Centers

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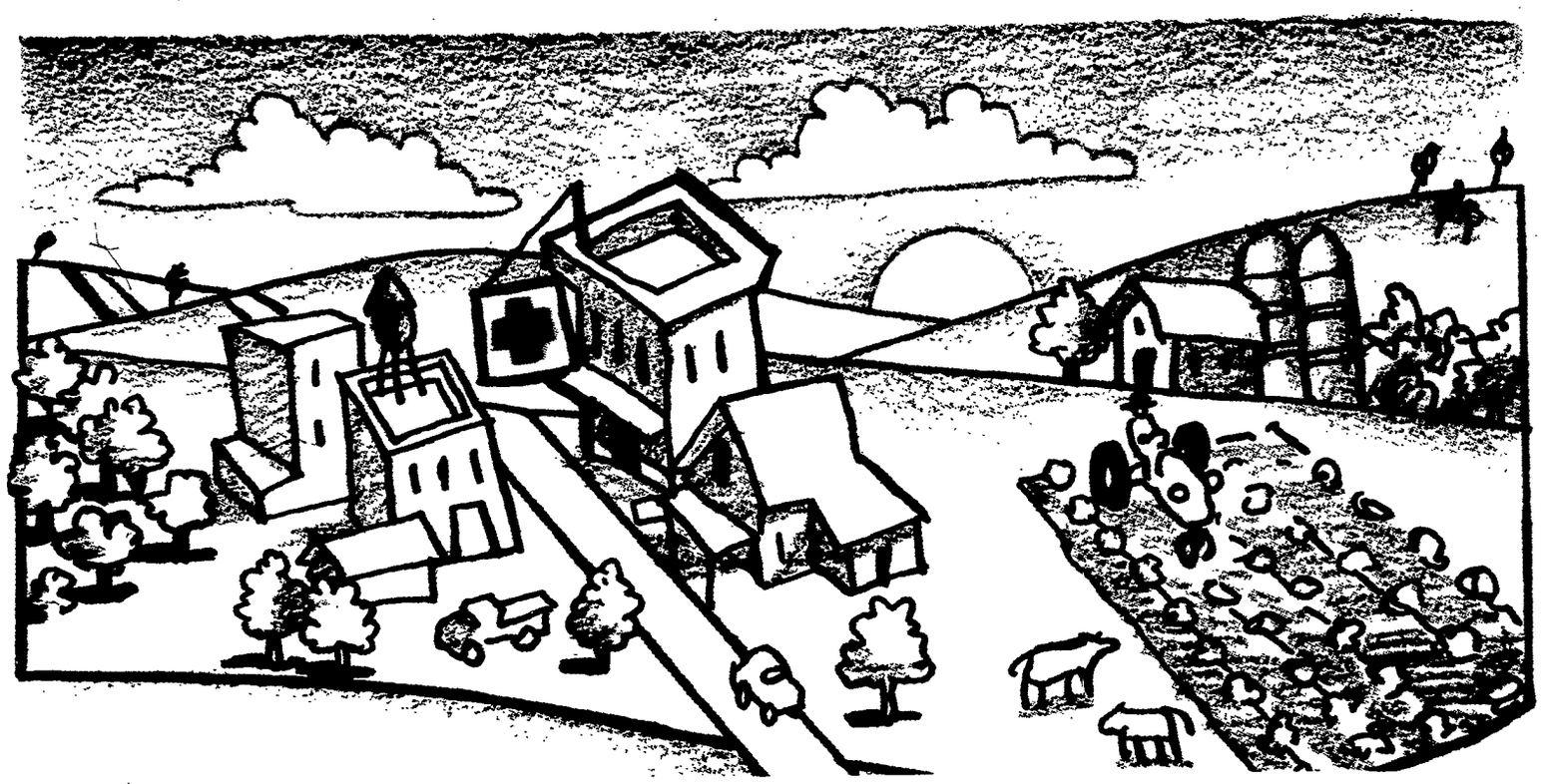
its 11 primary-care centers, according to Stewart C. Putnam, vice president of ambulatory and physician services. That figure doesn't include the number of patients referred to hospital surgeons or specialists by the centers, he noted.

The income generated by the offices is a key weapon in St. Mary's constant battle to stay afloat financially, an often difficult challenge for Catholic hospitals that remain dedicated to serving the poor and uninsured patient.

To gain an understanding of the struggles faced by Catholic hospitals, one needs only to consider the fact that St. Mary's recently had to delay pay raises and eliminate a number of non-patient-care positions in order to avoid a projected year-end deficit of almost $1 million. The hospital had already had an operating loss of $200,000 as of May 31, just prior to announcing the moves to tighten the budget.

Although it accounts for only 10 percent of hospital admissions in the Rochester area, St Mary's provides almost one-fourth of the area's bad-debt and charity medical care. As a result, any changes in Medicaid and Medicare laws vitally affect the inner-city hospital's financial fortunes, which sustained a sharp blow by this year's repeal of the federal catastrophic coverage act.

Before the act fell by the wayside, the federal government had provided unlimited coverage for Alternative Level of Care patients — known as ALCs —who reside in hospitals while waiting to be placed in nursing homes. But the bill's repeal reduced funding for ALCs, resulting in a drop in the reimbursement to hospitals from $500 per patient-per day to $100 per patient-per day, said Stephen Gary, St. Mary's vice president for fiscal services.



In addition, while actually seeing its overall admissions increase this year, St. Mary's has experienced a decline in reimbursement revenue as obstetrical admissions increased 18 percent while such medical admissions as surgery only increased 1 percent. Medical admissions are reimbursed at three-and-a-half times the rate of obstetrical admissions, Gary noted, adding that St. Mary's needed an increase in medical admissions this year of at least 4-5 percent.

On a smaller scale, financial headaches also plague individual doctors, more of whom are turning to group practices and hospital-sponsored offices as a means of dealing with a myriad of regulations and a mire of fiscal woes.

For example, many new physicians see employment at hospitals or their satellite offices as the only viable way of avoiding further debt following graduation from medical school.

Dr. Elizabeth Feltner and her husband, Dr. Paul Diegidio, opened a family-medicine practice in Spencerport last October after Feltner completed her residency in Cincinnati, Ohio. Owned by St. Mary's, the practice represents "the best of all worlds" to Feltner.

She observed that the arrangement gives her and her husband time to concentrate on caring for their patients rather than spending time juggling their finances and dealing with paperwork.

"I loathe anything to do with the billing," Feltner said. "It takes away from the time of seeing the patients, from the joy of seeing the patients."

Despite being tied to St. Mary's, Feltner said she felt as though she operates an independent practice.

"It really is an independent office," Feltner said. "The concept of a 'clinic' is distasteful to both the physician and the patients who've been in a waiting room and haven't got the individual attention when they came in."

Indeed, although they are sometimes referred to as "clinics," the satellite offices operate much like the offices of private physicians, according to Dr. William Morehouse, medical director of the Martin Luther King Medical Center in Rochester, which is operated by St. Mary's.

"The kind of care we want to offer is personal and complete," he said, noting that before the center opened, many of its patients may have only met physicians in emergency-room situations, where personal involvement with patients is minimal. "Emergency departments are not designed to be geared up for that," he said.

Satellite offices also offer doctors a chance to work with low-income patients they might have had to turn away from private practices for fear of incurring bad debt or being reimbursed at low rates.

Federal and state reimbursement rates for private physicians are generally one-tenth that of reimbursement rates for hospitals. Hence, a doctor employed by a hospital at a satellite office enjoys the day-to-day feel of private practice without the day-to-day worries that plague independent doctors who take on Medicaid or Medicare patients.

"Private doctors have shunned these places," Morehouse said of remote rural areas and poor inner-city neighborhoods. He also noted that hospitals are in a better position than private physicians to apply for state and federal grants to fund their operations.

Smith-Overman also noted that medical supplies can be purchased more cheaply when one works at a satellite office. "Hospitals have their own vendors and they can get you better deals for supplies," she said.

Such incentives to work for hospitals are becoming more and more irresistible, according to Dr. Robert Whelpley, who for several years divided his time between a private practice in Hornell and a St. James Mercy center in Troupsburg.

"The young doctors now have a real difficult economic outlook and base to work from," he said, noting that 20 years ago, most new doctors would have gone into private practice. Today, he said, most won't even consider it.