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For stand-alone entities, singular issues

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Ed Moore, president and CEO of **Harrington Hospital** in Southbridge, is working hard to promote his hospital. He has upped the Southbridge institution's advertising and marketing efforts as he competes against larger, better known city hospital systems like UMass Medical and Partners HealthCare.

"We want patients in our market to understand what an asset they have here and how much we offer," Moore said.

Harrington Hospital can put itself out there as an asset, but other community hospitals are finding that increasingly hard to do.

All hospitals face a litany of issues today — tightening reimbursements, fallout from reform efforts, growing demand for expensive services. But stand-alone institutions face additional challenges, ranging from financial obstacles to marketing ones like the one Moore described, that stem from their independent status. These additional factors could force some community hospitals into sales, consolidations or even bankruptcy.

According to Moore, his hospital is dealing with many of the same issues that networks contend with. But Harrington Hospital must do so without the economies of scale that help spread risk over a greater area. His hospital, he said, also lacks the branding that the larger networked hospitals have, hence his marketing efforts.

On the other hand, Moore said independence has some advantages in today's medical marketplace, such as nimbleness to adapt.

"That nimbleness helps when you're trying to move forward," he said.

Delia O'Connor, president and CEO of **Anna Jaques Hospital** in Newburyport, sees similar pluses and minuses both for independent hospitals such as hers as well as networked entities.

Independent hospitals, she said, have the advantage of being locally controlled, with decision-making and board representation responsive solely to local needs rather than the needs of the parent organization. On the other hand, the networks, due to their larger size, have better access to capital and can usually borrow at better rates "because their balance sheets tend to look stronger."

Still, O'Connor and others said community hospitals have to consider partnerships and strategic relationships with other entities if they're going to do well in today's market. Anna Jaques, for instance, in May signed a clinical affiliation agreement with **Beth Israel Deaconess Medical Center**. The agreement brings to Anna Jaques some of BID's expertise on quality and IT as well as a referral relationship and integration of care for local patients that need services not performed at Anna Jaques.

Community hospitals once dominated the landscape, but their numbers have dwindled as many became part of multihospital systems. A May report on hospital finances from the state Division of Health Care Finance and Policy said that 37 out of the 66 acute-care hospitals in Massachusetts were system hospitals, or those that have a parent organization that operates more than one acute-care hospital in Massachusetts. (The state based its count on 2008 data.)

"The numbers of those in systems are increasing, and those that are independent are decreasing," said Joe Kirkpatrick, senior vice president of health care finance for the **Massachusetts Hospital Association**.

A number of factors, nearly all of which have finances at their core, are pushing hospitals in that direction, said Steve Weiner, chair of the health law practice at **Mintz Levin Cohn Ferris Glovsky and Popeo PC**. And now hospitals are also contending with a changing reimbursement environment, as the government moves toward accountable care organizations and bundled pay arrangements, Weiner said.

These changes are likely to be bigger financial strains on independent hospitals than the larger networks, he added.

"The pressures are such that independent hospitals will face more challenges, and we'll see that they'll have to look at consolidations and affiliations," Weiner said.

Christine Schuster, president and CEO of **Emerson Health System**, which operates **Emerson Hospital** in Concord, agreed that these factors will have an impact.

"Everyone is looking at the changes, and they're looking at their own strategies and asking what can we do not just to survive but to thrive. And whether you're an independent hospital or part of a system, you need to do that," Schuster said.

All hospitals, she said, need to ask key questions: Can I effectively compete in my market? What's the payer mix like? What's the competition? What do my stakeholders think? What's my geography? What's the community think?

"These are critical questions that we have to make some sense of so we know how we're going to move forward ourselves," she said.

However, Schuster said the landscape is changing and some day independent facilities may no longer be viable.

"I think in the short term, three to 10 years, we will see independent community hospitals," she said, "but I do think in the longer term we might come down to two or three major systems."