Difficult decisions

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Madden pointed out that because of the values and services espoused by Catholic hospitals, "There's a real need for a Catholic presence in health care. Who's going to take care of the poor?"

The question remains, however: how can Catholic hospitals continue to promote these values and remain financially sound?

Perhaps the solution will be found in any number of programs Catholic hospitals are experimenting with in an effort to address their problems. On state and national levels, such organizations as the New York State Catholic Healthcare Council and the Catholic Health Association lobby to increase Medicare and Medicaid benefits and to provide additional aid for programs addressing the needs of the poor.

Catholic hospitals have also sought ways to streamline operations and promote efficiency. Some facilities have closed down departments that generate little revenue and have chosen instead to focus attention on other services. Other hospitals have created development offices and established foundations to bring in more money.

McDevitt pointed out that the hospitals in the Diocese of Rochester reveal some of the other solutions used by individual hospitals. Mercy Hospital in Auburn, for example, closed as a hospital in 1977, but shifted its focus to meeting the needs of the elderly and continues to exist as Mercy Health and Rehabilitation Services.

St. James Mercy Hospital in Hornell successfully competed against a community hospital, Bethesda Hospital. In Elmira, St. Joseph's Hospital is in the talking stages of a possible merger with the community hospital, Arnot-Ogden Hospital, although those merger plans have recently come into doubt.

St. Mary's in Rochester, meanwhile, has cautiously and wisely reconfigured its services, McDevitt said. "That was an example of effective planning," he noted.

McDevitt pointed out that when St. Mary's expanded its facilities, it didn't open all its beds immediately. Instead, hospital administrators studied the needs of the local community and developed programs to address those needs. As part of its reconfiguration, St. Mary's established a brain-injury rehabilitation unit and leased space an outside agency to create Rochester's only in-hospital hospice. The hospital is also offering more outpatient services — such as a dental center — and is setting up clinics in the community, staffing those with hospital staff. In addition, the hospital is establishing offices in more affluent areas of the community to help bring in more revenue.

Moving out into the community as St. Mary's is doing is one solution many hospitals are considering, Krapf noted. "There's much less need for beds and more need for services," he said. In the future, these services will become increasingly important as people live longer. AIDS patients are a prime example of this pattern, he said, noting that improved treatments have allowed many people with AIDS to live at home while receiving ongoing care. "That's going to have tremendous impact on community resources," he predicted.

Another possible solution is the formation of Catholic health-care systems. These systems allow hospitals to consolidate services, and to better coordinate group purchasing, and data collection and processing. Between 1976 and 1988, the number of such systems grew form 28 to 58.

Generally, health care systems are formed either on the basis of geographical location or on the basis of affiliation with a religious congregation. An example of the latter is the Daughter's of Charity National Health System, which St. Mary's joined in January of 1987. This system offers the hospital the benefit of cooperative purchasing. One other local hospital, St. Joseph's Hospital in Elmira, is considering the possibility of joining a system if its merger plans with Arnot-Ogden fall through.

"The beauty of systems is that they give institutions ready access to capital resources," McDevitt said. "They bring some managerial and technical expertise that isn't available on a local level."

O'Brien noted that even an informal system such as the alliance allows the hospitals to better coordinate services and planning. For example, the alliance hospitals were each looking at providing services for people with AIDS, she noted, and instead of needlessly duplicating services created an AIDS network to pool resources and information.

The alliance has also launched a joint program to recruit and train nurses. Working in conjunction with Mt. St. Vincent College's school of nursing, alliance hospitals will be able to offer on-site bachelor's programs for nurses and to offer tuition discounts to students.

Despite these potential solutions, Catholic hospitals will still face difficult choices in the future. Among these choices might be closing or merging with another institution. Krapf said one of the issues to be considered in making such a decision is whether a Catholic hospital is really needed in a specific area. "I think the key for us in the future is not to look for for ways to maintain a hospital in a community if it's not really needed, but how can we keep Catholic health presence in a community if a hospital is not needed."

Madden said that such honest self-evaluation and flexibility is needed by Catholic hospitals.

"I think hospitals clearly have a social mission," Madden said. "We have to provide more than health services. We have to provide social services. We have a mission: it's serving the poor."

St. Mary's expands services, community role

By Rob Cullivan
Staff writer

ROCHESTER — In an attempt to stay afloat financially throughout the next decade, the city's oldest hospital is embarking on several ventures ranging from the establishment of a pioneering brain-injury rehabilitation unit to an effort to expand its role in the community.

St. Mary's Hospital, 89 Genesee St., has experienced some fiscally bleak years during the last decade. According to figures cited in a long-range plan the hospital released this year, St. Mary's incurred losses of $2.3 million in 1985 after refinancing loans from extensive renovation of the hospital in 1982.

The hospital also lost $4.8 million in 1986, a loss caused primarily by write-offs of patient accounts receivable. The need for write-offs was caused by numerous problems the hospital encountered when converting to a new computerized billing system in 1985, according to Gary Scott, senior vice president for finance.

But the last two years have seen the hospital turn small profits, and 1989 bodes well for the hospital's financial future, according to Patrick J. Madden, hospital president. By the end of this year, 12 physicians will have opened new offices at the hospital, a child-care center for employees' families will celebrate its first anniversary, and two new facilities — a brain-injury rehabilitation unit and a hospice — will have served their first patients.

Madden noted that Catholic hospitals like St. Mary's must adapt to the changing health-care climate if they are to survive in the 1990s. "We never had a period before when (Blue Cross/Blue Shield, Medicaid and Medicare) were under major constraints," he said.

St. Mary's, in particular, has a vested interest in the fluctuating fortunes of the three major health insurers because nearly 60 percent of its total revenues come from Medicaid and Medicare reimbursements, according to the long-range plan report.

Last March, a contingent of more than 1,000 hospital representatives, including hundreds of volunteer workers, joined several thousand health-care-services representatives from throughout the state to lobby against Governor Mario Cuomo's proposed budget cuts in Medicaid and Medicare. According to Patricia Montone, spokeswoman for the Hospital Association of New York State, the budget cuts represented a potential $213 million loss for hospitals statewide.

Although most of the budget cuts fell through, St. Mary's and other hospitals that serve the poor can't breathe easier yet. Scott noted, for example, that complying with changes this year to state regulations covering hospital services has cost the hospital $1 million, only 40 percent of which was reimbursed by the state.

Before the state cuts reimbursements, Scott remarked, it should consider the special needs of hospitals like St. Mary's that cater to the poor. "We would like to see us get more reimbursement in part because of bad debt and charity care," he said.

Linda Dow Hayes/Catholic Courier

Founded in 1857, St. Mary's Hospital (above) has consistently served the poor, reflecting the philosophy of its sponsoring congregation, the Daughters of Charity of St. Vincent DePaul. During Health Awareness Day July 12 (left), Znovia Nelson's blood-pressure is checked by Chris Carmichael, a physician's assistant at the Martin Luther King Medical Center one of St. Mary's primary-care sites.

Catholic hospitals traditionally use their operating profits to subsidize health care for the poor, Madden said, but increasing operating costs mean that if they are to continue to serve the poor, Catholic hospitals must widen the range of medical services they offer in order to draw paying patients from outside the hospitals' traditional pool.

St. Mary's handles about 10 percent of the total patient population in Rochester each year, but because it serves a largely poor population, it incurs more than 33 percent of all the bad debt carried by the seven area hospitals, Madden said. Such debt was one of the motivations behind the hospital's decision to open a brain-injury-rehabilitation unit, according to Mary Dombovy, the unit's medical director.

"St. Mary's is looking to develop programs in areas that won't create a budget deficit for the hospital," Dombovy remarked. "The rehabilitation unit represents a new specialty ... that could make (the hospital) a financially viable operation."

The 40-bed unit, which opens July 31, is located on the hospital's fifth floor and cost $1.5 million to start. The unit puts St. Mary's in the vanguard of brain-injury rehabilitation, Dombovy said, pointing out that the unit is the first to be opened in the state following the 1987 issuance of new state regulations covering the rehabilitation of patients with brain injuries. "We're kind of a pilot program," she said.

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