

SENATE HEARING
UNIVERSITY HOSPITAL AT BROOKLYN
2013-14 SUSTAINABILITY PLAN

JUNE 4, 2013



WHAT IS AT STAKE

The significant weakening of the SUNY System and SUNY Downstate Medical Center, a vital medical and health professions education resource, would be catastrophic for Brooklyn, and the City and State of New York.

Simply put...SUNY Downstate Medical School educates more minority physicians than almost anyplace else; it educates large numbers of new physicians who stay in New York City; and it is critical to meeting the shortage of primary care physicians needed for an aging and chronically ill Brooklyn population.

SUNY Downstate matters even more in the current environment, and it is therefore essential to safeguard the future of this academic enterprise.

THE SUNY DOWNSTATE SITUATION

The pressing financial difficulties of SUNY Downstate's clinical enterprise at University Hospital of Brooklyn (UHB) have reached the point where they imperil the future viability of Downstate's academic enterprise and SUNY's prescribed mission to provide the people of New York educational services of the highest quality.

The current state can no longer be maintained. The challenges are immense, the complexity of the State system is overwhelming, and many of the solutions that could be utilized to protect the enterprise from insolvency and achieve a successful rescue of the enterprise, such as bankruptcy, are not options available for consideration as UHB continues to be a State enterprise.

DOWNSTATE EXISTS WITHIN A “MUCH STUDIED” COMMUNITY IN A HEALTHCARE CRISIS

“Despite the variety of healthcare facilities and clinicians in Brooklyn, a combination of factors raises serious concerns regarding access to care, quality of care, and population health in Brooklyn. High rates of chronic disease are compounded by socioeconomic barriers to healthcare...At the same time it appears that...the delivery system is ill-equipped in some areas to address complex health issues facing communities.”

“Safety net, community hospitals can play an important role in this new world of coordinated care and performance-based reimbursement, but must be proactive in adapting to it. Because these new models emphasize prevention and deploy performance- and risk-based payment mechanisms, they demand a fundamental reconfiguration of Brooklyn’s health care delivery system from a strategic, organizational, physical, and financial perspective.”

~Excerpts from the Brooklyn MRT Report, 2011

“This [MRT] report endorses the creation of integrated systems of care aligned with community needs as a means of improving individual health and community health, while reducing unnecessary healthcare spending.”

~Excerpt from the Stephen Berger MRT Report transmittal letter to Nirav Shah, 2011

WHAT IS THE SOLUTION?

- Four options were assessed.
 1. *UHB is restructured with Part Q Flex Legislation and provided State support.*
 2. *SUNY exits hospital operations at Downstate and a 501c3 public-private entity is formed for the narrow purposes of being a hospital operator in the UHB facilities.*
 3. *UHB is restructured with Part Q Flex Legislation, and a Brooklyn-based public benefit corporation is established to support, in part, the development of an integrated academic and clinical provider consortium for managed care contracting, improving quality and reducing the cost of care. UHB will become a smaller, more efficient hospital.*
 4. *Another hospital or hospital system acquires UHB in whole or in part or absorbs clinical services.*
- There is potential for significant improvement in the operation of UHB with intense focus on restructuring and maximum support for proposed actions with good progress reported to-date.
- The plan must allow for additional planning and stakeholder input, with a bridge period to prevent jeopardizing the academic programs of SUNY and SUNY Downstate.
- All options require at least 24-36 months to implement.
- The plan must be developed within the context of a community in need and consider the needs of various stakeholders.
- The State must partner with and support SUNY Downstate to achieve the best outcome.

NEW APPROACHES ARE NEEDED

“The world we created today has problems which cannot be solved by thinking the way we thought when we created them.”

Albert Einstein

THE SUNY PLAN

SUNY Downstate's education mission depends on strong and sustainable healthcare organizations in Brooklyn. To achieve this goal, and to support solutions for the hospital and public health challenges in Brooklyn, SUNY requests:

1. A transition period for a restructured UHB to continue to operate under SUNY auspices, with benefits offered by the new Flex legislation, and continued State support; and
2. The creation by the State of a new Brooklyn Health Improvement public benefit corporation that will 1) support, in part, the formation of a Brooklyn-based provider network to position member organizations for the changing healthcare environment; 2) serve as a strong academic network for Downstate Medical Center; and 3) allow UHB to become a smaller, more efficient hospital.

A PHASED APPROACH FOR THE SUSTAINABILITY PLAN

Phase 1 Restructure

- Focus on Restructuring UHB to reach as close to a sustainable operation as possible.

Phase 2 Plan

- Request the State to create a new public benefit organization, a Brooklyn Health Improvement PBC, to support health-improvement initiatives and promote the formation of a Brooklyn provider-based network.
- With support from the State, work with providers to plan the model for a Brooklyn-based network to achieve a critical mass of providers to improve quality of care through clinical integration, for managed care contracting, and to support the teaching programs at SUNY Downstate.
- Engage the community and other stakeholders.

Phase 3 Implement

- Implement a staged plan for the network for IT linkages and the data analytics to support clinical data reporting and benchmarking and clinical staff to drive change management.
- With the expansion of the academic network, Downstate can expand its clinical affiliated sites to other locations and UHB can become a smaller, more efficient hospital.
- With clinical integration established, launch managed care contracting to increase revenue to network members.

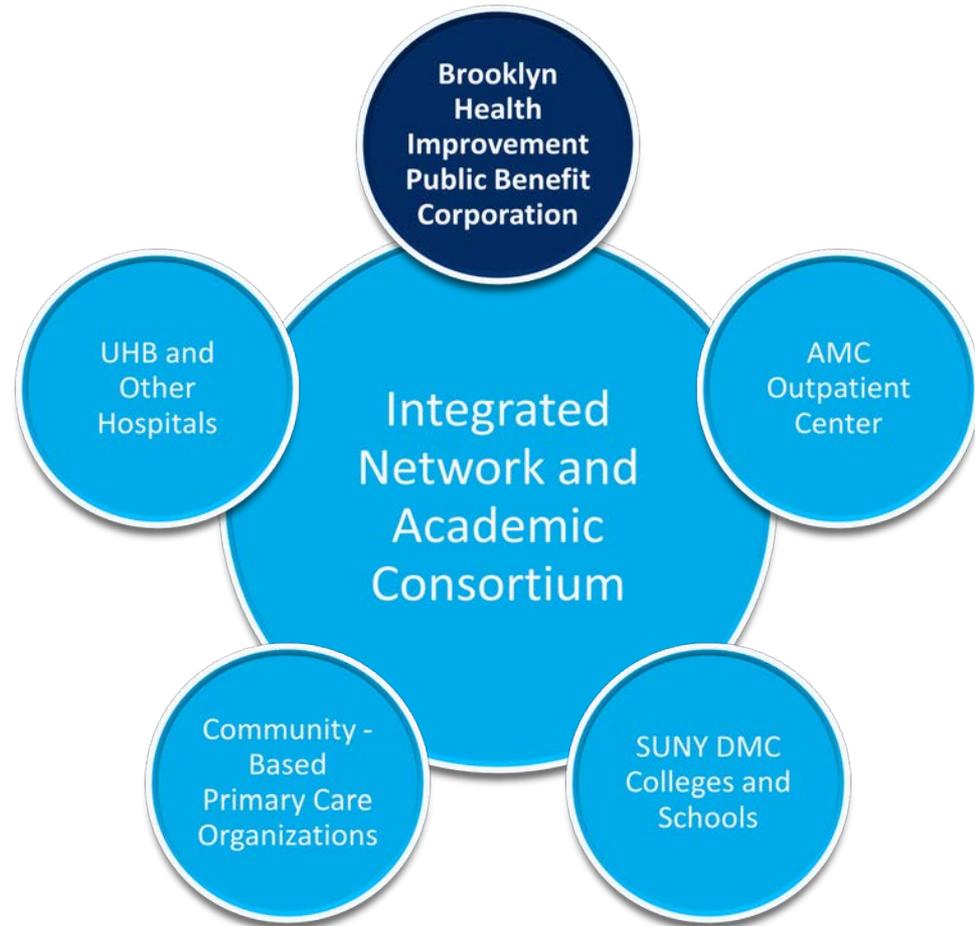
SUGGESTED ROLE FOR A BROOKLYN HEALTH IMPROVEMENT PUBLIC BENEFIT CORPORATION (PBC)

- **The corporation will not operate hospitals.**
- It will be:
 - A catalyst and funding source for health improvement initiatives in Brooklyn.
 - A vehicle for public input into health needs.
 - A monitor for the achievement of project goals for public funds provided through the PBC.
 - A sponsor of initiatives such as a Brooklyn-based healthcare network (a subset of Brooklyn hospitals focused on the safety net), primary care initiatives, public health studies, etc. The PBC would not be the operator of the network.
 - A support for a forum of all Brooklyn providers for tracking changes in the healthcare environment , stimulating responses across providers, and offering grant funding (as available) to support its goals.
 - A vehicle for capital formation (not contemplated at this time but may be a goal in the future).
 - An entity with the power to form subsidiary corporations in support of its purposes.
 - An entity that can change its purpose and scope in response to the changing healthcare environment.

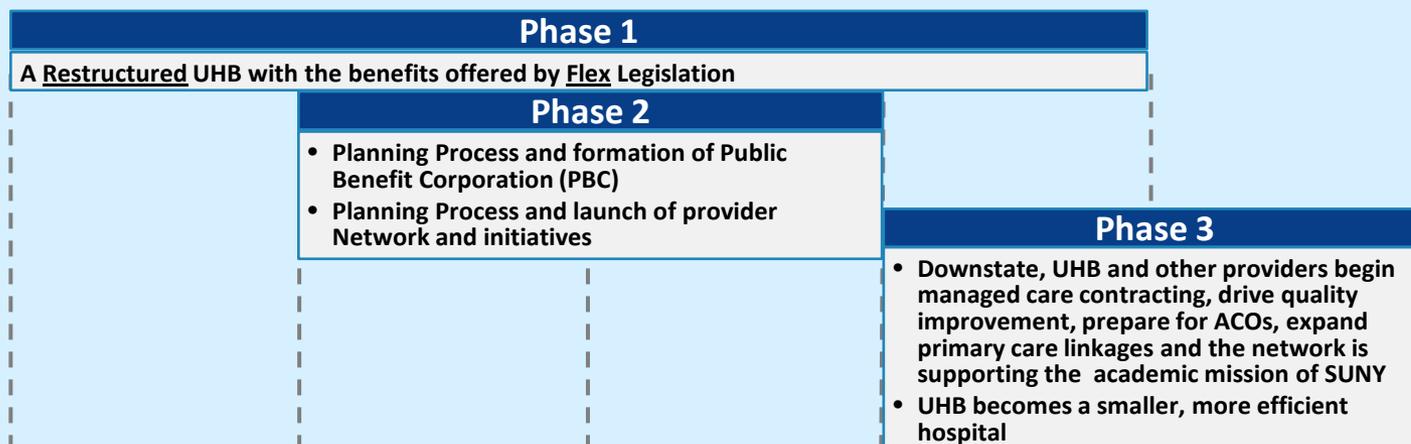
A VISION FOR HEALTHCARE IN BROOKLYN

A BROOKLYN PROVIDER-BASED SOLUTION

- A Brooklyn Health Improvement Public Benefit Corporation (BHI) is formed to promote and provide funds to improve the quality of healthcare in Brooklyn's most underserved communities.
- **BHI will not operate hospitals.** It will support the formation of a clinically integrated network that will allow the expansion of clinical training sites for Downstate and improve quality and value by/through:
 - Joint managed care contracting for revenue enhancement
 - Pursuing risk contracts
 - Cultivating shared network goals **(while retaining separate ownership and management)**
 - Support of and benefits from Academic Mission of the Medical School including GME program
 - Vital Access Provider rate for network members
 - IT connectivity and care redesign
- Support expansion of primary care and improve linkages (IT) and care coordination to improve health outcomes and reduce inpatient utilization.
- BHI and the Network may have their purposes and functions expanded as the environment changes; **BHI would not operate the network.**



SUNY DOWNSTATE PATH FOR REALIZING THE GOAL FOR AN INTEGRATED CLINICAL AND ACADEMIC MEDICAL NETWORK FOR BROOKLYN



UHB Restructured with Flex

Cash	FYE 13	FYE 14	FYE 15	FYE 16	FYE 17
Continued State and SUNY Support		(\$44,000)	(\$44,000)	(\$44,000)	(\$44,000)
Closing the Gap Restructuring with Flex (minus LICH) ¹		(\$81,000)	(\$60,000)	(\$37,000)	(\$47,000)
LICH ²		(\$35,000)	(\$54,000)	(\$20,000)	(\$20,000)
Investment for new structure		See schedule	See schedule	See schedule	See schedule

1. Funding gap is based on identified and validated restructuring and efficiency actions at this time. It is expected that UHB will continue to identify restructuring and savings opportunities to further reduce this gap.
2. SUNY will review all responses received to the request for information and determine the most expeditious and financially responsible course of action to enable Downstate to exit from the operation of the Long Island College Hospital facility.

TRANSITION FUNDING NEEDS

State restructuring assistance

Categories	FYE 14	FYE 15	FYE 16	FYE 17
UHB				
UHB (closing the cash gap) ¹	\$81.0M	\$60.0M	\$37.0M	\$47.0M
Long Island College Hospital (LICH) costs	\$35.0M	\$54.0M	\$20.0M	\$20.0M
State grant for UHB MD recruitment and programs (above capital budget)	\$5.0M	\$14.0M	\$14.0M	\$9.0M
Health Improvement PBC				
Brooklyn State grant for planning and formation of PBC	\$1.0M	\$1.0M	\$1.0M	\$1.0M
Operating budget 2015 and beyond	TBD	TBD	TBD	TBD
State grants for primary care expansion and linkages initiatives	TBD	TBD	TBD	TBD
Network²				
State grant for network planning and implementation	\$6.0M	\$6.0M		
State grant for network systems development (IT programs, interfaces, dashboards, change management clinical staff, EHR linkages)	\$4.0M	\$7.0M	\$7.0M	\$3.0M
State grant for initial staffing and ongoing network operations		\$5.0M	\$6.0M	\$6.0M
Ongoing operation outsourced for IT systems/clinical support staff			\$3.5M	\$3.5M
Support for academic network development (Caribbean school issues, academic program support, shared service support)		TBD	TBD	TBD

1. Funding gap is based on identified and validated restructuring and efficiency actions at this time. It is expected that UHB will continue to identify restructuring and savings opportunities to further reduce this gap .

². Assumes clinically integrated network is financially sustainable after FYE 17.

NOTE: State and SUNY support of \$44M annually continues for all years.

CONCLUSION

The advice from every panel, workgroup, and commission since at least 2006 has been the same: Brooklyn healthcare is broken and needs a game-changing solution that requires integrating organizations and changing the way care is delivered to a largely minority and poor population.

The SUNY System and SUNY Downstate Medical Center and its education programs are a critical and singular resource needed for the City and State of New York for addressing the healthcare problems in Brooklyn. Now is the time for SUNY Downstate (with its education and research programs), SUNY and the State to be the instruments of this change in order to insure the continuation of medical and health professions education and the creation of a better healthcare system for one of the most underserved communities in the State.