

**Consolidation of Services**

After acquiring Hoboken University Medical Center and Christ Hospital, CarePoint Health was able to identify and leverage synergies, eliminate duplicative services and begin to consolidate operations. For example, one hospital could specialize in cardiology while another could specialize in OB/GYN, resulting in both reduced costs and higher quality of care within each specialty. This could not be achieved when the hospitals were separate and operating in competition with each other.

**Community Outreach**

To promote a healthier community, CarePoint opened “Neighborhood Health Centers" throughout Hudson County to provide free primary care for uninsured patients. These patients typically receive very episodic, fragmented care, if any care at all, because they are uninsured.
Lack of primary care ultimately leads to poorer health outcomes and increases the financial burden on the system as a whole, because these patients are generally in very poor health when they arrive to an emergency room. Providing primary care free of charge to the uninsured population provides significant benefits to both patients and CarePoint Health.

First, it helps the patient take better care of themselves by giving them their own primary care provider (hired by CarePoint, whose sole job is to see uninsured patients). In some instances, CarePoint Health supplements this service by providing free home follow-up for uninsured patients when they do have to have a hospital admission, in order to make sure that the patient understands what medicines to take and when, as well as confirming that needed follow up appointments are made and kept. These home visits help the CarePoint team to learn whether or not there is some cause at home, perhaps mold or pest infestation, which might be causing the underlying illness.

Second, these efforts not only create healthier patients but also lead to a dramatic reduction in healthcare costs. To date, there have been over 11,000 patient visits to the Neighborhood Health Centers, which have resulted in a nearly 40% reduction in emergency department visits and an approximately 70% reduction in hospital admissions.

**Recognition for Achievements**

CarePoint Health is a group of three award-winning hospitals that, through innovation, price restructuring and capital investments, have received state and national recognition for their commitment to providing quality care to its under-served communities. A list of these awards is presented in the attached Appendix.
Conclusions

CarePoint Health is a fully integrated healthcare system that serves predominantly low-income communities throughout Hudson County, New Jersey. Through substantial capital investment in site improvements, collaboration with local physicians and innovative outreach services, such as Neighborhood Health Clinics, CarePoint Health has significantly increased access to high quality healthcare for all individuals within the communities it serves. Although CarePoint Health came under extreme criticism from the media and disgruntled insurers for significantly raising its out of network charges, the rationale for these increases was simply to establish a starting point from which they could negotiate fair reimbursement rates from insurers.

Utilization of out-of-network pricing provides an effective tactic for countering private insurer reimbursement practices in the short term; however, it does not adequately address the impact of government, which is a fundamental contributor to urban hospital closings in two ways. First, the below-market reimbursement rates for Medicare and Medicaid disproportionately hurt urban hospitals, which often serve a higher percentage of low-income patients than the more affluent suburban hospitals.

Moreover, government interference with current free-market dynamics would further exacerbate the problem. As discussed earlier, private insurers in New Jersey are currently lobbying the General Assembly’s Insurance and Financial Institutions Committee to revise the out of network policy in New Jersey. If the insurance lobby is successful in its efforts, the negotiating tactics used by CarePoint Health and others would cease to be an option. As a result, urban hospitals would continue to suffer from inadequate coverage for health services provided to Medicaid/Medicare beneficiaries but with no viable means to negotiate fair reimbursement rates from private insurers, leading to additional hospital bankruptcies and closures. The Bayonne
model demonstrates how a market-based approach can overcome the financial challenges faced by urban hospitals and, at the same time, improve both the quality of care provided and increase the number of insured patients.

Today, CarePoint Health is a viable and growing provider of high quality healthcare services to what were once underserved communities, with 95% of its patients covered by some type of insurance payment, including those covered by its own health plan. Moreover, the numerous awards CarePoint Health has received for quality, safety and innovation are a testament to the efficacy of its model of care, which demonstrates that urban-based healthcare can be economically viable while achieving better health outcomes. Utilization of the Bayonne model may help other healthcare provider groups to effectively address the problem of urban hospital closures nationwide.
References


APPENDIX

Recognition and Awards for Excellence in Quality, Safety and Innovation

- The Leapfrog Group named Hoboken University Medical Center to its annual list of Top Hospitals, an elite distinction awarded to hospitals nationwide for demonstrating excellence in hospital safety, quality and resource use. The Leapfrog Top Hospital award is given to less than seven percent of all eligible hospitals.
- Bayonne Medical Center, Christ Hospital and Hoboken University Medical Center were each honored with an “A” grade in the Fall 2014 Hospital Safety Score, which rates how well hospitals protect patients from errors, injuries and infections.
- Christ Hospital received the Get With The Guidelines®-Stroke Silver-Plus Quality Achievement Award for implementing specific quality improvement measures outlined by the American Heart Association/American Stroke Association for the treatment of stroke patients.
- Physicians from BMC, Christ Hospital and Hoboken University Medical Center were named Top Doctors of 2014 by Inside Jersey magazine and Castle Connolly Medical Ltd. The Top Doctors distinction is indicative of the high quality of health care that is central to the mission of CarePoint Health.
- The Commission on Cancer of the American College of Surgeons granted Three-Year Accreditation to the cancer program at BMC. To earn voluntary this accreditation, a cancer program must meet 34 quality care standards, be evaluated every three years through a survey process and maintain levels of excellence in the delivery of comprehensive patient-centered care.
- Hoboken University Medical Center and Christ Hospital were recognized for the Healthgrades Maternity Care Excellence Award and Five-Star Recipient for Maternity Care. Healthgrades is the leading online resource for comprehensive information about physicians and hospitals. The distinction places these hospitals within the top 10% of all hospitals evaluated for the exceptional care provided to mothers (during and after childbirth) and to their newborn children.
- Hoboken University Medical Center has received the Get With The Guidelines®-Stroke Gold-Plus Quality Achievement Award for implementing specific quality improvement
measures outlined by the American Heart Association / American Stroke Association for the treatment of stroke patients.

- CarePoint Health is pleased to announce that the latest Hospital Safety Score honored Christ Hospital and Hoboken University Medical Center with an “A” – its top grade in patient safety. The Hospital Safety Score, designed to rate how well hospitals protect patients from accidents, errors, injuries and infections, is compiled under the guidance of the nation’s leading experts on patient safety and is administered by The Leapfrog Group (Leapfrog), an independent industry watchdog.

- BMC and Hoboken University Medical Center’s Transitional Care Units were named two of the best nursing homes in the state of New Jersey by US News and World Report with a rating of five stars from the Federal Centers for Medicare and Medicaid Services for their overall performance in health inspections, nurse staffing and quality of medical care.

- BMC was named one of the best hospitals in the state by New Jersey magazine and Castle Connolly Medical. BMC received an overall rating as the #2 hospital with fewer than 350 beds and best hospital for a wide range of specialties and treatment options, including treatment of prostate cancer, hip and knee repair, treatment of congestive heart failure, treatment of stroke and treatment of neurological disorders.

- The New Jersey Hospital Association (NJHA) and its Health Research and Educational Trust of New Jersey (HRET) chose BMC’s Neighborhood Health Center as the recipient of the 2014 HRET Community Outreach Award for Improving Access and Quality of Care to Reduce Healthcare Disparities.