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Nonprofit Hospitals Leave The City for Greener Pastures

By BARBARA MARTINEZ

DETROIT -- Ascension Health, the country's largest nonprofit hospital system, says its mission is to serve all, "with special attention to those who are poor and vulnerable." But in this city, where one in four people don't have health insurance, it's become harder for the poor and vulnerable to find Ascension.

Last year, Ascension's local subsidiary closed Riverview Hospital, the third hospital it has shut down in Detroit in the past 10 years and the only hospital that remained on the city's blighted east side. Meanwhile, 30 miles away, in a suburb of multimillion-dollar homes, Ascension is opening a new \$224 million hospital.

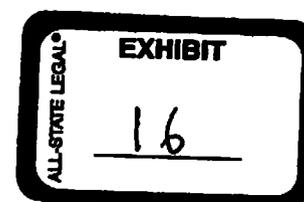
Ascension's approach to the Detroit market is an increasingly common strategy among nonprofit hospital systems: Close money-losing facilities in poor areas where a large share of patients are uninsured, and build or refurbish hospitals in affluent places where people have private insurance coverage.

Nonprofit hospital systems have shuttered facilities from Los Angeles to Chicago to Newark, N.J., while spending billions on suburban expansions. This all comes as large nonprofit chains have been enjoying some of their most prosperous times ever.

Net income at Ascension, which owns 67 hospitals located mostly in the Midwest, South and Northeast, nearly tripled to \$1.2 billion between 2004 and 2007 thanks largely to investment gains. With financial markets struggling over the past year, Ascension reported net income of \$351 million for the year ended June 30.

Shutting down unprofitable operations and expanding profitable ones is a common business maneuver, but nonprofit hospital systems aren't ordinary businesses. They're required to provide benefits to their communities, such as free care for the indigent, in exchange for the billions of dollars in annual tax exemptions they receive.

Ascension, which is affiliated with the Roman Catholic Church, says its more



profitable subsidiaries can't be used to subsidize those that are struggling. "Such an approach would mean that needs in other communities may not be met," says Ascension spokeswoman Trudy Barthels. The 38 subsidiaries, which Ascension calls "health ministries," operate with a large degree of independence and have to be "self-sustaining," she says. Ascension adds that it ties how much capital it allocates each subsidiary, in part, to its profitability.

St. John Health System, Ascension's Michigan subsidiary, says Riverview lost \$16 million in 2006, just before it announced the closing. Uninsured patients were using Riverview's emergency room for non-emergencies -- an expensive and inefficient way to deliver routine care, says Robert Hoban, St. John's chief strategy officer. The neighborhood's real need, he says, is not for a hospital but for more primary-care doctors. He says St. John is studying ways to provide more of that kind of care there.

But critics of the closure, including neighborhood residents and former employees, say shutting down Riverview had the effect of driving doctors away. Of the 50 doctors who worked in office buildings on the Riverview campus, at least a third have left or cut back their office hours since the hospital closed, including all but one of the pediatricians and the sole oncologist.

Malaz Alatassi, an internal-medicine doctor who had office hours once a week at Riverview, has since cut down to twice a month and is considering leaving the area for good. "The message patients got was that all doctors have left," said Dr. Alatassi. "It was a bad thing for the community. I feel bad giving up my patients."

St. John officials say that there hasn't been a large-scale exodus and that they are finalizing negotiations to add another primary-care doctor to the campus.

Ascension traces its roots to 17th-century France, where a group of nuns known as the Daughters of Charity traveled from city to city to care for the poor. In the early 1800s, the order found its way to the U.S., creating one of its first hospitals in a three-room log cabin in St. Louis.

In 1999, the Daughters of Charity National Health System and the Sisters of St. Joseph Health System merged to create Ascension, a nonprofit giant with facilities in 20 states and the District of Columbia.

Many Ascension meetings still begin with a prayer and nuns hold some management roles. Ascension is also a well-oiled money machine with sterling credit ratings. Its cash and investments totaled \$7.3 billion for the year ended June 30, including about \$1 billion restricted to self-insurance trust funds or limited by donors for specific uses or to be maintained in perpetuity. Ascension's chief executive, Anthony Tersigni, earned \$2.4 million in total compensation in

2006, according to the hospital system's latest filing with the Internal Revenue Service. Ascension declined to provide more recent compensation figures.

Ascension spent \$320 million on charity care in its hospitals in the year ended June 30, or 2.5% of its patient revenue -- the highest percentage among the nation's five largest nonprofit hospital systems. But its St. John subsidiary devotes a much smaller percentage to traditional charity care, with 0.8% going to it in the 2008 fiscal year.

Ascension and St. John say their traditional charity care numbers don't take into account all the other money they spend on helping the poor in the community, such as health education, writing off bad debts and their losses on Medicaid, the government health-insurance program for the poor.

A St. John spokeswoman said it's unfair to compare St. John's figures to Ascension's because more patients in Michigan qualify for Medicaid than some of the other states where Ascension operates. In those states, more people receive charity care because fewer people are eligible for Medicaid.

Before its closing, Riverview was one of the few remaining hospitals in the Detroit city limits. Of the 42 hospitals that dotted this 139-square-mile city in 1960, only four are now left. At the same time Detroit's hospitals have dwindled, its number of uninsured has grown. An estimated 200,000 of the city's 800,000 residents have no health insurance.

Located in one of Detroit's poorest wards, Riverview sits among empty buildings on East Jefferson Avenue, a thoroughfare sprinkled with subsidized senior housing, empty and overgrown lots, partially burned homes, and graffiti-stained shops.

Even in a struggling city, Riverview's neighborhood stands out for its abysmal statistics: Thirty-four percent of the population lives below the poverty line, infant mortality is more than double the national average and the rate of AIDS deaths is five times higher, according to Richard Lichtenstein, an associate professor at the University of Michigan's School of Public Health. Its poor patient base made Riverview a perennial money-loser.

In 2003, St. John executives campaigned to persuade local regulators to let it build a new hospital in the wealthy suburb of Novi (pronounced no-vie), 30 miles to the northwest. The new facility's profits, they said, would help ensure the survival of St. John's operations in Detroit by subsidizing their losses.

"We are very, very committed to staying in Detroit," St. John's Mr. Hoban said at a public hearing on the new hospital plan, according to a transcript. "We wouldn't be here today if we weren't committed to staying in Detroit."

Approval for the Novi hospital was granted. That year, St. John shut down its hospital in northeast Detroit, reducing its presence in the city proper to Riverview and St. John Hospital and Medical Center. St. John had already closed another Detroit hospital, Saratoga Hospital, in 1998.

Mr. Hoban says today that even with the closure of those hospitals and Riverview, "we still have the same number of beds per population" in the city after a recent expansion of St. John Hospital and Medical Center.

Riverview continued to be a drag on St. John's financial performance. Nearly 50% of its patients were uninsured or on Medicaid and another 42% were on Medicare, the federal program for the elderly. Unlike Medicare, Medicaid reimburses hospitals at much lower rates than private insurance plans and often not enough to cover costs.

In 2006, Dr. Cheryl Gibson-Fountain, Riverview's former chief of staff, says she was told by St. John that the hospital could not afford the less than \$5,000 Riverview was planning to spend on its annual health-and-immunization fair. The point of the fair was to screen area residents for early signs of disease. A spokeswoman for St. John said the hospital participated in other health fairs.

Even as it eliminated the fair, St. John spent \$9 million in design and architecture fees for its new construction projects in the year ended June 30, 2006, according to its IRS filings.

In February 2007, a potential lifeline materialized for Riverview. St. John officials were in talks with Michigan State University about making it one of the university's teaching hospitals, Riverview's president told employees in a letter. Under the proposed deal, the state would have taken ownership of the hospital with St. John receiving a fee to manage it. But the deal fell through when Michigan State chose to link up with another hospital.

"We were looking for teaching space for our students," said Randy Hillard, the university's associate provost for human health. "They wanted to give us the whole hospital, and we needed to pay them a \$10 million management fee on a hospital that was losing millions of dollars."

St. John closed Riverview in June 2007. That year, St. John paid then-Chief Executive Elliot Joseph \$1 million. Mr. Joseph defends the closing of the hospital, pointing out that the population of the metro areas had shifted from the shrinking city to the growing suburbs.

"At the time we closed Riverview, the state of Michigan said that there were an excess of 1,200 hospital beds in the city of Detroit," Mr. Joseph said through a spokesman. "We believed, accurately, that the best way to improve the health of

the community in the Riverview area was by helping people establish relationships with primary-care physicians."

Shortly after Riverview closed, St. John's critics seized on renovations at the system's lone remaining city hospital as a symbol of their anger. St. John moved the lobby of St. John Hospital and Medical Center to overlook the wealthy, almost exclusively white suburb of Grosse Pointe Woods rather than Detroit, which it had faced for more than 50 years.

William Anderson, who was director of medical education at Riverview, says he believes St. John was saying, "We do not want to be in Detroit where there are so many poor, black people."

St. John denies that race and wealth had anything to do with it; the change was dictated by simple geography. The lobby-moving project was part of a \$163 million upgrade to the hospital that added 144 private-room beds and more parking. Maureen Petrella, a St. John spokeswoman, says the expansion was added "to the north part of the property because that is the only space that was available on this landlocked site." Patients can still enter the Detroit side of the hospital.

To ease the impact of Riverview's closure, St. John maintained a bare-bones emergency room there for 12 months. The hospital's ER had always been bustling, handling 30,000 patient visits a year.

In February, a 60-year-old barber named Alfred Gaut was on his routine exercise walk in nearby Belle Isle Park when he was shot in the leg by teenagers playing with a gun. The police took Mr. Gaut to the shrunken Riverview ER, his daughter and two of his sisters say. Mr. Gaut, who was on Medicaid, was told he had flesh wounds and sent home with crutches and painkillers, the family says.

Mr. Gaut had been training to become a barber instructor. When he didn't show up for a ceremony at which he was to receive his instructor's license two weeks later, his family and friends went looking for him. They discovered his badly decomposed body in his apartment. The medical examiner's office listed the cause of death as "indeterminate."

Tia Gaut, Mr. Gaut's 38-year-old daughter, wonders if things might have turned out differently if there had been a hospital to admit him. "I want to know, why did they release him?" she asks.

Ascension and St. John declined to comment about Mr. Gaut, citing patient-privacy laws. But Ascension notes that every 52 seconds one of its hospitals nationwide treats an uninsured patient, and it provides care for many Medicaid patients.

St. John shut Riverview's ER for good on June 30. It's now an "urgent care" center only equipped to handle small emergencies such as cuts or burns. Unlike full-fledged emergency departments, urgent-care clinics aren't required to treat all patients regardless of their ability to pay.

A sign at the reception desk reads: "Attention all Riverview urgent care patients: There is a \$50 charge if you do not have insurance." Ms. Petrella says patients who say they can't pay can "request free care or installment payments." St. John wouldn't say how many people request such accommodations nor how many get them.

Sister Mary Ellen Howard, the executive director of the Cabrini Clinic, a free clinic located just a few miles away that treats about 1,600 uninsured patients, says the health-care situation in Detroit is desperate. Even before Riverview closed, her clinic periodically limited the number of new patients it accepts. Another nearby free clinic for the uninsured says it continues to turn away about 30 callers a day looking for help.

A few months ago, Sister Howard met with Cynthia Taueg, vice president of community health for St. John, to ask if she could send a few of her uninsured patients to a St. John hospital for minor procedures or surgery. The Cabrini Clinic operates only with volunteer family-medicine doctors. The nun says she was turned down. "We're doing enough already," she says Ms. Taueg told her. St. John and Ascension donated \$43,000 to the Cabrini Clinic last year.

In an email, Ms. Taueg said Sister Howard's account of the meeting "is not entirely accurate," but she didn't respond to subsequent emails and phone messages asking her to elaborate. Ms. Petrella says St. John only makes its specialists available to uninsured patients within its own network of affiliated hospitals and clinics "due to limited resources."

While East Detroit adjusts to the reality of not having a hospital, Ascension's state-of-the-art Providence Park Hospital opened last month in Novi with private rooms that feature flat-screen televisions and large windows for viewing what the St. John Web site describes as "green space, wetlands, foliage and wildlife habitat" on a campus "rich in natural beauty."

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