



THE STATE UNIVERSITY *of* NEW YORK

MEMORANDUM

June 29, 2010

Office of the
Chancellor

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To: Members of the Board of Trustees

From: Nancy L. Zimpher, Chancellor

**Subject: Acquisition of Community General Hospital by SUNY
Upstate Medical University**

I recommend that the Board of Trustees adopt the following resolution:

Whereas SUNY Upstate Medical University ("Upstate") has determined that the acquisition of Community General Hospital ("CGH") will benefit Upstate's academic and clinical mission; and

Whereas Upstate and CGH entered into a Confidentiality Agreement on June 2, 2010 for the purpose of exploring potential strategic transactions between the two hospitals in support of their respective missions and operations, and have been working cooperatively with all stakeholders to explore a possible transaction involving an asset acquisition of CG by Upstate; and

Resolved that the Board of Trustees hereby determines that the State University shall support the acquisition of CGH by Upstate if it is determined that this transaction is in the best interest of Upstate; and, be it further

Resolved that the Chancellor, or designee, be, and hereby is, authorized, if it is so determined to be in the best interest of Upstate, to take all steps necessary or appropriate to implement the acquisition of CGH, including the execution of any necessary or appropriate documents, notices or other instruments.

Background

SUNY Upstate Medical University is the regional academic health center and safety net health care system for a significant portion of Upstate New York. SUNY Upstate Medical University provides Level 1 Trauma Care for seventeen (17) counties from the Canadian border to Pennsylvania, and its

Burn Center provides access to over thirty four (34) counties in New York. Upstate Medical University consists of approximately 1350 students in its College of Medicine, one of the largest in the State and country, a school of graduate studies, a college of nursing, a college of health-related professions, a school of public health, 480 graduate medical residents and a 409-bed University Hospital to include the Golisano Children's Hospital. Furthermore, Upstate Medical University's role in the North Country is expanding and a sense of urgency has been created by the needs of Fort Drum and its dependents.

CGH is a 309 bed community hospital also located in the County of Onondaga, in the Onondaga Hill section of the Syracuse area and serves not only the Syracuse area but the surrounding communities west of Syracuse, and is a primary non-public clinical teaching affiliate of the SUNY Upstate Medical University. CGH has been in financial difficulty for several years.

In addition, CGH is the site where a number of Upstate's residents practice as part of Upstate's residency program. The site provides important clinical educational opportunities to Upstate's programs and affords the University the opportunity defined by its Strategic plan to expand enrollment within its Colleges and provide additional clinical training sites for Nursing, Health Professions and the College of Medicine. Such an acquisition would also facilitate a larger platform within Syracuse to launch a broader Regional Vision for the University.

The Upstate Medical University Campus Master Plan defines a need for over 510 hospital beds in order to achieve the goals for the Strategic plan. Additionally, in the area of graduate medical education the acquisition of CGH will enable Upstate Medical University to utilize this clinical asset to train Psychiatrists, Obstetricians and Gynecologists, Family Practitioners, Physical Medicine and Rehabilitation specialists and Emergency Medicine Physicians. Presently there is considerable alignment of services between the two entities as Upstate Medical University's faculty practice groups manage the Emergency Department and Physical Medicine and Rehabilitation Departments at CGH.

Equally important, Upstate's University Hospital ("UH") is currently at capacity. Necessary growth of the clinical program requires that additional hospital beds be made available. The combined and reconfigured operation of both Upstate and CGH results in significant improvement in the financials of both hospitals and creates certain efficiencies that will support the integrated management model.

Upstate has been a successful academic medical center, within constraints. Unlike private medical centers, it is not supported significantly

from endowment or contributions. It is located in a region of New York State where its services are desperately needed, but where the many patients largely are uninsured and under-insured, and the third-party payer mix is poor. On-campus development is significantly constrained in its current location. Upstate is relatively small for an academic medical center (the median size of which is about 500 beds). It would benefit from an enhanced community physician referral network and the ability to define new product lines in a less constrained campus setting.

In spite of these constraints and a significant disinvestment by the State of New York, Upstate has managed to maintain a successful academic medical center because of its clinical enterprise. To sustain that momentum and meet new challenges, additional inpatient capacity is required to enable Upstate Medical University to "grow its way out" of the fiscal realities imposed by the State of New York. Our success to date has been the result of a combination of stringent expense management, extremely dedicated and productive faculty, careful management of clinical services, a reputation for quality services, and a series of small affiliation ventures to gradually broaden its reach.

The acquisition of CGH by Upstate would provide Upstate with the capacity to grow. This integrated system would better serve the Region and position Upstate Medical University for reforms anticipated by federal and State health care reform.