

Peninsula Hospital Public Hearing  
Questions and Answers  
July 10, 2012

Introduction: The May 10, 2012 Public Hearing was attended by approximately 300-400 individuals with 66 presenting testimony. The critical questions and concerns expressed focused primarily on the need to keep Peninsula Hospital open as well as why the hospital closed.

The New York State Department of Health (the Department) has summarized key questions and provided answers in the following section.

1. Who made the decision to close Peninsula Hospital?

The decision to close Peninsula Hospital was made by the Governing body authorized to operate the hospital. In this case, that authority was vested in the Chapter 11 Bankruptcy Trustee.

The Trustee made a determination the hospital was not financially viable and could not meet ongoing operational expenses and submitted an acceptable closure plan.

2. What was the role of Peninsula's Board of Directors in the closure?

The Peninsula Board consented in the bankruptcy proceeding to the appointment of a Trustee who would be charged with the Governing authority. The Trustee needed to be established and approved under NYS Public Health Law to have this authority; a key step in this process was the required approval of the Public Health and Health Planning Council (PHHPC).

On March 23, 2012, the Council considered the application of the Trustee to be established as the governing authority. The Council approved the application; it did not receive any comments from the Peninsula Board objecting to the appointment.

Thus, the Peninsula Board in its consent of the Bankruptcy Court's appointment and the PHHPC's approval of the Trustee willingly ceded authority to the Trustee to operate and determine the hospital's future.

3. What were the factors that led to Peninsula's closure?

The critical factors leading to the hospital's closure was continuing financial losses, significant debt, and the inability to attract/secure sufficient market shares that could improve patient revenues.

In addition, the withdrawal of the MediSys system as a "passive parent" left the hospital with significant gaps in services and business operations. Within one month of this partnership dissolving, the hospital entered Chapter 11 Bankruptcy.

Finally, the Summary Order issued by the Department concerning the suspension of the hospital's clinical lab services and the subsequent Summary Order to suspend most services at the hospital significantly reduced revenue needed to sustain operations. The hospital was unable to secure sufficient revenues to address the deficiencies in the lab and maintain the hospital.

4. What were the deficiencies identified in the summary of the hospital's clinical lab?

Please see attached Summary Order Issued pursuant to PHL section 577

5. Why did the Department suspend Clinical Services at the hospital?

Please see attached Summary Order Issued pursuant to PHL section 16

6. What was the estimated time needed to address all the deficiencies identified in the Statement of Deficiencies concerning the lab survey?

There were no specific time requirements regarding addressing identified deficiencies. However, recognizing the "plan for corrections" would need to address, among other specifics, the lab's leadership; retraining of staff; updating lab protocols; assuring proper functioning of all lab equipment and then demonstrate to NYS that lab specimens could be analyzed and evaluated properly; several months would be needed.

7. Were there other options for the lab services?

The only other option would be to contract with a fully functional and licensed lab to operate Peninsula's lab. It is the Department's understanding this effort was pursued, but could not be implemented in the time required to avoid a shutdown of operations.

8. Critical concerns expressed by Public Hearing:

The public presenters at the May 10<sup>th</sup>, 2012 Public Hearing supported the preservation of Peninsula Hospital or the establishment of a new hospital. Factors cited for preserving a fully functional hospital included:

- St. John's Episcopal Hospital does not have the capacity to absorb patients now being served at Peninsula Hospital;
- The closure of the emergency room at Peninsula creates a public health danger because St. John's emergency room is overcrowded and the "time" to transport a patient from the Rockaways to other hospital centers will endanger the patient.

The Department shares the public concerns that access to emergency room services needs to be expanded on the Rockaways. As a result, the Department has provided a \$5.2 million grant to St. John's Episcopal to begin restructuring emergency room services at its campus.

Additionally, the Department has also directed St. John's to work with the Adabbo Health Clinic to improve primary and urgent care services. It is important to recognize that almost 45 percent of the emergency room visits at Peninsula had the potential of being addressed within a primary care and/or urgent care setting.

9. Did the Department receive proposals to purchase or maintain the hospital?

All proposals to continue operations of the hospital or for its purchase were required to first be evaluated by the Governing Authority (Either the Board of Directors or the appointed Chapter 11 Bankruptcy Trustee). This evaluation would have been conducted within the confines of the bankruptcy proceedings.

Any proposal for a change in ownership or corporate restructuring (i.e. transition from not-for-profit to for-profit) would have required an application to the State's Certificate of Need (CON) process. The Department did not receive a CON application.

10. Could the Hospital be re-opened?

Any effort to re-open the hospital would require an application to the CON process. This would require an assessment of the proposed owners “character and competence”, the “financial feasibility” of the proposal and a determination that the proposal met State “need” requirements. Approval would be required by the PPHPC.

11. Is there a “need” for another hospital on the Rockaways?

Determining “need” is done through the State’s CON process and can only be evaluated through a specific and detailed application to the Department.

Any application, as previously detailed, would have to meet all standards concerning “character and competence”, financial feasibility” and “need.”

The challenge for any applicant would be the experience of Peninsula’s hospital. Despite a significant history in the community, the majority of residents (living within the communities nearest the hospital) requiring hospital care (approximately 80 percent including commercially insured, Medicare, Medicaid) bypassed Peninsula Hospital. Secondly, Peninsula was not financially viable; its debt exceeded \$60 million and it sustained operational losses of \$25 million in 2009 and \$21 million in 2010 (Management forecast a loss for 2011 exceeding \$10 million – a 4<sup>th</sup> straight year of financial losses). The hospital’s own 2010 financial audit concluded that: “The Hospital’s recurring deficiency of unrestricted revenues and other support over expenses and its working capital deficiency and net deficit, and MediSys’ financial condition raise substantial doubt about the Hospital’s ability to continue as a going concern.”

Finally, perhaps most importantly, there is an expectation and goal that inpatient hospital admissions and emergency room visits can be decreased with improved access to new models of care that will manage chronically ill populations (Medical Homes, etc.) and expand access to primary and urgent care services in less-expensive settings than an emergency room.

Therefore, given the trend in new models of care to reduce inpatient admissions and emergency room visits coupled with in 2011, less than 14 patients per day were admitted to Peninsula Hospital and 45 percent of Peninsula’s emergency room visits had the potential of being addressed within a primary care or urgent care setting, any applicant would need to address these challenges.

12. What is the current status of the Peninsula Hospital and Nursing Home buildings?

The appointed Trustee is finalizing the review of potential buyers for the hospital and nursing home. Once that process is complete there will be a series of steps taken through the Bankruptcy Court. These steps will culminate with the Bankruptcy Judge approving the conditions of the sale.

Any sale of the nursing home would require Department approval through the CON process; any use of the Peninsula Hospital building requesting a license authorized under the Public Health Law would require Department approval.

13. What is the impact of Peninsula's closure on access to care by members of the community, including the Medicaid population?

To assess the impact of the hospital's closure, the Department analyzed who within the community utilized the hospital for care and assessed what services would not be accessible with its closure.

In evaluating community utilization of the hospital, it was determined that six zip codes surrounding the hospital provided 90 percent of the hospital's patients. But, the overwhelming majority of patients within these six codes did not use Peninsula for inpatient care and the majority of the population used other hospitals for emergency room care.

Approximately 80 percent of the residents living in the surrounding six zip codes utilized other hospitals for inpatient care. As for Medicaid patients, 80 percent used other hospitals and for Medicare patients, 75 percent used other hospitals. The hospitals most often used were St. John's Episcopal, South Nassau, Jamaica and Franklin.

Recognizing the majority of residents, including Medicaid and Medicare populations, did not depend on Peninsula for inpatient care the key issue is whether other hospitals have sufficient capacity. The Department did grant St. John's an expansion of acute care beds in August 2011; the Department has not received any other request for expanded hospital beds at South Nassau, Jamaica or Franklin hospitals. Should the Department receive proposals it is prepared to expedite approvals linked to Peninsula's closure.

The second service to be assessed concerned access to emergency room care. Three factors were evaluated. First, what percent of the population utilized care at Peninsula; second, was there sufficient capacity at other hospitals to absorb the patients; third, could the services provided at the Peninsula emergency room be more efficiently provided within a less expensive, more efficient setting such as a primary care or urgent care site.

53 percent of the residents living in the zip codes surrounding Peninsula hospital went elsewhere for emergency room care. More importantly, 45 percent of the approximately 25,000 visits, could have been treated within a less expensive primary care/urgent care setting.

The Department, based on this analysis believes there is a need to expand emergency room services at St. John's to assist with increased demand, but, there is also a need to expand access to primary and urgent care services to shift appropriate visits from the emergency room to less expensive settings.

As a result, the Department has provided a \$5.2million grant to St. John's to assist its expansion of the emergency room and to work with the Joseph Adabbo Health Clinic to broaden access to primary/urgent care services.