

New York State Department of Health
Report on the Closing of Peninsula Hospital
July 10, 2012

History of Peninsula Hospital Center:

Peninsula Hospital Center (PHC) was established in 1908 as a voluntary, not-for-profit corporation certified to operate 272 inpatient beds and a 200-bed long-term care and rehabilitation center (Peninsula Center for Extended Care and Rehabilitation) serving Far Rockaway, Queens. In response to the 2006 recommendation by the Commission on Healthcare Facilities in the 21st Century, PHC downsized to 173 hospital beds. In addition to inpatient, surgical and emergency room services, PHC provided coma recovery and traumatic brain injury programs; occupational, physical, speech, and vocational rehabilitation therapy programs and acute renal dialysis. PHC maintained a clinical affiliation with the North-Shore LIJ Health System and employed 1025 full time equivalent positions at the time of its closing.

Corporate Structure and Governing body:

PHC was certified by New York State to operate a hospital under the authority of a board of directors which was responsible for operations of the medical facility. The board of directors was legally responsible for the quality of patient care services, the conduct and obligations of the hospital as an institution and for ensuring compliance with all Federal, State and local laws.

On February 23, 2009, the PHC Board agreed to appoint the MediSys Health Network, Inc. ("MediSys") as the sole corporate member of the Hospital and the Center corporations. As the sole voting member, MediSys had certain reserve powers over the Hospital, including but not limited to the right to name the Hospital's board of directors. The relationship with MediSys afforded PHC access to a variety of important management services including administrative, information technology and financial. At that time MediSys was also the sole member (either directly or indirectly) of Flushing Hospital Medical Center, Jamaica Hospital Medical Center, The Brookdale Hospital Medical Center, FRR Recovery, Inc, Brookdale Family Care Centers, Inc., and other medical entities. On August 22, 2011, due to the deteriorating financial condition of PHC, MediSys withdrew from its role as sole corporate member.

Community served by Peninsula Hospital Center:

PHC served the Rockaway Peninsula section of the Borough of Queens consisting of approximately 115,000 residents. The neighborhood which is synonymous with Community District 14, starts at the Nassau County line and extends west to Beach 32nd Street. Its population consists of 40 percent African-American, 37 percent White and 22 percent Hispanic. Recent Census Bureau estimates show that the area's median age of 36.1 is similar to the borough and citywide values (37.6 and 35.7, respectively). The area has an unemployment rate of 7.8 percent and a median household income of \$45,861. Approximately 14 percent of Rockaway residents have no health insurance, as compared to 22 percent for the rest of Queens.

According to SPARCS data, of the 22,140 Rockaway residents admitted to hospitals in 2010, 40.5 percent were insured by Medicare, 35.27 percent by Medicaid, 19.67 percent had commercial insurance and 4.46 percent were classified as self-pay or "other." SPARCS data also show a substantial percentage of those admissions went to hospitals outside of Rockaway, with 13.5 percent of residents going to Nassau County, 9.5 percent to Brooklyn, 8.3 percent to Manhattan and 12.7 percent to Queens hospitals outside of Rockaway

Factors that Led to the Closure of Peninsula Hospital Center

PHC entered into bankruptcy September 19, 2011, with more than \$60 million in debt. The hospital had sustained four consecutive years of operational losses, including \$25,533,060 in 2009 and \$21,595,802 in 2010. In addition, in 2009 PHC experienced an unrestricted net deficit of \$18,524,485 with an operating margin of -24.3 percent; in 2010 the unrestricted net deficit increased to \$27,849,935 with an operating margin of -22.4 percent.

PHC's debt and ongoing operational losses compromised patient safety as well as basic hospital operations. PHC was unable to meet payroll to retain adequate staffing, could not pay vendors providing such services as intravenous fluids, laundry services, operating room supplies or garbage removal. Equipment was not adequately maintained and broken equipment was not fixed or replaced. PHC was unable to pay MediSys for its administrative services and provision of anesthesiologists which led to their departure.

Contributing to the hospital's deteriorating financial condition was declining patient activity. The number of patients served by the hospital had dropped steadily for five years or more and only a small percentage of persons needing hospital care from the targeted communities chose to go to PHC. Three ZIP codes, 11691, 11693 and 11694 accounted for 87.3 percent of PHC's total inpatient volume, but PHC only served 20.8 percent of that market. The hospital's inpatient volume declined steadily from a high of 5,707 patients in 2004 to 5,267 in 2010. The average daily inpatient census declined from 118 in 2005 to 72 in 2010, a drop of almost 39 percent. Emergency Department (ED) volume also experienced a decline from a high of 26,430 ED visits in 2004 to an average of 22,000 visits per year for the next six years.

Due to its financial circumstances, on July 27, 2011, PHC's Board of Directors submitted a closure plan to the Department. However, the Board reconsidered its decision and withdrew the closure plan on August 9, 2011, although it was not clear how the hospital would meet its financial obligations. PHC entered into bankruptcy September 19, 2011.

See Chronology Attachment

Role of The New York State Department of Health

The priority of the New York State Department of Health has been and continues to be the welfare of the residents of Rockaway. This meant working with PHC for as long as it appeared viable and identifying and ensuring adequate alternative resources when it appeared PHC would close. In 2006 the Department granted \$750,000 in HEAL funds to assist PHC with its

debt, and later brokered negotiations with St John's Episcopal Hospital to explore the feasibility of a merger. The merger did not go forward due to PHC's financial situation.

As part of the Department's ongoing role to review and assess the quality of services, surveys were conducted of PHC's clinical laboratory and blood bank from 8/31/2010 – 9/3/2010, with a follow-up survey conducted 2/21/2012 - 2/23/2012, that resulted in two summary orders for the hospital to suspend operations of the lab and all operations. The follow-up survey found 86 deficiencies, 33 of which were repeat and claimed by PHC to have been corrected. The nature of the deficiencies was very serious, endangering both patient and staff safety. The survey found inadequate management oversight of the lab as well as inadequate staff training. There were no formal procedures or guidelines for carrying out staff duties and functions. Reagents that had passed their expiration date were found, and blood platelets were not consistently stored at the correct temperature. Urgent testing in the emergency department was late and there were no staff available to conduct emergency testing after 4 PM. PHC staff that was interviewed stated they did not know how to correct the deficiencies.

See Chronology Attachment for Wadsworth Lab Report

A Bankruptcy Judge appointed a Trustee who was confirmed by the Public Health and Health Planning Council on March 22, 2012. On March 26, the Trustee submitted a closure plan that was reviewed and approved by the Department. From the time it appeared the hospital's viability was in question through closure of the facility, the Department worked with area health providers including St John's Episcopal Hospital and the Joseph P. Addabbo Family Health Center to prepare for filling the health care void if and when PHC closed. The Department analyzed the potential effect of a hospital closure by predicting the redistribution of the hospital's patients to other hospitals in its market, based on current geographic utilization patterns. The analysis showed that although the overwhelming majority of residents had received their health care from other hospitals and clinics, there was a need to increase the number of intensive care beds and expand emergency department services. The Department granted emergency approval to St John's Episcopal Hospital in August 2011, for four additional intensive care beds. In May 2012, the Governor announced a \$5.3 million discretionary grant to St John's Episcopal Hospital for renovation and reconfiguration of the Emergency Department and to coordinate development of primary care with the Joseph P. Addabbo Family Health Center. While emergency department activity constitutes the most significant service impact, it is mitigated by the finding that 45 percent of PHC's emergency visits were either classified as non-emergency or could have been more appropriately handled through an ambulatory primary care clinic.

See Chronology Attachment for PHC Closure Plan

See Chronology Attachment Bankruptcy Report

Anticipated Impact of Closure

See question 13 in the Questions and Answers document

Next Steps and Recommendations

The next steps or recommendation concerning access to services for the community will be to monitor the implementation of the \$5.2million HEAL grant and work with both St. John's Hospital and the Adabbo Clinic to secure necessary Department approvals.

Secondly, the Department will continue to work with health care providers who service the region to monitor capacity and unique issues affecting access. There is no perfect prediction as to how populations will respond to a hospital's closure. Some residents will go to the nearest hospital, others will follow physicians who practiced at Peninsula Hospital and who now may have privileges at other hospitals. Other residents may follow family or friends recommendations to utilize a particular physician, hospital or clinic.

The Department, through its Emergency Services Bureaus, will continue to work with the Fire Department of New York City to assess emergency transport of patients and determine if times for delivery and drop off of patients are creating access concerns. The Department believes that the proposed Medicaid Waiver now being developed by the Department will offer to the community and the provider that service it unique opportunities to develop and implement a regional health plan for the Rockaways.

This plan could be developed by a coalition of community residents and providers and conduct a full assessment of any critical needs or services necessary.

Finally, the Department will assess the final recommendations concerning the sale of the Peninsula Hospital building and nursing home. The Bankruptcy Trustee is now engaged in a process to sell Peninsula's assets which include both physical plants. The Department must approve any sale of the nursing home and any healthcare use of the hospital requiring a license. It is possible a buyer will seek to utilize the Peninsula Hospital building for health care services; this use would need to be evaluated in determining "access" issues.

Links

[Peninsula Hospital Chronology](#)

[Public Hearing Questions and Answers](#)

[Public Hearing Transcript](#)