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

Leadership Newark
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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

<table>
<thead>
<tr>
<th></th>
<th>Hospitals</th>
<th></th>
<th>Staffed beds</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>5,748</td>
<td></td>
<td>&gt; 1 million</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>4,602</td>
<td></td>
<td>&lt; 770,000</td>
<td></td>
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</tbody>
</table>

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%

Sources: New Jersey UB-92, B-2
## Occupancy rates at Newark hospitals, 2005

<table>
<thead>
<tr>
<th>Hospital</th>
<th>Average OR</th>
<th>85%</th>
<th>90%</th>
<th>95%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newark BI</td>
<td>100%</td>
<td>307</td>
<td>261</td>
<td>210</td>
</tr>
<tr>
<td>St. James</td>
<td>89%</td>
<td>247</td>
<td>198</td>
<td>122</td>
</tr>
<tr>
<td>St. Michael's</td>
<td>98%</td>
<td>281</td>
<td>253</td>
<td>219</td>
</tr>
<tr>
<td>Columbus</td>
<td>87%</td>
<td>220</td>
<td>164</td>
<td>111</td>
</tr>
<tr>
<td>UMDNJ</td>
<td>98%</td>
<td>338</td>
<td>289</td>
<td>253</td>
</tr>
</tbody>
</table>

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!