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Issues & Overview

Supporting Hospitals: Saving Lives And The Economy, Too

As policy makers rightly focus on resolving the deepening financial crisis, they must not forget the value and worth of hospitals – not only their obvious social worth in terms of maintaining our individual health, but their value in fostering our economic health as well. The recently signed federal stimulus bill recognizes the importance of hospitals and healthcare systems by increasing matching funds for Medicaid, providing investments in healthcare technology upgrades, and extending healthcare insurance for those who have become unemployed since September 2008. Although those and other provisions are helpful, we cannot be lulled into thinking that they are sufficient to address the burgeoning challenges that many hospitals face.

According to a survey recently released by the New Jersey Hospital Association (NJHA), 45 percent of the Garden State's hospitals that responded to the survey have suffered layoffs in 2008; 17 percent have eliminated some aspect of services; and nearly 72 percent have reported a loss in fundraising and philanthropy (the lifeblood of any non-profit organization). What's more, six out of ten hospitals reported a decline in patients who engage in elective procedures, meaning more and more patients have decided to defer their healthcare needs – which is both bad for the health of the community and hurtful to hospitals that are trying to stay afloat amid ever-decreasing cash reserves, shrinking investment portfolios and tightening revenue margins.

Hospitals also have the unique responsibility of providing so-called charity care, a requirement that no patient will be turned down for certain treatment or care because of an inability to pay. Based in large measure on state mandates, the charity-care requirement is also consistent with a non-profit entity's charitable purpose. In addition, at least one influential member of Congress has stated that he may introduce federal legislation that would establish charity care and community benefit standards and seek accountability for failing to meet those standards. In a recession, the impact of charity care on hospitals is magnified. Because of dwindling revenue and reserves, there is less money available for hospitals to provide services across the board, including charity care. Moreover, with recession comes unemployment, and with unemployment there is a greater likeli-

hood that a patient will need to rely on charity care. Indeed, 80 percent of the hospitals that responded to the NJHA survey reported an increase in charity care patients.

In New Jersey, there is state funding for charity care, so hospitals are given some relief. But as a practical matter those funds are available to reimburse hospitals for only a portion of their charity care expenditures. (Similarly, Medicaid reimbursements do not fully cover hospitals for the costs of treating Medicaid patients.) For most hospitals it is not a question of whether there will be a gap between charity care expenditures and state reimbursement, but rather a question of the size of such a gap. Some argue that, if the requirement to provide uncompensated care reaches a level at which a hospital's own financial viability is put at risk, such mandates could amount to an unconstitutional taking of property.

Against that backdrop, hospitals strive mightily to contribute to the overall health of the economy. The NJHA's economic impact report for 2008 reveals that New Jersey hospitals pumped \$18 billion in total expenditures into the economy and supported nearly 145,000 full-time and part-time positions for employees. Those employees in turn paid nearly \$400 million in state income taxes, not to mention their individual and family spending on goods and services throughout the economy. As the NJHA observes in its report, the economic contributions of hospitals "ripple across New Jersey, providing economic stability to counties and individual communities statewide. In many towns, the local hospital is the largest employer, providing untold benefits in jobs and health insurance benefits, local spending and community health services."

The bottom line is this. In this time of economic uncertainty, as government focuses on those businesses and industries that are in distress and are too important to fail, hospitals should be included as one of the top priorities and supported at all levels. We usually think of hospitals as healing centers. But they are also employers of significant size and importance whose contributions to the economy are often overlooked. When hospitals succeed, we all benefit.

Gary W. Herschman

Peter G. Verniero

Members, Sills Cummis & Gross P.C.*

*(*Mr. Herschman is chair of his firm's health and hospital law practice group. A former member of the N.J. Supreme Court and state attorney general, Mr. Verniero is also a trustee for a healthcare system in his home county. The views expressed in this editorial are those of the authors alone.)*