

Central and Northeastern Brooklyn Healthcare Services Feasibility Study

Objectives and Deliverables

The New York State Department of Health (“DOH”) has been seeking alternatives to strengthen and protect continued access to health care services in the communities of central and northeastern Brooklyn, and has requested that Northwell Health develop a feasibility study (the “Study”) to help inform the State on a potential restructuring of the organization, management, and provision of healthcare services in these communities, which are currently served primarily by the following hospitals: Brookdale Medical Center (“Brookdale”), Kingsbrook Jewish Medical Center (“KJMC”), Interfaith Medical Center (“Interfaith”), Wyckoff Heights Hospital (“Wyckoff”) and University Hospital Brooklyn (“UHB”). Study development would proceed with the participation of the leadership of the five hospitals and their Boards of Trustees and in consultation with key stakeholders. Upon receipt of the Study, the State will evaluate its findings and, to the extent consistent with the State’s priorities for reform, will issue a request for applications from potential health systems to propose a way to implement the findings outlined therein.

The challenges confronting the provider community of central and northeastern Brooklyn have been well-documented. Previous studies and community needs assessments share a common view of the marketplace characteristics and forces which have destabilized and prevented these hospitals from generating sufficient margins to become financially sustainable and consistently provide high-quality care to their community.

There are real human consequences to the status quo. Compared to the rest of Brooklyn, New York City and the State as a whole, the communities in central and northeastern Brooklyn have measurably higher rates of obesity, diabetes, high blood pressure, congestive heart failure, infant mortality, and alcohol and drug dependence. The five hospitals have poor or average measures for hospital acquired infections, patient satisfaction, and timeliness of care. In addition primary care access by community residents is overly dependent on high utilization of emergency departments. Medicaid beneficiaries in central and northeastern Brooklyn account for the highest number of potentially preventable emergency department visits, with between 65% and 85% of all emergency visits considered potentially preventable.

Previous studies have also noted that the financial condition of the most troubled institutions is, to a large extent, a product of an inefficient expense structure, revenue challenges associated with a patient mix that approaches 90 percent public payers and charity care, and overwhelming liabilities (including debt issued long ago for physical plant improvements that, in some cases, are obsolete). The result of these financial forces is that the five “focus” hospitals have staggering operating deficits and little or no access to capital. In State Fiscal Year (SFY) 2017, it is projected that Brookdale, Interfaith, Kingsbrook and Wyckoff will require nearly \$300 million in direct State operating assistance to remain open. Absent significant restructuring efforts targeted at

reducing costs and increasing revenue, the need for State support will continue to grow to an estimated \$380 million by SFY 2021. The cumulative State cost of these baseline gaps through SFY 2021 is projected to be nearly \$1.7 billion. These State subsidy estimates do not include the cost to support UHB, which continues to face financial challenges.

A confluence of factors have forced these hospitals to confront an economic reality where new payment methodologies demand quality, efficiency and value. Further, due to advances in medicine, many healthcare services that were once the exclusive domain of hospitals are now delivered as effectively and often more efficiently outside the walls of the hospital or at home. All other hospitals in Brooklyn are now partners with other health care systems which are helping them evolve clinically and operationally to adapt and grow in this new health care environment. However, the five focus hospitals in central and northeastern Brooklyn continue to stand alone without the resources and scale to successfully adapt.

Consistent with State statute authorizing a \$700 million capital investment to transform the delivery of healthcare services in Brooklyn and the terms of State operating subsidies being provided to the hospitals, the Study for restructuring health care services in central and northeastern Brooklyn will review specific actions that could strengthen and protect continued access to health care in these communities, as well as identify specific capital and operational projects that could create a high quality and financially sustainable system of care. To this end, the Study should

- Provide a strategic framework for potential regional planning and operating structure(s) that would be responsive to community needs, would right size inpatient capacity, and would expand access to ambulatory care.
- Identify opportunities for efficiencies to reduce reliance on extraordinary State operating subsidies, with the goal of a financially sustainable system of care.
- Investigate the manner in which any proposed new system(s) could support the educational mission of SUNY Downstate Medical Center.
- Identify a potential time frame and implementation strategy that would minimize adverse impacts on the affected workforce and other communities of interest that might otherwise result from any proposed new system(s).

In undertaking this Study, Northwell should review all previous analyses conducted individually and collectively by the facilities and community groups, as well as recent community needs assessments conducted as part of the DSRIP planning process. Based upon past analysis, the following principles and strategic objectives should guide any proposed operating structures and analyses:

- Any proposed system(s) would be responsive to the unique health care needs of the diverse communities that comprise the identified service area.
- Wherever practicable, residents of the service area would have the opportunity to receive needed healthcare in their home communities.
- Ambulatory care services would be expanded and improved to the extent necessary to avoid unnecessary reliance on emergency room services and inpatient hospital utilization.
- Any proposed system(s) would embrace principles of population health management, placing community interests ahead of institutional interests.
- The area's current offering of essential community-based clinical and support services would be valued.
- Access to emergency health care services of high quality would be assured.
- Access to health care services for uninsured area residents would be improved.
- New programs, services or partners that can reduce healthcare disparities and address the impact of social determinants of health would be identified.
- The availability of primary care and specialty physicians, nurse practitioners, physician assistants and community health workers who live and work in the community would be increased.
- Incentives within any proposed system(s) and its physicians and other partners would be aligned to maximize the quality, efficiency and effectiveness of care provided.
- To the greatest extent possible, the existing workforce would be retained, and training opportunities to assure that culturally competent care is available to the community in a patient centric, coordinated care model promoting health and wellness would be offered.
- Integrated care management and community health infrastructures to help chronically ill and high cost patients more effectively manage their health and access to services would be supported.
- Critical infrastructure investments in technology, equipment and facilities that provide a strong foundation for program growth and enable any proposed system(s) to obtain the benefits of Medicaid and Medicare payment reform would be identified.

- The Study should also quantify any amount of State operating support that would need to be provided and any specific capital investments that would be required, within the constraints of available State funding, to consolidate programs and facilities, rebuild needed facilities as well as to build an ambulatory care network, if necessary.
- Ensure that SUNY Downstate Medical Center maintains and enhances its educational mission to train the next generation of health professionals.

The study should be conducted with the participation of the management and boards of trustees of the identified hospitals. It should also reflect the input of the healthcare professionals and other workers and their designated representatives, and community stakeholders. The study should address the following work products as part of the study deliverables:

- Potential governance structures and organizational models that could ensure integration of care among the area's hospitals and other providers through a service agreement with one or more healthcare system(s) which have the ability to coordinate strategy, assure program quality, and achieve financial sustainability and accountability. A potential process of transition to the recommended model(s) should be described.
- Outline a possible strategy to expand and/or rationalize certain healthcare services based upon demand projections for the market and an analysis of existing facilities, including inpatient bed need, ambulatory care network capacity, and workforce capacity.
- Identify potential assumptions informing the estimates of market demand, clinical service line growth, operating cost structure, reimbursement, and other high-impact factors.
- To the extent permitted by law, assess potential opportunities to achieve efficiencies or acquire capabilities and competencies through an operational due diligence on critical clinical and management infrastructure. None of the five hospitals nor Northwell will have access to each other's managed care agreements and negotiated rates in connection with this study.
- Identify potential investments that could transform clinical and business models of care to align with the goals of population health and value based reimbursements focused on improving quality, reducing health disparities and addressing the impact of social determinants of health.
- Identify potential measures of quality improvement that could be expected from these investments, process changes and greater integration of care.

- Identify potential opportunities, required investments and approaches that could achieve efficiencies that result in a decrease in operating expenses and achieve enhancements to revenue.
- Using the baseline financial projection or run-rates, integrate the impacts of proposed initiatives and develop high level projections of operating financial impact to the hospitals, incorporating the impact of any newly designed system(s), achievement of efficiencies, projected growth, and other key variables to performance.
- Describe and project potential capital needs associated with redesigned delivery system and funds flow model that could supports those needs and identifies the sources and uses of funding in the future- state model.
- Create potential consolidated financial projections (with a comparison to current run rates) for all hospitals net of funding from VAPAP, VBP-QIP, CFR, DSRIP funding, and other State-administered operating or capital support.
- Model potential shortfalls during a multi-year implementation period that could be necessary to achieve sustainability objectives at a system-wide level. Include estimates of both potential capital and operating funding requirements.
- Provide an estimate of potential funding required to support any transition activities including estimates of a possible management services agreement and other expertise or support.