

## More hospitals may face closure

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Two reports this week say that New Jersey residents should brace for more hospital closings.

"Hospital closures and job cuts aren't welcome news for any community, but they're a necessary reality for New Jersey hospitals," said Betsy Ryan, president of the New Jersey Hospital Association. State hospitals last year reversed 2008's economic tailspin, but the outlook is still very uncertain, the group said Thursday in its 33rd annual report.

Separately, Moody's Investors Service predicted "more hospital closures, payment defaults or bankruptcy filings over the next several years."

Thanks to sizable staff layoffs and stable charity-care funding in this year's state budget, hospitals in New Jersey improved their financial performance to a level of modest profitability in 2009. Operating margins were 1.7 percent, compared with the previous year's barely break-even 0.2 percent. The report analyzed audited financial information from 70 acute-care hospitals and five specialty hospitals.

Despite the uptick, the overall condition of the state's hospitals remains shaky. "Most financial analysts and creditors will agree that an organization needs a margin of 4 to 6 percent to be financially viable," said Roger D. Sarao, the association's vice president. "New Jersey has hovered around break-even for more than a decade."

Nearly half of the state's hospitals cut jobs in the last two years, one-third instituted wage freezes and one in four eliminated some services or programs, the association said. Overall, 10 hospitals, including Pascack Valley Hospital in Westwood, closed over the last five years, and others, like St. Mary's Hospital in Passaic, declared bankruptcy. About one-third of the state's 73 acute-care hospitals lost money in 2009.

"The storm hasn't passed for New Jersey hospitals," said Sean Hopkins, the association's senior vice president for health economics. "New Jersey hospitals still must contend with a harsh marketplace and poor reimbursement — along with the looming federal cuts and tremendous uncertainty under health care reform."

Moody's noted in a "special comment" published Tuesday that New Jersey's hospitals are chronic financial underperformers. Its median rating for a New Jersey hospital is two notches below the national median.

It rates Hackensack University Medical Center, Holy Name Medical Center and Chilton Memorial Hospital as moderate credit risks, with stable outlooks, and St. Joseph's Regional Medical Center as a substantial credit risk with a positive outlook, according to the report. Palisades Medical Center is a substantial credit risk with a stable outlook. Those are the only hospitals it rates in northern New Jersey.

Hospitals were lucky that the much tighter state budget this year did not trim charity-care funding, but they can't count on that in future years, the Moody's report said.

In addition, federal health care reform is expected to lead to a fundamental change in the way hospitals are paid. Hospitals no longer will be reimbursed for each procedure or treatment, but rather for their overall care of a patient with a certain diagnosis.

They also face more than \$4 billion in Medicare cuts over the next decade under national health care reform, the association said.

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