

# CRAIN'S Health Pulse



**Barbara Benson**  
Assistant Managing Editor



**Irina Ivanova**  
Contributing reporter



**Jonathan LaMantia**  
Contributing reporter

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## COPA Applications Received

The state Department of Health announced last week it had received three Certificate of Public Advantage applications from Performing Providers Systems seeking regulatory relief. The certificates allow for greater hospital collaboration, which is critical in DSRIP implementation. In New York City, Staten Island PPS and Advocate Community PPS, the only physician-led network, submitted applications, which were posted April 2 and are open to public comment until April 22. Upstate, Adirondack Health Institute PPS filed an application. A COPA provides a PPS with state action immunity under federal antitrust laws and immunity from private actions under state antitrust laws. Neither hospital groups nor insurers were happy with the COPA rules—but for different reasons. The Health Plan Association said COPAs give hospitals too much price-setting power, while HANYS bemoaned the regulations for not offering enough antitrust protection. Under the rules, the state attorney general could intervene if hospitals' collaboration has too great an anticompetitive effect.

## \$8 Million Loss at Brookhaven

Brookhaven Health Care Services Corp. posted an \$8.4 million loss in 2014—a sharp drop from the previous year, when it posted a gain of \$4.3 million. According to annual financial statements, the Patchogue, L.I.-based institution, which includes Brookhaven Memorial Hospital and affiliated physician and surgical groups, saw a drop of 6% in patient service revenues last year. The hospital's revenue from all sources came in at \$272.6 million, \$6.2 million less than the year before. Expenses grew 1.4% to \$280.3 million, driven by rising benefit costs, while salaries and supplies stayed flat or decreased. An interest rate swap agreement, which had gained the hospital \$1.7 million the prior year, lost \$673,000 in value in 2014, pushing the total loss past the \$8 million mark. Hospital officials could not be reached for comment.

## Kingston Hospital to Merge Facilities

Hudson Valley HealthAlliance is making moves to consolidate two Kingston hospital campuses into one after several years of low inpatient utilization. The health system currently operates two hospitals within a quarter-mile of each other, each with 150 certified beds. HVHA filed a certificate-of-need application last week for the first part of the project: an \$8 million renovation of the Mary's Avenue campus, in preparation for expanding it to 201 beds and consolidating all hospital services there. Current occupancy at the Mary's Avenue campus is below 50%, said HealthAlliance Chief Executive David Scarpino. "We want to take advantage of the current low census on the Mary's Avenue Campus to start the demolition and renovation of imaging, ICU and registration, all of which will share adjacent space in the first floor of the facility," HealthAlliance wrote in the CON. "Starting these critical path projects immediately will allow future projects to be constructed quickly in the space vacated by these three departments." The hospital started planning the merger in 2012, in response to changes in Medicare, its largest payer, Mr. Scarpino said. He chose to keep the larger of the two campuses, with the other set to become a medical village through DSRIP. "With shrinking volumes and the Medicare initiatives, including changing observation status, working on readmissions, we recognize that we're moving from a volume to a value world," Mr. Scarpino said. "As those changes become reality, we'll keep shrinking."

## At the top and nowhere to go

The upper ranks of hospitals are shrinking as institutions consolidate through takeovers. With fewer jobs for executive leadership, people once at the top are finding themselves jobless, forced to change fields or reinvent themselves.

In the past three years, at least 17 community hospitals in the New York City area joined larger systems, and the deals show no sign of abating. NYU Langone last week finalized a partnership with Lutheran. Maimonides, also in Brooklyn, is in talks to join the North Shore-LIJ Health System.

Some executives at the former Continuum Health Partners are still job-hunting or have resorted to consulting, two years after Continuum's merger with Mount Sinai. Half of the eight doctors on *Crain's* list of top-paid physicians who had worked at Continuum hospitals in 2013 are now gone. One former executive called the reorganization "a scorched-earth" process and cited eight former colleagues who took out-of-state positions.

"When you get to this level, there aren't that many jobs for people who want to go to another institution of similar size," said the executive, who like several others asked not to be identified.

The culling usually is heavier in the administrative ranks than among clinical staff, said Mark Murray, a senior consultant at Towers Watson, which advises health care entities on mergers. "If the hospital is in a good shape, you're not talking about trying to take out the nursing contingent or specialties," Mr. Murray said. "It tends to be in the higher-ups where the excess resides."

One former executive at a Manhattan hospital filled the employment gap after his layoff by briefly working as a cashier at a department store. "I had no responsibility for the first time in my life. I didn't have to worry about scheduling, people coming in late, getting work done," he recalled. "For me, it was just a matter of [doing] something to keep me busy."

Downsized administrators may find it even more difficult to land jobs in the future as systems continue their geographic expansion. Candidates who aren't a good fit for a particular hospital in that system theoretically can be ruled out for the whole network. "In a giant health system, they have one human resources department," said Andrew Goold, vice president of the Healthsearch Group. "If an individual isn't satisfactory to the one HR department, that means 18 hospitals are effectively out of the running as options, he said.

His employer, based in Ossining, N.Y., has itself felt the reverberations from health care's taste for mergers. "Our company at one time had 35 recruiters. Now we're down to 20," Mr. Goold said.

A job title that's particularly at risk as standalone hospitals join larger systems is that of CEO. Keith Safian, the longtime leader of Phelps Memorial in Sleepy Hollow before the Westchester hospital joined North Shore-LIJ in January 2015, knew years ago Phelps would one day lose its independence. "It became abundantly clear we needed to join a bigger organization," he said. Mr. Safian stays in touch with five other former CEOs of community hospitals and is considering joining a health care consultancy or private-equity group.

"There's a wealth of opportunity" in health care, he said. "But not for hospital CEOs." For the full story, see Monday's issue of *Crain's*.

## At A Glance

**YOUNG ACHIEVERS:** Missed this year's class of 40 Under 40? Catch up here on the movers and shakers in New York City health care. The list includes Montefiore's Amanda Parsons; Aetna's Luis Rivera; EpiBone's Nina Tandon and Flatiron Health's Nat Turner.

*Crain's Health Pulse* is available Monday through Friday by 6 a.m.