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Throughout this document, including the appendices, financial information for calendar year 2012 and year to date 2013 is unaudited, presented without customary footnotes, and remains subject to audit adjustment. Further, all projections are based on good faith estimates and certain assumptions that may not be stated in full. Actual results may vary significantly.
EXECUTIVE SUMMARY

The SUNY Downstate Situation: Function, Mission, and Crisis

Brooklyn is a place unlike any other in the whole of the United States.

The immediate area served by The State University of New York (SUNY) Health Science Center at Brooklyn’s (also called Downstate Medical Center, Downstate, or DMC) clinical operations encompasses several neighborhoods in central and northern Brooklyn and is home to more than 1 million of the borough’s 2.5 million residents (see Appendix A). The service area is more densely populated, more ethnically and racially diverse, poorer, and less educated than the borough as a whole, New York City, or any place in New York State. The result is an exceptionally large urban population defined by significant financial stress, persistent and remarkable poor health status, quality-of-healthcare issues, and a heavy reliance on public health insurance.

Moreover, the Brooklyn healthcare market is unique across the United States in that there is a conspicuous absence of alignment among the borough’s healthcare services and providers. A large percentage of Brooklynites with health insurance elect to get their healthcare in nearby Manhattan, and many Manhattan- or Long Island-based healthcare providers are setting up ambulatory centers and physician practices in more economically vibrant areas of Brooklyn. In contrast, the neighborhoods around DMC have high numbers of chronically ill patients and some of the highest rates of preventable emergency department use and hospital admissions and readmissions in the state and the nation. Against this backdrop, the absence of a rationally organized critical mass of providers not only hinders the delivery of healthcare to a population very much in need but also has contributed to creating an economic drain that is disastrous for most of the hospitals in the borough and University Hospital of Brooklyn (UHB), and threatens the viability of the entire SUNY system.

Downstate Medical Center is one of 64 SUNY institutions. DMC includes the College of Medicine, College of Health Related Professions, College of Nursing, School of Graduate Studies, School of Public Health, and the University Hospital of Brooklyn. As the sole academic medical center in Brooklyn, DMC is a critical component of New York City’s healthcare delivery landscape—it provides care to a large number of very underserved and chronically ill individuals and teaches and trains the many of the physicians, nurses, and other healthcare professionals working in Brooklyn and a large percentage of those in New York City. Further, DMC is the fourth largest employer in Brooklyn. As of fall 2012, it had approximately 8,000 faculty and staff: 86% of its employees are New York City residents; 68% live in Brooklyn.

Though DMC plays a critical role meeting community healthcare and employment needs, its function as an academic institution must be underscored and remembered at all times. As part of the SUNY system, Downstate is held to the same overall mission that also defines each of the system’s other 63 campuses:

“The mission of the state university system shall be to provide the people of New York educational services of the highest quality, with the broadest possible access, fully representative of all segments of the population in a complete range of academic, professional

1 “UHB” refers to all of the DMC clinical sites, including the main campus hospital, the Long Island College Hospital, the Bay Ridge ambulatory care center and all provider-based locations.
and vocational post-secondary programs...” Mission of the State University of New York (NYS Education Law, Section 351)

With regard to its healthcare-focused schools, colleges, and programs, SUNY’s overarching mission is to train and provide lifelong learning opportunities for the next generation of physicians, nurses, healthcare professionals, and researchers serving New York State.

Academic medical centers like DMC are the nucleus of the United States health system, yet they face multiple challenges. Chief among these are revenue streams (State and population-based), and the structural inability to nimbly react to a rapidly changing technology environment. DMC is continually confronted with these challenges, as well as:

- An extremely competitive Brooklyn healthcare market;
- Limited statutory freedom that impacts decision making and actions;
- Chronic lack of attention to needed operational changes;
- An aging physical plant that has not received capital reinvestment;
- High rates of complex chronic disease and comorbidities in a population that is largely publicly insured or uninsured;
- Acquisition of a distressed hospital with an aspirational and aggressive strategy that was not successful;
- Labor costs now represent more than 70% of overall expenses; and
- Shifts in patient utilization of hospitals, and a need to change the way in which hospitals serve patients.

These pressing financial difficulties of DMC’s clinical enterprise (i.e., patient-treating component) have reached the point where they threaten the viability of DMC’s academic enterprise (i.e., healthcare professional-preparing component) and core mission. Like other public universities that sponsor safety-net hospitals, without significant change, these operations can no longer be maintained. This untenable situation has brought us and DMC to the cliff’s edge where we stand today.

A Plan to Sustain SUNY Downstate Medical Center

In response to these very serious problems—in response to Brooklyn’s need for a comprehensive healthcare network; in response to DMC’s and SUNY’s need for reasonable support to run a public, safety-net hospital amidst a vast, poor, and chronically ill population; in response to the region’s need for a strong academic presence to meet its burgeoning healthcare and workforce needs; and in response to SUNY’s mission to fill that academic need—SUNY has created a Sustainability Plan at the behest of the New York State (NYS) Executive and Legislature (Article VII Budget Bill: Health and Mental Hygiene (HMH) (S2606-D/A3006-D), Chapter 56 Part Q of the Laws of 2013-14).

The charge required that the Chancellor of The State University of New York submit a plan that will provide for the fiscal viability of Downstate Medical Center and UHB. The legislation requires that the Sustainability Plan:
1) “set forth recommendations for accomplishing the restructuring of Downstate Hospital [UHB] for the purpose of achieving fiscal viability while preserving its status as a teaching hospital”; 
2) “include elimination and/or reduction of acute, ambulatory and support services that are not necessary or financially sustainable”; and 
3) provide “any additional measures necessary to achieve such restructuring and achieve financial stability.”

The plan that follows this summary addresses each requirement of the charge. Furthermore, four core principles guided the creation of this plan:

In devising the Sustainability Plan we identified and explored a wide gamut of possible solutions, or options. The process included consultation and input from labor representatives, community representatives, other regional stakeholders, the public, and consumers of healthcare services. All options required:

- at least 24 to 36 months to implement;
- significant improvement in the operation of UHB with intense focus on restructuring and maximum support for proposed actions;
- a “bridge period” to implement planning and minimize jeopardy to the academic programs of SUNY and DMC;
- development within the context of a community in need and consideration of various stakeholders; and
- partnership and support between SUNY, the State, and local stakeholders to achieve the best outcome.

Followed as laid out below, these stepped phases can transform and stabilize UHB, insulate the other 63 institutions in the SUNY system from DMC’s financial challenges, preserve the academic enterprise, and allow UHB to provide necessary healthcare in the Brooklyn community.
The steps include:

**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.

DMC will pursue this plan in a phased approach that allows for an orderly transition, minimizes the risk to the academic enterprise, and maximizes efficiencies and cost-cutting activities. A restructured UHB is critical to the future of DMC, and the actions recommended in the plan enable DMC to better navigate required changes and negotiate its academic future from a stronger position.

**A Vision for Healthcare in Brooklyn**

Downstate Medical Center has an aggressive effort underway to restructure its operation and take advantage of the flexibility in procurement (Flex) provisions made possible by Part Q of the legislation that charged SUNY with devising the Sustainability Plan. But DMC cannot stand alone in the market with the significant changes in healthcare on the horizon. The SUNY system and DMC request Legislative and Executive action, support, and long-term commitment to create a Brooklyn Health Improvement Public Benefit Corporation—an entity that would support the formation of a new healthcare network, thereby creating an organized critical mass of providers in Brooklyn to set UHB and other hospitals on a sustainable path.

DMC welcomes taking the lead in driving these changes and serving as the catalyst for the organization of a new network that will improve the delivery of healthcare in the borough. By partnering with other
Brooklyn hospitals, DMC and UHB would be part of a new Integrated Network and Academic Consortium, as is illustrated in the model below:

A clinically integrated network would improve the quality of healthcare, increase access to primary care, and expand outpatient services, while also providing space and opportunity for the critical academic and teaching component of DMC’s mission.

Albert Einstein is credited with having once said, “The world we have created today as a result of our thinking thus far has problems which cannot be solved by thinking the way we thought when we created them.”

In creating this new plan, these words were our guiding thought. These lines should resonate especially with those who understand Downstate Medical Center’s and Brooklyn’s serious operational and healthcare challenges. For those who are not yet fully aware of the depth and height of the challenges we face, they must form a new mindset and embrace the idea that the time has come for a new, rational, cost-effective model of healthcare in Brooklyn.
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 to address the healthcare problems in Brooklyn. Now is the time for SUNY and State stakeholders to be the instruments of this change in order to ensure 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.
Sustainability Plan for SUNY Downstate Medical Center

I. INTRODUCTION

Healthcare in the United States is changing rapidly. The pace of transformation is accelerating given the effects of technology, consumerism, budgetary pressures, and the Affordable Care Act (ACA), which are converging on a critical sector representing nearly one-fifth of the economy.

The United States spends more on healthcare than any other country, and yet this massive spending has failed to provide a comprehensive high quality and integrated care-management system that results in lower costs and improvements in health outcomes. A new report from America’s Institute of Medicine and National Research Council illuminates the many ways in which America’s health lags that of other rich countries despite health spending that reached $2.7 trillion in 2011 and represents 17.9% of America’s Gross Domestic Product.²

The State of New York is a microcosm of the nation and has experienced both cost and quality issues in the delivery of healthcare. Major disparities exist in the health status among racial, ethnic, and socioeconomic groups in New York City. The State University of New York’s Health Science Center at Brooklyn, more commonly known as SUNY Downstate or DMC, has a robust history of addressing health disparities and serving as a safety net for the uninsured and underinsured. As a vital part of the Brooklyn healthcare landscape and a vibrant backbone to its community, UHB bears a disproportionate load in serving uninsured and underinsured populations.

In addition to serving as a community safety net and handling complex and demanding episodes of care through UHB, DMC is a leader in serving New York State’s health education needs. This mission is accomplished through the education and training programs at the College of Medicine, School of Graduate Studies, College of Nursing, College of Health Related Professions, and the School of Public Health. DMC educates a significant percentage of the physicians and other health professionals who practice in New York State, and more New York City physicians have trained at DMC than at any other medical school. In addition to education and clinical care, research is one of Downstate’s primary missions.

The pressing financial difficulties of DMC’s clinical enterprise have reached the point where they threaten the future viability of DMC’s academic enterprise. The colleges and schools are dependent upon the clinical enterprise for essential training opportunities for students and residents, for research opportunities, and for the portion of faculty compensation that is vital to sustain the institutions’ operations.

Academic medical centers like DMC are the nucleus of the United States health system, yet they face multiple challenges. Chief among these are funding reductions, revenue streams under threat, and the structural inability to move quickly in a rapidly changing technology environment. DMC is continually confronted with all of these challenges, as well as:

An extremely competitive Brooklyn healthcare market;
- Limited statutory freedom that impacts decision making and actions;
- Chronic lack of attention to needed operational changes;
- An aging physical plant that has not received capital reinvestment;
- High rates of complex chronic disease and comorbidities in a population that is largely publicly insured or uninsured;
- Acquisition of a distressed hospital with an aspirational and aggressive strategy that was not successful;
- Labor costs now represent more than 70% of overall expenses; and
- Shifts in patient utilization of hospitals, and a need to change the way in which hospitals serve patients.

In addition to the strain these challenges have imposed on the DMC operation, the entire SUNY system (including the other 63 campuses throughout the state) has felt the impact. The ability to support the needs of other SUNY campuses has been limited by the requirement to provide critical financial support to sustain the Downstate operation.

To address these financial challenges, SUNY took immediate and decisive action, appointing a dynamic and nationally recognized new president at DMC, Dr. John F. Williams, who brought in an experienced management team. Consultants Pitts Management Associates was also engaged to diagnose the problems, develop and implement solutions, and restructure the clinical enterprise (see Appendix B). In addition, SUNY authorized a $75M system loan to assist with the cash deficit for a 12-month period and requested, but did not receive support for, $150M in State funding assistance for 2013–2014.

The new DMC leadership team and its supporting consultants have made progress and to date have identified a number of major improvements to enhance revenue and productivity.

<table>
<thead>
<tr>
<th>Projected Improvement over Baseline</th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$38,904</td>
<td>$40,872</td>
<td>$56,235</td>
<td>$60,009</td>
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In spite of the enormous effort and significant progress in transforming the clinical enterprise, UHB will need immediate and necessary funding to sustain its operation.

In the process of developing the Sustainability Plan, SUNY examined several structural possibilities for DMC and UHB in order to achieve fiscal viability of the clinical enterprise while ensuring the sustainability of the University’s academic mission. These ranged from a restructured UHB to a merger with a larger hospital.

As noted by the Brooklyn Medicaid Redesign Team (MRT) Health Systems Redesign Work Group in November 2011, the healthcare-delivery system in Brooklyn is at the brink of dramatic change that will
be characterized by either a reconfiguration of services and organizations to improve health and healthcare, or by a major disruption in services as a result of financial crises.

An overarching consideration in developing the Sustainability Plan is SUNY’s strong desire to preserve the academic enterprise and ensure that it continues to provide a pipeline of desperately needed physicians, nurses, and other healthcare professionals for Brooklyn and the City and State of New York.

Financial Challenges

UHB has been besieged by a number of financial and demographic challenges, some of which are similar to those experienced by other academic medical centers throughout the United States.

Several reports, including the Audit Report of the Office of State Controller (OSC) in January 2013, have addressed the multitude of challenges confronting UHB, and all of them reflect a dismal situation and foreshadow the potential failure of the institution.

Audited Financial Statement Perspective (January–December)

The chart below highlights UHB’s historical income statement performance as reported in the audited financial statements. A steady deterioration in the financial condition of the hospital is evident, and, since 2007, the hospital has incurred a net loss in excess of $300M. The most recent audited financial statement for the calendar year\(^3\) ended December 31, 2011, reflected a $275.8M net operating and non-operating loss. December 2012 audited financial statements are not currently available for incorporation in this document, but they are expected in September 2013.

Historical Financial Condition and Performance (2007–2011)

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Operating Gain (Loss)</th>
<th>Non-Operating Gain (Loss)</th>
<th>Deficiency of Revenues over Expense</th>
<th>Net Assets</th>
</tr>
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<tbody>
<tr>
<td>2007</td>
<td>($70.5)</td>
<td>$68.7</td>
<td>($1.8)</td>
<td>$111.6</td>
</tr>
<tr>
<td>2008</td>
<td>($75.6)</td>
<td>$74.3</td>
<td>($1.3)</td>
<td>$125.0</td>
</tr>
<tr>
<td>2009</td>
<td>($78.8)</td>
<td>$68.7</td>
<td>($10.1)</td>
<td>$123.1</td>
</tr>
<tr>
<td>2010</td>
<td>($49.3)</td>
<td>$34.3</td>
<td>($15.0)</td>
<td>$110.3</td>
</tr>
<tr>
<td>2011</td>
<td>($117.3)</td>
<td>($158.5)*</td>
<td>($275.8)</td>
<td>($165.6)</td>
</tr>
<tr>
<td>Totals</td>
<td>($391.5)</td>
<td>$87.5</td>
<td>($304)</td>
<td>-</td>
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*Includes loss on the acquisition of LICH.

\(^3\) UHB financial statements are presented for the calendar year. SUNY and DMC financial statements are presented for the academic fiscal year ending June 30.
As mentioned previously, Downstate has redoubled its efforts to manage those processes within its control under new management; however, there are some costs it has no control over. In academic fiscal year ended June 30, 2008, or 2007–08, DMC’s overall fringe-benefit cost was approximately $65.1M. In 2011–12, the overall fringe-benefit cost was $93.5M, representing a 43.6% increase over the previous period. The Employee Retirement System (ERS) contribution alone during this time period increased 100%, from $9.8M in 2007–08 to $19.6M in 2011–12. The mandated increases in salaries resulting from collective bargaining agreements signed in 2008, and holding the workforce constant, resulted in a rise in salary expense of approximately $63.8M over five academic fiscal year periods, 2007–08 to 2011–12. However, recently negotiated collective bargaining agreements include no base salary increases for the first three years, and increased employee cost sharing of health care premiums.

DMC has received State support to cover the differential costs associated with its State-sponsored status, although it has decreased from $41.1M in 2007–08 to $17.6M in 2011–12. In the absence of additional State support, over the past two years, SUNY has allocated to Downstate approximately $75M through a line of credit and an additional $14M through a reallocation of funding from other campuses.

The decline in State support, when other costs, especially ERS, increased at a rate of 100% for the SUNY hospitals, was a contributing factor to DMC’s financial decline. It is also clear that there was and is much opportunity for management actions to improve significantly clinical operations and revenue collection, and reduce costs. SUNY and the new Downstate management team are committed to these efforts.

Despite aggressive restructuring actions, a financial loan of $75M from SUNY, and other steps to conserve cash in conjunction with the State, the current assessment of projected financial solvency is bleak and time limited. At its current run rate, UHB will run out of cash by July 2013. Without a source of additional cash, UHB will not be able to meet its operational expenses.
Another contributing factor to the serious financial condition was the acquisition of Long Island College Hospital (LICH) on May 29, 2011. Since then, Downstate has operated the LICH facility as a provider-based facility of UHB. The New York State OSC described LICH in its Financial Condition and Outlook, State University of New York Downstate Medical Center University Hospital of Brooklyn, Report 2012-S-72, January 2013:

The acquisition presented the Hospital with the challenge of supporting a facility with a long trend of operating losses. For example, Hospital officials report that LICH generated annual operating losses for seventeen consecutive years dating back to 1994. In fact, for 2009 and 2010, LICH had operating losses of $39.1 million and $4.7 million, respectively. Also, according to the [group who performed the State Comptroller audit], 55 percent of LICH inpatient beds (excluding beds available for newborns) were unoccupied during 2010 with an average of 284 beds unused each day. Moreover, LICH’s independent auditors reported that LICH’s recurring operating losses and working capital deficiencies raised substantial doubts about the ability of LICH to remain a going concern. In short, the Hospital acquired a facility that was in
deteriorating fiscal health at the same time that Hospital finances were in decline.⁴

SUNY Downstate acquired LICH with an aspirational and aggressive strategy that was not successful. The strategy anticipated that the daily census of over 200 would be increased significantly and that the overall payer mix for UHB would be improved. This goal has not been realized. In the first week of May 2013, the average daily census for LICH was 185. Operating losses continue at a rate of approximately $1M per week. Accordingly, Downstate has determined that it must exit from the operation of the LICH facility as soon as possible. SUNY, on behalf of Downstate, has issued a request for information to solicit information from parties interested in operating healthcare services in the LICH area.

Responses were to be submitted on or before May 24, 2013. Due to the legislative requirement that the Sustainability Plan be submitted by June 1, 2013, SUNY did not have an opportunity prior to submission of the plan to evaluate all responses, pursue a formal request for proposal, and close a transaction. Instead, the Sustainability Plan assumes with respect to every option that 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 LICH facility. In the absence of any feasible alternative, Downstate will exit hospital operations at LICH.

**Developing a Sustainability Plan**

In considering a wide range of solutions to achieve the charge set forth by the enacted 2013–14 budget, a series of steps was identified that, if taken, would transform and stabilize UHB, insulate the other 63 institutions in the SUNY system from the financial challenges faced by DMC, preserve the academic enterprise, and allow UHB to continue to provide necessary healthcare in the Brooklyn community. The steps, which are discussed in the plan, include restructuring and downsizing UHB while continuing to operate under SUNY auspices with benefits offered by Part Q and sustained State support (see Appendix C).

The plan simultaneously calls for the creation of a public benefit corporation (PBC) that would:

- create a larger and stronger platform for the education of medical and health professions;
- support the formation of a new Brooklyn-based provider network;
- serve as a vehicle for improving quality of care; and
- increase revenue through a clinical integration program that permits joint managed care contracting.

A restructured UHB is critical to the future of DMC, and the actions recommended in the plan would enable DMC to better navigate required changes and negotiate its academic future from a stronger position. When approved, DMC will pursue this plan with the State and other constituents to fully

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⁴ Office of the State Comptroller, “State University of New York Downstate Medical Center University Hospital of Brooklyn Financial Condition and Outlook,” Jan. 17, 2013, [http://osc.state.ny.us/audits/allaudits/093013/12s72.htm](http://osc.state.ny.us/audits/allaudits/093013/12s72.htm).
implement it over the next 36 months. SUNY recommends that a phased approach be used to allow for an orderly transition and minimize risk to the academic enterprise.

DMC and its education programs are critical community and educational resources, and they are needed by the State of New York, New York City, and Brooklyn. Now is the time for SUNY, State stakeholders, and the Brooklyn healthcare community to collaboratively address the healthcare needs of the borough and ensure the continued operation of DMC.

II. BACKGROUND

The Brooklyn healthcare market is an anomaly in the U.S. with very little consolidation or alignment across healthcare providers despite significant financial stress, quality-of-care issues, persistent poor health status in the community, and a heavy reliance on government payers.

For decades, political and regulatory structures have perpetuated this situation by providing institution-specific financial stop-gap measures and setting aside, to a large extent, quality concerns—all against a backdrop of well-documented poor health outcomes. While the short-term response has been to continue safety-net healthcare institutions and maintain employment and other economic value to the communities, this offset of market forces has led to many undervalued, financially unsustainable, mostly independent hospitals and no improvement in health outcomes. Two state-level commissions attempted to address these issues: the Commission on Healthcare Restructuring for the Twenty First Century (the “Berger Commission”), which presented its findings in November 2006, and the Medicaid Redesign Team (MRT) report on Brooklyn, which was presented in November of 2011. Still, little has changed as a result of these reports:

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, such as lack of health insurance, limited English proficiency, and poverty. Large segments of the population in several neighborhoods live in extreme poverty...At the same time it appears that...the delivery system is ill-equipped in some areas to address complex health issues facing communities. It is dominated by hospitals that are dependent on public monies...Too many of the hospitals have failed to create, and are not organized to partner with, strong primary care and community-based specialty care networks in their communities.5

The situation facing SUNY is being confronted by several other university systems that operate safety-net academic medical centers. For example, with hospital operating losses of approximately $300M annually, Louisiana State University recently entered into several public-private partnerships that

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provide for not-for-profit organizations to operate their hospitals with continued but reduced State support.6

Health Status

In 2012, the Brooklyn Health Improvement Project (B-HIP), led by DMC in collaboration with 18 partners, completed an exhaustive community health research study focused on northern and central Brooklyn, where the borough’s poorest, most chronically ill patients live and where rates of preventable emergency department use and hospital admissions and readmissions are among the highest in the state and nation.7 Two additional recent reports related to health status and access further underscore the healthcare challenges in Brooklyn and quantify the significant gap in access to primary care: “The Need for Caring in North and Central Brooklyn” (January 2013) and “A Plan for Expanding Sustainable Community Health Centers in New York” (April 2013).

UHB serves patients predominantly from the surrounding central and northern Brooklyn neighborhoods of Flatbush, East Flatbush, Bedford-Stuyvesant, Crown Heights, Canarsie, Brownsville, East New York, and many others. UHB’s service-area population is predominantly minority, low-income, reliant on public health insurance (or uninsured), and facing some of the most acute health disparities on record in New York City and the nation. Rates of premature mortality, chronic disease, poor pre-natal care/birth outcomes, and behavioral disorders are inordinately high, while access to primary and preventive healthcare is limited. The barriers to care in central and northern Brooklyn are well documented and include a fragmented service delivery system; cultural, linguistic, institutional, and legal barriers; and the spectrum of socioeconomic challenges (e.g., incarceration, unemployment, homelessness) common to urban, high-poverty neighborhoods.8

Demographic Profile

As illustrated in Table 1, below, the UHB service-area population reflects a younger, less educated, less white, poorer, and more densely populated area than Brooklyn as a whole, NYC, or the State. One in four persons in central/northern Brooklyn is under the age of 18, which is 13% higher than the state average. More than 23% of the area population over the age of 25 has not graduated from high school, which is 44% higher than the state average. Over 75% of residents are Black (African American, Afro-Caribbean and African immigrant), and nearly 20% identify as Hispanic/Latino. Foreign-born persons

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7 The B-HIP studies included a block-to-block canvass of healthcare providers and interviews with over 12,000 emergency department patients and caregivers, as well as analyses of census information, New York State planning data, and claim data sets from eight insurance companies. The final report, “Making the Connection to Care in Northern and Central Brooklyn” was issued in August 2012. http://www.downstate.edu/bhip/.
range from a low of 18% in mainly African American Bedford-Stuyvesant, to nearly 50% in heavily Caribbean Crown Heights and Flatbush/East Flatbush. Over 35 languages (not including dialects) are spoken in central/northern Brooklyn, and more than two-thirds of the population speaks a language other than English at home. The vast majority of residents are enrolled in public health insurance (Medicaid, Medicare, and NYS supplemental coverage) or are uninsured. An additional, unknown number of residents are undocumented immigrants who are ineligible for public health insurance.

Table 1. Selected Demographics Comparing State, City, Borough, and Service Area

<table>
<thead>
<tr>
<th>Selected Demographic Characteristics</th>
<th>New York State</th>
<th>New York City</th>
<th>Brooklyn</th>
<th>BHIP Study Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population (MM)</td>
<td>19.4</td>
<td>8.2</td>
<td>2.5</td>
<td>1.0</td>
</tr>
<tr>
<td>% of State</td>
<td>100%</td>
<td>42%</td>
<td>19%</td>
<td>6%</td>
</tr>
<tr>
<td>Female Persons (%)</td>
<td>52</td>
<td>53</td>
<td>53</td>
<td>54</td>
</tr>
<tr>
<td>Age (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under 5</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Under 16</td>
<td>22</td>
<td>22</td>
<td>24</td>
<td>25</td>
</tr>
<tr>
<td>Over 65</td>
<td>14</td>
<td>12</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>Over 25 Years Old (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non High School Grad</td>
<td>16</td>
<td>21</td>
<td>22</td>
<td>23</td>
</tr>
<tr>
<td>w/ Bachelor's Degree</td>
<td>18</td>
<td>20</td>
<td>18</td>
<td>14</td>
</tr>
<tr>
<td>Race (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>68</td>
<td>44</td>
<td>43</td>
<td>19</td>
</tr>
<tr>
<td>Black &amp; African American</td>
<td>16</td>
<td>26</td>
<td>34</td>
<td>62</td>
</tr>
<tr>
<td>Asian</td>
<td>7</td>
<td>13</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td>11</td>
<td>18</td>
<td>12</td>
<td>15</td>
</tr>
<tr>
<td>Persons of Hispanic or Latino Origin</td>
<td>18</td>
<td>29</td>
<td>20</td>
<td>24</td>
</tr>
<tr>
<td>With Food Stamps/SNAP benefits in the past 12 months</td>
<td>12</td>
<td>17</td>
<td>20</td>
<td>22</td>
</tr>
<tr>
<td>Per capita money income in past 12 months (2010 dollars) 2008-2010</td>
<td>30,946</td>
<td>30,496</td>
<td>23,605</td>
<td>20,181</td>
</tr>
<tr>
<td>Median Income ($)</td>
<td>55,603</td>
<td>50,258</td>
<td>43,567</td>
<td>42,188</td>
</tr>
<tr>
<td>Speaks Langs other than English at Home (%)</td>
<td>29</td>
<td>48</td>
<td>46</td>
<td>34</td>
</tr>
<tr>
<td>Persons per Sq Mile</td>
<td>411</td>
<td>27,013</td>
<td>35,369</td>
<td>49,509</td>
</tr>
</tbody>
</table>

Out-of-pocket healthcare costs continue to rise faster than incomes, placing further pressure on lower income individuals who have been proven to ration care in response to budgetary constraints. Twenty-two percent of the service area residents have received food stamps/Supplemental Nutritional Assistance Program (SNAP) benefits in the past 12 months. The per capita dollar income of the population is 35% lower than that of the state population and 34% lower than the NYC level.

Primary Care Needs and Population Growth

Relative to the rest of NYC and NYS, Brooklyn has a high prevalence of chronic diseases and other negative health indicators, which are further concentrated in UHB’s service area, as shown in Table 2.

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Multiple comorbidities further contribute to the burden of chronic disease experienced by the service-area population. Many of UHB’s patients have triple and quadruple chronic diagnoses and are taking numerous medications.

The Brooklyn MRT Report noted that a third of the population of Brooklyn does not have access to a primary care physician (PCP). Estimates of the need for additional PCPs in Brooklyn range from a minimum of 225 full time equivalents (FTEs), (assuming even distribution of PCPs across Brooklyn), to a high of 450 FTEs. Health reform will increase the need for PCPs and, in addition, the population in Brooklyn is expected to increase 0.12% annually between the years of 2006–2030. Between 2006 and 2030, the age groups of 45–64 (2.9% increase; 16,633 people), 65–84 (46.1% increase; 116,969 people), and 85 and older (11.3% increase; 4,889 people) are expected to grow in Brooklyn while the younger populations are expected to decline during this time. Increases in the size and aging of the population will create additional stress for a healthcare system that is already unable to serve the needs of the community.

**Provider Supply**

Fewer new physicians are choosing to work in community-based primary care, according to the Center for Health Workforce Studies, University at Albany, SUNY (October 2011). But since 2008, demand for newly trained PCPs has surpassed demand for specialists, while the in-state retention of these physicians has declined, particularly for general internal-medicine physicians (27% decline since 1998). In 2010, only 37% of general internal-medicine physicians staying in NYS planned to practice in community-based settings, compared to 84% of all other PCPs staying in NYS. These trends underscore

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**Table 2. Comparison of Health Indicators among UHB Service Area, Brooklyn, and New York City**

<table>
<thead>
<tr>
<th>Health Indicator</th>
<th>Service Area</th>
<th>Brooklyn</th>
<th>NYC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do not have “regular doctor”</td>
<td>30%</td>
<td>23%</td>
<td>24%</td>
</tr>
<tr>
<td>Obese</td>
<td>29%</td>
<td>24.2%</td>
<td>20%</td>
</tr>
<tr>
<td>Have Diabetes</td>
<td>13%</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Mental Illness Hospitalizations per 100,000</td>
<td>1,115</td>
<td>769</td>
<td>813</td>
</tr>
<tr>
<td>Adult Asthma Hospitalizations per 1,000</td>
<td>5</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Received late or no prenatal care (per live birth)</td>
<td>36%</td>
<td>27%</td>
<td>28%</td>
</tr>
<tr>
<td>Births to teenage mothers (per 1,000 live births)</td>
<td>109</td>
<td>73</td>
<td>75</td>
</tr>
<tr>
<td>High Blood Pressure</td>
<td>33%</td>
<td>28%</td>
<td>26%</td>
</tr>
<tr>
<td>Heart Disease Hospitalizations per 100,000</td>
<td>2,344</td>
<td>2,001</td>
<td>1,856</td>
</tr>
<tr>
<td>HIV Diagnoses per 100,000</td>
<td>102</td>
<td>50</td>
<td>55</td>
</tr>
<tr>
<td>HIV Deaths per 100,000</td>
<td>49</td>
<td>20</td>
<td>18</td>
</tr>
</tbody>
</table>

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11 Center for Health Workforce Studies–University at Albany, State University of New York, 2010.
the importance of SUNY’s mission and role in supplying well-trained, competent physicians and other healthcare professionals for the City and State of New York.

Healthcare Utilization

The health disparities in the population in UHB’s service area are integrally linked to the manner in which the population accesses and utilizes healthcare services. Recent studies have documented disproportionately high rates of preventable emergency department (ED) use and hospital admissions and re-admissions in central/northern Brooklyn, which indicates that residents are receiving only episodic, acute care in lieu of primary care and coordinated management of chronic conditions. Areas that must be addressed in order to achieve a high-performing healthcare system include primary care shortage and access to care; more convenient and appropriate venues than EDs to provide non-emergency care; stronger relationships between patients and PCPs; reductions in preventable ED visits; and greater patient and community engagement in their own healthcare and the healthcare system.

“The Need for Caring in Northern and Central Brooklyn,” a very recent community health needs assessment of this same geographic area conducted by a coalition of agencies convened by Brooklyn Hospital Center and Interfaith Medical Center, concluded that the key barriers to access include no insurance or problems with insurance; long waiting times to obtain an appointment; long waiting times at appointments; language and communication issues; high costs of care; poor treatment by providers and staff; and inconvenient hours in which care is provided.12

The link between lack of patient engagement in primary care and over-utilization of emergency and acute care services in central Brooklyn is illustrated at the UHB-Flatbush Emergency Department (UHB-ED). Opened in 2001 and built to handle 25,000 visits a year, the UHB-ED is currently receiving approximately 60,000 visits a year. Many patients, especially the frequent users of the ED and frequently readmitted patients, clearly need coordinated care management of their chronic conditions and comorbidities. Ideally, coordinated care management would be provided in a primary care medical home setting augmented with a continuum of support services including medication management, home care services, transportation, and social services. The paucity of such resources has placed an immense strain on UHB’s hospital social work division and has contributed to unacceptably long length of stay and unnecessary admissions/readmissions. Length-of-stay and readmission rates at UHB (and most neighboring safety-net hospitals) rank among the highest in the region.

Quality of Care

Quality of care in Brooklyn is at a lower level than in many other parts of the state and nation. Central Brooklyn hospitals score in the lowest fifth on Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS)13 results and reflect high (lower is better) scores on the New York State Sepsis Report. With its highly qualified faculty, excellent training programs, and dedicated hospital venue for teaching, patient care, and research, UHB achieves good results in many indicators (see New York State Department of Health website).

13 The HCAHPS (Hospital Consumer Assessment of Healthcare Providers and Systems) Survey is a national, standardized, publicly reported survey of patients’ perspectives of hospital care. See www.hcahpsonline.org.
Academic Mission

Established in 1857, SUNY Downstate’s College of Medicine is the 32nd oldest college of medicine in the country. With approximately 800 enrollees, it is one of the largest colleges of medicine in New York State and is the largest within the SUNY system. More physicians practicing in New York City graduated from Downstate’s College of Medicine than from any other medical school. Nationally, the medical school ranks seventh in the number of graduates who are engaged in academic medicine.

One in three physicians practicing in Brooklyn (and one in nine physicians in New York City) trained at DMC. In some specialties, more than half of Brooklyn’s physicians trained at the College of Medicine.

DMC trains a health workforce that reflects Brooklyn’s diversity—25% of the medical students were born outside the U.S. and over 40% are first or second generation Americans. Nearly 30% of the students belong to underrepresented minority groups, and DMC is ranked in the 96th percentile of all U.S. medical schools in the number of African American graduates. Many of the students are the first in their families to attend college.

Through its core mission—education, research, and service—SUNY has traditionally supported the economy of New York State, generating and transferring new ideas and knowledge, preparing the workforce, and serving the communities of New York State. Given the significant shortage of physicians and trained healthcare workers nationwide, statewide, and in NYC, DMC plays a critical role on a statewide and national level in supplying well-trained health professionals. The pipeline of these professionals is increasingly inadequate given the unprecedented impact of healthcare reform. The loss or significant weakening of DMC, a vital resource, would be catastrophic for Brooklyn, the City of New York, the State of New York, and SUNY.

DMC's academic mission is focused on professional programs. Entry into these professions is governed by specific regulatory and accreditation organizations, and these accrediting bodies dictate governance structure, educational standards, curriculum guidelines, core competencies, faculty-student ratios, and other human and material resources necessary. Recent accreditation activities across all programs have demonstrated that each of the DMC schools and colleges is meeting the standards dictated. The educational programs at DMC are currently viewed favorably at both the local and national level. DMC applicant pools are solid, students match well for residencies, and graduates join the New York workforce well prepared and trained.

Sustainability of the academic mission of DMC is based on the following basic principles:

- Sufficient resources (human and material) must be available to support current curricular needs in all schools and colleges;
- Accreditation standards must be met for all schools and colleges;
- The programs must be able to adapt to challenges and opportunities presented by changes in the professional, scientific, regulatory, and healthcare environments; and

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14 Diversity in Medical Education: Facts & Figures 2012, Association of American Medical Colleges.
• Reinvestment or capital resources must be identified and secured.

As UHB restructures its clinical operations, the following parameters provide a framework for analyzing the various options available:

• Current array of schools and colleges would be maintained, and expansion of educational and/or research programs would be assessed;
• Enrollment would remain at current or higher levels (Accreditors expect DMC to maintain at least the current balance of support for programs at current enrollment levels);
• DMC must remain the sponsoring institution governing the Graduate Medical Education (GME) programs because residents are critical to the undergraduate medical educational program;
• New curricula for the Colleges of Medicine and Nursing and other schools must be implemented to maintain accreditation with current and projected available resources—no new support from SUNY is expected;
• UHB must aggressively pursue increases in efficiency and productivity to free resources for reinvestment;
• DMC must aggressively pursue greater efficiency in administrative processes, through the implementation of technologies such as enterprise resource planning systems, consolidation of services, etc.;
• Environment for sponsored research, especially full indirect cost-bearing federal grants, would continue to be difficult and would require active efforts to maintain levels of research funding; and
• Existing clinical affiliations would continue in support of DMC’s clinical requirements.

The academic mission of DMC is critical for Brooklyn, the City, and the State of New York. There has never been a time when DMC’s role in supplying well-trained, competent physicians and other healthcare professionals for the City and State of New York has been needed more.

III. EXPLORATION OF OPTIONS TO SUSTAIN DOWNSTATE MEDICAL CENTER

A Call to Action

The current environment provides an excellent opportunity for all stakeholders to drive a game-changing plan that would: 1) preserve and strengthen the vital educational role of DMC; 2) wisely invest limited funds to address the health needs of the future; 3) lead to better healthcare and health outcomes for Brooklyn residents; 4) improve quality and reduce the cost of care to better position providers for the changing healthcare environment; and 5) preserve jobs to the extent possible.

In considering a comprehensive plan for academic healthcare in the borough of Brooklyn, the threshold criteria for decision making include:
• Does this plan support the vital education mission of DMC?
• Does this plan protect and commit resources to the College of Medicine, GME programs, and other healthcare professional schools?
• Does this plan consider the important role of DMC in driving quality of care and the supply of medical and health professionals?
• Does this plan support research, particularly as it relates to reducing health disparities in the community?
• Does this plan remove barriers to permit urgent action at UHB to reduce losses and improve efficiency?
• Does this plan maximize cost-saving activities?
• Does this plan support operating models that offer potential for long-term sustainability?
• Does this plan address community health needs and improve individual health, including metrics to track progress?
• Does this plan expand primary care and prevention strategies?
• Does this plan position healthcare in Brooklyn for federal health reform?
• Does this plan include clinically integrated providers in the market to impact care delivery, the cost structure, and health status?
• Does this plan drive long-term economic revitalization in Brooklyn?

The focus of this document is the sustainability of Downstate Medical Center and the preservation of its academic enterprise. However, the future of the safety net and the health of the population in Brooklyn are at risk, and DMC is an important Brooklyn resource for addressing these problems. Now is the time for bold action to be taken by SUNY (with its education and research programs), and the regulatory and legislative systems, led by the Executive branch and Legislature.

Stakeholder Input

The budget language calling for the Sustainability Plan reinforced SUNY’s desire to engage interested parties throughout the development process. The creation of the Sustainability Plan included consultation and input from labor representatives, community representatives, other regional stakeholders, the public and consumers of healthcare services (see Appendix F).

In meeting this requirement, SUNY and Downstate administrators:

• Developed a website to share information and accept feedback;
• Hosted two briefings for the Brooklyn State Senate and Assembly delegation;
• Met often with individual legislators to address their concerns;
• Distributed an open letter to the SUNY Downstate community explaining the process and inviting them to engage;
• Held a Town Hall Meeting in Brooklyn where the public and City and State legislators submitted testimony;
• Met with the SUNY Downstate Council to brief them on progress in development of the plan;
• Met with PEF, NYSUT, UUP, CSEA, SEIU 1199, and NYSNA.

SUNY also received recommendations on May 24, 2013, from a consultant engaged by NYSUT, UUP, CSEA, and PEF. The recommendations are under review.

SUNY received numerous comments from stakeholders via email and the web covering myriad points of view, including:

• The need to keep LICH as a necessary and vital role in Brooklyn’s healthcare needs;
• The need for labor/community stakeholders to have a seat at the discussions that will curate plans;
• Difficulties associated with the current billing system and the desire to abolish or change it;
• As an academic medical center, all faculty should be teaching. Downsizing could take place if the needs of the school or patients are not met by staff. The school and medical center should not operate as two entities.
• Human resources records should be reviewed to get the most out of employees.
• Primary care offerings need to be created.
• The potential harm of not knowing the future of Downstate/LICH and what that could do to academic enrollment. Some future students could choose not to apply or withdraw applications without knowing future operating plans.
• The need for money to hire more PCPs to see patients and to refer to subspecialists, who refer to other clinical services and departments.
• The inadequacy of the three-minute window during public discussion, with no time for responses, at the Town Hall meeting.
• Beliefs expressed that the closing of LICH is a land sale opportunity for valuable Brooklyn real estate.

Consideration and Assessment of Options

In exploring opportunities to achieve fiscal viability and preserve UHB’s status as a teaching hospital, four options were identified. The critical success factors for each option were carefully examined, including advantages, disadvantages, a financial overview, and academic considerations.

While the options offer different “end points,” they were assessed with the following goals and assumptions:

• The plan must preserve and strengthen medical and health professions education.
• The plan must pursue every possible improvement for UHB and secure needed commitments.
• The plan must give priority to achieving academic and patient-care goals, while minimizing potential job losses and economic instability to neighborhoods.
• Most options would require the enactment of legislation.
• The plan must achieve a critical mass of clinically integrated and financially sustainable hospital providers to serve as a stable base for medical education.
• The plan must expand primary care and develop linkages to a critical mass of clinically integrated and financially sustainable hospital providers for the changing healthcare environment, including formation of Accountable Care Organizations (ACOs).

All four options were carefully examined to identify an effective and efficient model that would accomplish the charge set forth by the enacted 2013–14 budget for the purpose of achieving fiscal viability while preserving UHB’s status as a teaching hospital. As mentioned, the process included consultation and input from labor representatives, community representatives, other regional stakeholders, the public, and consumers of healthcare services. The options that emerged from the exploration process are outlined below:
After assessment, it was clear that all options required:

- at least 24 to 36 months to implement;
- significant improvement in the operation of UHB with intense focus on restructuring and maximum support for proposed actions;
- a “bridge period” to implement planning and minimize jeopardy to the academic programs of SUNY and DMC;
- development within the context of a community in need and consideration of various stakeholders; and
- partnership and support between SUNY, the State, and local stakeholders to achieve the best outcome.

**Option 1**

A Restructured UHB that continues to operate under SUNY auspices with benefits offered by the new Flex legislation, additional flexibility, and continued State support.

All options require that every effort be made to continue the restructuring effort and explore additional means to improve the performance of UHB. This option requires changes in the academic programs of DMC but preserves UHB’s status as a teaching hospital. While not considered a long-term solution due to UHB’s aging plant and the changes associated with healthcare reform, all other options would likely take two to three years to complete; therefore, this option is an interim step for all options and must be pursued in the short term. The Brooklyn provider network is important to pursue with this option as it: 1) creates an expanded platform for clinical teaching sites; 2) provides an opportunity to increase reimbursement rates for the hospital; and 3) provides an opportunity to increase rates for physicians, which is an important part of the strategy to reduce the subsidy of faculty salaries needed by the College of Medicine.

**Option 2**

SUNY exits hospital operations at Downstate and a 501(c)(3) is formed to be a hospital operator at the UHB facility.

This option, which includes a potentially private entity, provides benefits but may not offer a long-term solution given the need to remain in an aging plant without an identified source of capital funding and to continue as an independent hospital while adapting to a rapidly changing healthcare environment. A new operator would be required to provide significant financial support for the College of Medicine’s faculty expense. This option runs counter to the need for sustainability and creates some risk for preserving UHB’s status as a teaching hospital. This plan could offer some short-term potential if public benefits were provided to the new hospital provider, but that appears to be highly unlikely, and, as a result losses are likely greater than those in Option 1.

**Option 3**

A new entity, a Brooklyn Health Improvement Public Benefit Corporation, is established to drive health-improvement efforts in Brooklyn and to serve, in part, as the organizing force and legally established authority to fund and support the creation of a provider network in Brooklyn.
DMC’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 would request that the Executive and the Legislature create a new public benefit corporation that would support, in part, the formation of a Brooklyn-based provider network to position member organizations for the changing healthcare environment and to serve as a strong academic network for Downstate Medical Center. UHB can then become a smaller, more efficient hospital. The scope of the new corporation’s work would be directed at promoting the development of a Brooklyn healthcare provider network, with the support of State resources; meeting and expanding the academic requirements of Downstate; and creating a vehicle for clinical integration. Participating organizations would drive quality improvement and financial outcomes for managed care contracting, prepare for Accountable Care Organization (ACO), and expand primary care linkages to improve health and reduce inpatient and emergency room utilization. UHB, as a clinical provider, and Downstate, as an academic affiliate, would be participants in the network.

Option 4
Another hospital or system acquires UHB or absorbs volume.

Discussions were held with several other hospitals and healthcare systems to explore interest in the acquisition of UHB or the absorption of UHB’s patient volume. No viable option emerged from these discussions. Of particular concern was that no options were identified that would not put the College of Medicine and its graduate and undergraduate programs in immediate jeopardy.

IV. THE PLAN

The best solution for Downstate Medical Center is for the Executive and Legislature to create a Brooklyn health-improvement collaborative as a public benefit corporation with the participation of SUNY Downstate to ensure that its academic interests are supported.

The purpose of this organization would be to fund and support health-improvement efforts in Brooklyn and develop a clinically integrated network of providers and a strong academic network for SUNY Downstate. The network members would actively pursue clinical integration through the network following the requirements outlined by the Federal Trade Commission in order to benefit from joint managed care contracting. The plan may be beneficial to other community hospitals in Brooklyn as it has the potential to enable them to participate in managed care contracts and risk arrangements that would otherwise not be available to them, and it could facilitate more formal linkages with primary care organizations, such as Federally Qualified Health Centers (FQHCs). The MRT report noted the need for reconfiguration of safety-net hospitals, integration of providers, and an expansion of primary care:

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.

Accordingly, in the long run, the institutions under consideration are not viable with their
current bed complement, in their current configuration. Most are experiencing declining admissions, and all are experiencing a low average daily census. In the short run, their revenues cannot support expenses, much less provide needed capital investments. In the long run, under Medicare and Medicaid reforms, length of stay, PQI [Prevention Quality Indicator] admissions, emergency department use, and readmissions are expected to decline, further reducing revenue from inpatient services. While the Work Group is committed to striking the right balance of inpatient and primary care to ensure access to needed services along the continuum in Brooklyn, these reforms will drive a reduction in the need for inpatient beds and conversely incentivize the development of integrated systems of care with comprehensive, high quality primary care services.\textsuperscript{15}

From a health-policy perspective, the plan would fulfill recommendations of many commissions and task forces. Consistent with the above statements, this option offers a means of realizing the MRT goals.

With the State and SUNY Downstate’s participation and Downstate’s safety-net services in this area of Brooklyn, this new public benefit corporation should be created by the Legislature and Executive branches with a goal of supporting an integrated network of private providers (and UHB) with the participation of SUNY Downstate as the academic affiliate. The most critical aspect of this option for Downstate would be securing dedicated clinical teaching sites for the DMC colleges and schools and a financial commitment from outside SUNY to support DMC for its teaching programs.

The suggested roles for a Brooklyn Health Improvement Public Benefit Corporation (BHI) include:

- A catalyst and funding source for the 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 BHI;
- A sponsor of initiatives such as a Brooklyn-based healthcare network (a subset of Brooklyn hospitals focused on the safety-net hospital role), primary care initiatives, and public health studies, etc. **BHI would not be the operator of the network**;
- 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 and issuance of debt;
- An entity with the power to form subsidiary corporations in support of its purposes; and
- An entity that can change its purpose and scope in response to the changing healthcare environment.

This model enables hospitals to remain independently sponsored but requires significant commitments and support for change in clinical processes and their work with their employed and voluntary
physicians in order to achieve the quality and cost goals. With the changing environment, this offers the potential for several healthcare providers to be positioned for ACO opportunities, as they would have a substantial market presence in an area of Brooklyn with significant opportunity to redesign care and shift utilization from hospitals to a community-based network. The new entity and the DMC academic programs would be catalysts for a Brooklyn-based healthcare network that would launch a coordinated approach to addressing health status and quality. Commitments to work toward expansion of primary care through sponsorship and partnerships would be secured as part of the network agreement. The principal features of the network are:

Principal Network Activities

- Common clinical pathways, cost protocols, outcome monitoring, education, and promotion of practice pattern changes.
- An academic network and GME consortium.

Principal Network Benefits

- Managed care contracting and increased revenue, improved quality of care and increased efficiency (cost reduction), alignment of hospitals and physicians for quality and cost goals.
- A strong academic network to support SUNY Downstate’s educational programs.

This plan would likely take over three years to implement, so an intense focus on restructuring UHB as described in Option 1 would need to continue.

The best way to proceed with this plan is with a phased approach with a focus on restructuring, coordination, and planning for the new entity. It also requires active participation by the State, both financially and as a leader, by SUNY as the academic affiliate, and other stakeholders in their various roles to ensure that medical and health professions education remain strong.
The following actions are required to implement the plan:
Phase 1

I. SUNY and Downstate will pursue every action possible to restructure UHB to be more financially sustainable and will include a consideration for capital.

II. SUNY, in accordance with Part Q, will determine a means of expediting decision making and approval to achieve savings.

III. SUNY will explore additional flexibility to achieve savings.

IV. SUNY will review all responses received to the LICH request for information and determine the most expeditious and financially responsible course of action to enable Downstate to exit from the operation of the LICH facility.

V. SUNY will quantify support needed from other sources to support the transition.

Phase 2

I. Request that the NYS Executive and Legislature create a new Brooklyn Health Improvement (BHI) public benefit corporation to provide governance and organization for academic and clinical network development.

II. DMC would secure State grants to launch a planning and consultation process for establishing the network and the Brooklyn Health Improvement public benefit corporation. The process
would need to be inclusive of all relevant stakeholders. To fulfill the goals of this plan and remain consistent with the MRT recommendations, some considerations include:

a. Given the goals, what is the most appropriate model for a BHI, including consideration of the experience of other public benefit corporations?

b. What should the purposes of a BHI be (e.g., source of State and other funds for primary care expansion, debt issuance, support for academic programs)?

c. What is the recommended composition of the BHI Board to reflect public and other stakeholder participation? What steps can be taken to ensure it is a competency-based board?

d. How can a BHI be set up so it enjoys flexibility under State procurement rules?

e. Given the goals and the need to secure commitments from several hospitals, what are the most appropriate corporate structure and operating model for the network that would lead to commitments while not undermining the purpose?

f. From the view of the hospitals, what are the economic and other factors that would create benefits for participation in exchange for the authority they would give up as part of a clinically integrated network?

g. What model would be future focused for success in the changing environment and would accommodate changing or expanding the purpose?

h. How can the network be set up to be sustainable after initial funding?

i. With physician participation integral to clinical integration, what are the alignment models of the potential participating hospitals, and can they secure the needed commitments to support the network goals?

j. What will be the appropriate capital investment to support the network partners, including UHB?

Phase 3

I. BHI and the network will create and expand dedicated teaching hospital sites for DMC.

II. The network achieves clinical integration, serves as a platform for medical and health professions education, and begins managed care contracting.

If these steps and phases are not realized within necessary time frames and fiscal constraints, SUNY reserves the right to exercise appropriate actions to protect the university system. Such actions may include significant closure of clinical programs and reductions in academic programs to the detriment of the needs of the population.

Financial Support for Operations

The table below presents the projected operating results through FYE 2017. These projections include the same assumptions used for Option 1. While assuming continuation of current State and SUNY support of $44 million, this plan would require additional and continued State support for UHB until the larger academic network is operational and UHB is significantly downsized, a process that is estimated to take at least three years.
### Funding Requirements for the Plan

Start-up and operating funding support will be needed for the BHI special initiatives; primary care expansion and linkages; and for the network to support IT-system development and ongoing support, clinical-program development and ongoing support, academic network formation, etc. The potential sources of this funding may include but are not limited to HEAL or other State grants or Vital Access Provider rate during transition.

The table below provides a summary of the funds needed for the plan:

<table>
<thead>
<tr>
<th>Categories</th>
<th>FYE 14</th>
<th>FYE 15</th>
<th>FYE 16</th>
<th>FYE 17</th>
</tr>
</thead>
<tbody>
<tr>
<td>UHB (closing the cash gap)</td>
<td>$81.0M</td>
<td>$60.0M</td>
<td>$47.0M</td>
<td>$47.0M</td>
</tr>
<tr>
<td>Long Island College Hospital (LICH) costs</td>
<td>$35.0M</td>
<td>$54.0M</td>
<td>$20.0M</td>
<td>$20.0M</td>
</tr>
<tr>
<td>State grant for UHB MD recruitment and programs (above capital budget)</td>
<td>$5.0M</td>
<td>$14.0M</td>
<td>$9.0M</td>
<td>$9.0M</td>
</tr>
<tr>
<td>Health Improvement PBC</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brooklyn State grant for planning and formation of PBC</td>
<td>$1.0M</td>
<td>$1.0M</td>
<td>$1.0M</td>
<td>$1.0M</td>
</tr>
<tr>
<td>Operating budget 2015 and beyond</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td>State grants for primary care expansion and linkages initiatives</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td>Network2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State grant for network planning and implementation</td>
<td>$6.0M</td>
<td>$6.0M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State grant for network systems development (IT programs, interfaces, dashboards, change management, clinical staff, EHR linkages)</td>
<td>$4.0M</td>
<td>$7.0M</td>
<td>$8.0M</td>
<td></td>
</tr>
<tr>
<td>State grant for initial staffing and ongoing network operations</td>
<td>$5.0M</td>
<td>$6.0M</td>
<td>$6.0M</td>
<td></td>
</tr>
<tr>
<td>Ongoing operation outsourced for IT systems/clinical support staff</td>
<td></td>
<td>$3.5M</td>
<td>$3.5M</td>
<td></td>
</tr>
<tr>
<td>Support for academic network development (Caribbean school issues, academic program support, shared service support)</td>
<td></td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
</tr>
</tbody>
</table>

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

2. Acronym to indicate the network is financially self-sustained after FYE17.

NOTE: State and SUNY support of $44M normally continues for all years.
V. 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. As stated by the MRT chair, Stephen Berger in his 2011 report transmittal letter to NYS Health Commissioner Nirav Shah: “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.”

The Sustainability Plan presented here—compiled in partnership with SUNY System Administration, SUNY Downstate Medical Center, Pitts Management Associates; in consultation with the help of key representatives from the Executive Office and the NYS Legislature; and with the consultation, input and comments of labor representatives, community representatives, other regional stakeholders, the public, and consumers of healthcare services—is a tool that can be used to meet the recommendations put forth in the MRT report and others.

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 to address Brooklyn’s healthcare crisis. Now is the time for SUNY Downstate, the Executive Office, and the NYS Department of Health to be the instruments of this change in order to ensure 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.
### APPENDIX B – PITTS MANAGEMENT ASSOCIATES FINANCIAL IMPROVEMENTS

Financial Improvements Associated with Pitts Management Engagements with or on behalf of SUNY Downstate

<table>
<thead>
<tr>
<th>INITIAL POTENTIAL FINANCIAL OPPORTUNITIES [Identified in Late 2011 by the Office of State Controller (OSC)]</th>
</tr>
</thead>
<tbody>
<tr>
<td>REDUCTION IN STAFF FTE</td>
</tr>
<tr>
<td>CPEP AT LICH&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td>REDUCTION IN UNBILLED ACCOUNTS&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td>CASH COLLECTIONS FROM PAYERS&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td>CHARGE DESCRIPTION BILLING IMPROVEMENTS&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td>PHARMACY CLINIC CHARGE IMPROVEMENTS&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ADDITIONAL FINANCIAL OPPORTUNITIES IDENTIFIED SINCE 12/1/2012 AND INCLUDED IN THE RESTRUCTURING ACTION PLAN&lt;sup&gt;3&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Category</td>
</tr>
<tr>
<td>-----------------------</td>
</tr>
<tr>
<td><strong>Revenue Cycle</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Labor/ Productivity</strong></td>
</tr>
<tr>
<td><strong>Supply Chain</strong></td>
</tr>
<tr>
<td><strong>Care Management</strong></td>
</tr>
<tr>
<td><strong>Volume Growth</strong></td>
</tr>
<tr>
<td><strong>Other Restructuring Initiatives</strong></td>
</tr>
</tbody>
</table>

1 A number of analyses, process improvement projects, and other activities have been conducted or are currently underway by Pitts Management.


3 Additional projects identified since 12/1/2012 and included in the Restructuring Action Plan and that do not duplicate any financial improvements contained in the OSC Report 2012-S-72.
APPENDIX C – FLEX LEGISLATIVE RELIEF OPPORTUNITIES

Service Elimination

Potential service elimination includes the elimination and/or reduction of acute, ambulatory, and support services that are not necessary or financially sustainable and any additional measures necessary to achieve such restructuring and achieve financial stability.

<table>
<thead>
<tr>
<th>ACTIONS</th>
<th>Analysis is still underway regarding elimination and/or reduction of acute, ambulatory, and support services. SUNY Downstate is considering service reduction or elimination opportunities to take full advantage of the legislative flexibility language. The final analysis and recommendations will be presented in June 2013.</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROJECTED INCREMENTAL IMPACT DUE TO LEGISLATIVE RELIEF (noted by year as applicable)</td>
<td>To Be Determined.</td>
</tr>
</tbody>
</table>

Procurement Flexibility

Contracting approvals may be waived for certain contracts, including goods and supplies, restructuring consultants, information technology, and other revenue-cycle and insurance-related services (revenue collection billing services, electronic and medical health records, and insurance eligibility and verification services.)
**Acquisition of Workflow Software:** Currently, the revenue-cycle work distribution is prioritized and directed by a series of hardcopy and static PDF reports. The expedited acquisition of workflow software will enable the billing department and other revenue-cycle departments to better organize, prioritize, assign, and monitor charge capture, billing, and collection efforts. This will accelerate cash collection.

**External Resources to Assist in Medicaid and Disability Applications:** UHB has a significant backlog of incomplete Medicaid applications that were initiated by UHB Financial Assistance staff. Additionally, internal resources lack the clinical expertise required to identify candidates and complete applications for Medicare disability coverage. The ability to bring in the resources of outside agencies to supplement the efforts of our internal staff by working on our application backlog, follow-up on applications with patients after discharge, and assign clinically trained staff to potential disability cases will result in immediate and significant improvement of cash collection.

**Specialized Collection Agencies:** Compliance issues have reduced the number of contracted collection agencies to which Downstate can refer accounts. Selection of new collection agencies has historically been a long process. The ability to expedite contracts with additional collection agencies will promote competition in performance and price while also allowing Downstate to pursue specialized agencies that deal with out-of-state Medicaid, legal collection issues, etc. This will also contribute to the decrease in bad debt write-off and improve cash collection.

**Coding Resources:** The Health Information Management Department (HIM) has shown that it struggles with manpower and technology issues. Both factors contribute to backlogs in coding accounts, particularly inpatient, ambulatory procedure, and emergency accounts. HIM plans to contract with additional agencies that will provide resources that will be able to address current and future coding backlogs. The elimination of current coding backlogs will provide one-time revenue improvements, but the establishment of reliable external coding resources will enable Downstate to avoid future backlogs, improve coding quality, and reduce bill drop thresholds.

In addition, several other revenue-cycle projects are planned. A vendor contract will improve Medicaid eligibility. Another vendor will be engaged to provide specialized service in obtaining additional Medicare reimbursement for patients that were initially tagged for transfer to another healthcare provider but did not receive the service within a prescribed period of time.
<table>
<thead>
<tr>
<th>ACTIONS</th>
<th>Potential acceleration of exiting the Temporary Services Agreement with Continuum Health Partners for LICH revenue cycle services is under review.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current Sodexo food services contract is currently being reviewed for possible renegotiation.</td>
</tr>
<tr>
<td></td>
<td>SUNY Downstate contract with UPB for physician management services is under discussion.</td>
</tr>
<tr>
<td></td>
<td>The potential for contracting with vendors to supply support services will be reviewed.</td>
</tr>
<tr>
<td></td>
<td>The potential for renegotiation of current hospital-related contracts and cancellation of non-productive contracts is being reviewed.</td>
</tr>
<tr>
<td></td>
<td>Additional managerial mentoring and consulting resources needed to improve labor productivity, and organizational financial performance is under review.</td>
</tr>
<tr>
<td></td>
<td>External medical records management and/or coding services are being considered to increase the case mix index.</td>
</tr>
<tr>
<td></td>
<td>Expansion of scope of existing physician-billing contracts is underway.</td>
</tr>
<tr>
<td></td>
<td>Procurement of hospital-related information-technology needs to improve efficiency are being pursued, as well as technology required for ICD-10 implementation.</td>
</tr>
<tr>
<td></td>
<td>Potential renegotiation of managed care contracts will be considered.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PROJECTED INCREMENTAL IMPACT DUE TO LEGISLATIVE RELIEF (noted by year as applicable)</th>
<th>RC-017 Improvement of Cash Collection</th>
<th>$7.4M in FY13/14</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RC-032 Medicaid Eligibility</td>
<td>$2.5M in FY 13/14</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$3M in FY 14/15</td>
</tr>
<tr>
<td></td>
<td>RC-033 Transfer DRGs</td>
<td>$354K in FY 13/14</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$500K in FY 14/15</td>
</tr>
<tr>
<td></td>
<td>Additional projects</td>
<td>TBD</td>
</tr>
</tbody>
</table>
**Procurement Flexibility for Clinical Services**

Contracting approvals may be waived for contract(s) that may also include clinical services provided that the scope or nature does not alter the character of Downstate Hospital as a public hospital and shall be limited to 15% of clinical services unless the Commissioner of Health determines that additional actions are necessary for the full implementation of the Sustainability Plan, in which case up to 20% of such clinical service may be authorized.

<table>
<thead>
<tr>
<th>ACTIONS</th>
<th>Analysis is still underway regarding contracting for clinical services. SUNY Downstate is considering contracting for clinical and non-clinical services opportunities to take full advantage of the legislative flexibility language. Under consideration for external contracting are laboratory services, inpatient and outpatient dialysis, and inpatient psychiatry.</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROJECTED INCREMENTAL IMPACT DUE TO LEGISLATIVE RELIEF (noted by year as applicable)</td>
<td>To Be Determined.</td>
</tr>
</tbody>
</table>

**Partnership/Joint Venture Flexibility**

SUNY hospitals may enter into contracts with additional parties such as joint ventures, sole members of not-for-profit or for-profit entities, limited liability corps, as lessor or lessee and/or participants in joint ventures without a competitive procurement process.

<table>
<thead>
<tr>
<th>ACTIONS</th>
<th>SUNY Downstate is exploring partnerships to expand primary care services and training programs in Brooklyn, alignment with other Brooklyn acute care facilities, and alignment with a local FQHC.</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROJECTED INCREMENTAL IMPACT DUE TO LEGISLATIVE RELIEF (noted by year as applicable)</td>
<td>To Be Determined.</td>
</tr>
</tbody>
</table>
Transitioning SUNY Downstate Medical Center

Missed the Town Hall Meeting? You can still submit written testimony to hospitalsustainabilityplan@suny.edu

RFI Extension

On May 1, 2013, State University of New York issued a request for information, CRL00521, requesting expressions of interest from qualified entities who could provide health care services, including operation of an acute care hospital, at or around the Long Island College Hospital site in Brooklyn. Responses were requested by May 22, 2013 to allow SUNY to use the information in the development of a plan to achieve fiscal viability of the Downstate Medical Center. That sustainability plan must be delivered to the State by June 1, 2013.

SUNY wishes to receive the full benefit in response to the Request for Information and has extended the response date until May 24, 2013. Responses received after May 24, 2013 may not be reflected in the sustainability plan but will be reviewed by SUNY to determine the most expeditious and financially responsible course of action with respect to the Long Island College Hospital.

Brooklyn needs a comprehensive solution to its medical care crisis. Downstate Medical, with its unparalleled community presence as a world-class teaching hospital, can and should be part of that solution.

There are many reasons for the fiscal crisis facing Downstate:

- An extremely competitive Brooklyn healthcare market;
- Complexities of a State system that limits decision making and action;
- High levels of health disparities in communities we serve, and the high rates of complex chronic disease, largely publicly insured;
- An acquisition of a distressed hospital with an aspirational and aggressive business plan that was not successful and
- Lack of adequate support from the State to operate a SUNY hospital within the complex regulatory and financial environment of the State.

It is clear that Downstate needs a critical restructuring that will allow it to continue serving the community. Downstate continues to fill a critical role in training health care professionals: it trains more physicians practicing in NYC than any other medical school and has one of the highest rates of graduates who practice in underserved areas. One in three Brooklyn doctors and one in nine New York City doctors were trained at Downstate. A full 50% of its nursing graduates continue to work in NYC. The following actions have already been taken by SUNY System Administration to prepare for this restructuring:

- Replaced Downstate’s failed leadership with a dynamic and nationally recognized new President, Dr. John F. Williams, who has brought in a new, experienced management team;
- Engaged management consultants to assess and implement a restructuring plan;
- Authorized a $75m SUNY loan to help with cash deficit for 12 months; and
- Requested, but did not receive, $100m in State funding assistance.

Contact Us Regarding SUNY Downstate

* Required
First Name *
Last Name *
SUNY Downstate Council to Meet

For Immediate Release: Friday, May 17, 2013

Brooklyn – The SUNY Council of Downstate Medical Center will meet Monday, May 20, 2013 at 3:15 p.m. Topics for discussion will include an update on the development of a Sustainability Plan for Downstate Medical Center.

The meeting will take place at:
SUNY Downstate Medical Center
Alumni Auditorium
395 Lenox Road
Brooklyn, New York

Video conferencing will be available from the following location(s):
State University Plaza
353 Broadway
Albany, New York

The live webcast may be viewed at:
http://mediasite.suny.edu/mediasite/Viewer/?peid=32925106fe974ea4ad1678ccee58fd1d.

An agenda for the meeting, together with any meeting materials, will available online at www.downstate.edu.

**********

SUNY Downstate Medical Center, founded in 1860, was the first medical school in the United States to bring teaching out of the lecture hall and to the patient’s bedside. A center of innovation and excellence in research and clinical service delivery, SUNY Downstate Medical Center comprises a College of Medicine, Colleges of Nursing and Health Related Professions, a School of Graduate Studies, a School of Public Health, University Hospital of Brooklyn, and an Advanced Biotechnology Park and Biotechnology Incubator.

SUNY Downstate ranks ninth nationally in the number of alumni who are on the faculty of American medical schools. More physicians practicing in New York City have graduated from SUNY Downstate than from any other medical school. For more information, visit www.downstate.edu.
Town Hall Meeting Scheduled to Discuss Sustainability Plan for SUNY Downstate

For Immediate Release: Tuesday, May 14, 2013
Contact: David Doyle; David.Doyle@suny.edu; 518-320-1311

Albany – The State University of New York has scheduled a Town Hall Meeting for public discussion of the Sustainability Plan under development for SUNY Downstate Medical Center.

Town Hall Meeting (opportunity for public comment)
Monday, May 20, 2013
9:00 a.m. – 1:00 p.m.
SUNY Downstate Medical Center
Alumni Auditorium
395 Lenox Road
Brooklyn, New York

Persons who wish to make brief comments (no more than three minutes) are requested to file their names with the Registration Officer in advance of the beginning of the Town Hall Meeting. This can be done in person at the Town Hall Meeting prior to the starting time, or by e-mailing hospitalsustainabilityplan@suny.edu with the speaker’s name, e-mail address, and phone number.

The Town Hall Meeting will begin with a brief presentation from SUNY and Downstate officials, followed by comments from interested elected officials. All registered speakers will then be called upon in the order in which they have registered. Extended, written testimony may also be submitted to hospitalsustainabilityplan@suny.edu.

To learn more about the situation at Downstate and provide ideas directly to the process, visit www.suny.edu/hospitals/downstate/.

About the State University of New York
The State University of New York is the largest comprehensive university system in the United States, educating nearly 468,000 students in more than 7,500 degree and certificate programs on 64 campuses with nearly 3 million alumni around the globe. To learn more about how SUNY creates opportunity, visit www.suny.edu.

###
TO: SUNY Downstate Community and Stakeholders
FROM: John F. Williams, Jr., MD, EdD, MPH, FCCM
President, SUNY Downstate Medical Center
DATE: May 14, 2013
SUBJECT: The Future of SUNY Downstate Medical Center

SUNY Downstate Medical Center really matters to Brooklyn. As its only academic medical center, we make a tremendous difference in the lives of the borough’s 2.5 million residents, training the medical and health professional workforce and providing quality health care for over 150 years.

Today, Downstate is facing severe economic challenges and hard decisions are being made regarding our fiscal situation. We have had to reduce staffing levels, which has been painful for the people whose employment was terminated as well as for the workers who remain. The likelihood of additional reductions in the workforce is a reality that we must acknowledge.

Our campus relies heavily on the revenues generated by the clinical operations in our two hospital locations – University Hospital of Brooklyn (UHB) and Long Island College Hospital (LICH) – both of which are in financial trouble. In recent years, hospital costs have risen sharply while what we receive from insurers, Medicaid, and Medicare for patient care has declined. This has made safety-net hospitals such as UHB extremely vulnerable financially.

As a state entity, Downstate must live with numerous regulations and purchasing restrictions that don’t apply to private and non-profit medical centers, and direct state support for operations is diminishing. Add to that the recent severe recession and subsequent slow recovery, and we find ourselves in a precarious financial position. Several hospitals, especially in Brooklyn, are in danger of failing for similar reasons.

Almost two years ago, LICH was acquired with the hope of expanding Downstate’s clinical care delivery, preserving our education and training opportunities, and strengthening healthcare throughout the borough. Unfortunately, the financial situation has only worsened with regards to LICH. LICH and UHB combined are losing money at such a rapid rate that the present situation endangers the future of all of SUNY Downstate. Currently, we are working on all fronts to bring campus revenues and expenditures into alignment so that the educational, clinical, and research mission of SUNY Downstate is sustained for Brooklyn and New York State.

Our focus now is on developing a legally required plan to make Downstate Medical Center financially viable for the long term. That plan encompasses our hospitals as well as our schools, which train the health professionals New York needs. That includes the College of Medicine, which educates one in three doctors who practice in Brooklyn and one in nine doctors practicing in New York City, as well as the School of Graduate Studies, College of Nursing, College of Health Related Professions and School of
Public Health. The recently enacted state budget provides SUNY with a new and comprehensive set of tools that can help us restructure while we provide our core services in education, clinical care, and research.

This Sustainability Plan is due to the State Department of Health and the Governor’s Division of the Budget by June 1, 2013, with implementation to begin June 15, 2013. As you may know, we’ve issued a formal request for information (RFI) from qualified parties who could provide health care services, including the operation of an acute care hospital, at or around the LICH site in Brooklyn. Responses have been requested on or before May 22, 2013.

We are committed to engaging with stakeholders throughout the process of developing the Sustainability Plan, including you, the members of our community. I am writing today as the first step in that effort – to lay out for you the situation we face together as neighbors.

Please know that we are truly exploring all options. Our solution must first and foremost address and preserve our primary mission of education and training and must be arrived at in the context of everything that factors into a strong healthcare solution for Brooklyn.

At this point, we see potential in restructuring UHB, developing partnerships with existing Brooklyn healthcare providers, and working with these providers to meet the health care needs of the residents of central Brooklyn while supporting resident opportunities for our medical students. And as mentioned, the RFI has been issued to solicit information for, among other things, the operation of health care facilities or services on the LICH campus or in the community around LICH.

In the coming weeks, we will continue to develop the plan for Downstate to preserve quality medical care for Brooklyn. We will also provide opportunity for your input and feedback, including a town hall meeting to be held at Downstate on May 20, 2013. We invite you to visit www.suny.edu/hospitals/downstate/ to learn more about our situation and provide ideas directly to the process.

We thank you for your understanding and your assistance as we navigate through this unfortunate situation.
MEMORANDUM

TO: Members of the Brooklyn Delegation
FROM: Stacey Hengsterman
DATE: May 17, 2013
SUBJECT: Downstate Medical Center

We are asking the entire Brooklyn Assembly and Senate delegations to attend an updated briefing regarding Downstate Medical Center to discuss next steps and hear concerns and input regarding the Sustainability Plan under development.

Please join me and other SUNY officials on Wednesday, May 22, 2013, from 9:30 a.m. to 11:00 a.m. in Legislative Office Building Conference Room 630.

If you have any additional questions please contact me by e-mail at stacey.hengsterman@suny.edu or by phone at (518) 320-1148.

We look forward to meeting with you.
April 26, 2013

The Honorable Peter Abbate
New York State Assembly
8500 18th Avenue
Brooklyn, NY 11214

Dear Assemblymember Abbate:

We have now been able to reschedule the Downstate briefing and would like to invite you to join SUNY Board Chairman H. Carl McCall and SUNY Downstate President Skip Williams on Thursday, May 2, 2013 from 9:00 a.m. to 10:30 a.m. at SUNY Downstate’s University Hospital of Brooklyn.

We have asked the entire Brooklyn Congressional, Senate, Assembly, and City Council delegations to participate in a briefing by senior SUNY System Administration and SUNY Downstate leadership to discuss next steps, UHB’s current financial status and limitations, and to hear concerns and input regarding the sustainability plan under development.

Please let me know if you are able to attend, and if you have any additional questions. I can be reached at (518) 320-1148 or by e-mail at stacey.hengsterman@suny.edu.

We look forward to meeting with you. For your convenience, you should plan to enter via UHB's 395 Lenox Road entrance where there will be signage guiding you to the meeting room.

Sincerely,

[Signature]

Stacey B. Hengsterman
Assistant Vice Chancellor for Government Relations