



Cambridge Health Alliance



HARVARD
MEDICAL SCHOOL
TEACHING AFFILIATE

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CHA Proposes Comprehensive Reorganization Plan

*Collaborative Effort With State, Communities, Forges Renewed Framework
for Health Care Services and Greater Financial Stability*

Cambridge, MA – Cambridge Health Alliance (CHA) today unveiled a major strategic and reconfiguration initiative to stabilize the financially challenged institution and allow it to continue its mission as a public health care system serving those in need.

Following a thoughtful clinical and strategic review process, the plan is designed to preserve patient access to high-quality, essential health care services across CHA's current service areas, balanced with ongoing government funding support.

The proposal will require approval from CHA's Board of Trustees and state regulatory authorities, and will incorporate input from community members and federal, state, and local political leaders. It is the result of intense advocacy and collaborative effort between the institution and its delegation of elected and state officials that began last fall as the economy weakened and availability of public resources declined.

Under the proposal, CHA will continue to operate its three campuses with 24-hour emergency room services, concentrating overnight inpatient care at its campuses in Cambridge and Everett. Six of the institution's primary care service locations will be merged with other CHA health centers in a necessary move to reduce overhead expenses. The service configuration and management initiatives are expected to significantly improve CHA's financial performance through a combined reduction of operating expenses and revenue enhancements. Full-time employee positions will be reduced by about eight percent over the next 12 months through a combination of layoffs, retirement, resignations, hourly reductions and attrition.

"This plan in partnership with state government is a path to transform CHA's health care system in a way that sustains our mission of excellence for our patients and communities," said Cambridge Health Alliance CEO Dennis D. Keefe. "There will be short-term pain, but this proposal is the best option to preserve critical health care services and maintain our commitment to our core patient populations and communities."

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Ongoing government funding to CHA is integral to the plan's success, and the Patrick Administration has expressed its commitment to working with the hospital system to support its long-term sustainability moving forward. Over the past year, Cambridge Health Alliance has proactively responded to financial pressures with cost savings initiatives and a strategic planning process supported by national experts from Ernst & Young LLP's Health Sciences Advisory Service practice. But the magnitude of current and future public financing challenges, coupled with the effects of the flagging economy further imperiled the entire delivery system and required that prompt funding and operational actions be taken now.

"Cambridge Health Alliance plays an important role in our health care system by providing quality services to people in need, particularly to low-income residents," said Secretary of Health and Human Services Dr. JudyAnn Bigby. "For the past few months, we have been working collaboratively with Cambridge Health Alliance to develop a shared understanding of the essential services they provide and explore ways we can work together to ensure the hospital system's long-term sustainability. This comprehensive reconfiguration plan reflects CHA's thoughtful approach to improving efficiency while maintaining access to care and health care quality. We look forward to continuing our partnership with CHA to build on its unique strengths, particularly its excellence in high quality primary and preventive health care services, as well as emergency services and mental health care for so many in need."

Cambridge Health Alliance applied a set of guiding goals by which the proposed plans were developed. The plan sought to preserve critical health care services in each of its communities, maintain excellence in health care quality and reasonable patient access, and continue its academic mission in community medicine while seeking opportunities for service delivery efficiency, cost savings and financial stability.

For most services, the reconfiguration plan aims to preserve access to current and growing levels of ambulatory care, emergency room care, and medical-surgical care, but in fewer locations by merging services now offered at smaller sites. Creating greater economies of scale where possible was viewed as a preferred path to program closures.

Cambridge Health Alliance has scheduled several community forums on February 3rd, 4th, and 5th to review the service impacts and reconfiguration plan in greater detail and to receive public comment. The necessary steps for implementing these planned changes are underway pending the outcome of community input, with formal approvals to be completed by April and initial changes completed by June 30. Phases of the reconfiguration process will continue into FY 2010.

"While extremely challenging and difficult for us all, by taking swift action now we hope to transform Cambridge Health Alliance's health care system in a way that continues our mission of excellence in health care for all our patients and communities especially those most in need," said Mary Cassesso, Chair of the CHA Board of Trustees. "CHA's plan will allow us to strengthen our health care services for the future and avoids far greater impacts and closures."

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BACKGROUND:

With the involvement and support of state, federal, and local governments, CHA grew from its former municipal Cambridge Hospital origins to include Somerville Hospital and its affiliated health centers (1996) and Whidden Memorial Hospital and its affiliated outpatient sites (2001) as well as 44 psychiatric beds then operated at Malden Medical Center (2001). Through these partnerships, CHA became the state's largest acute provider of mental health and substance abuse services, with 199 licensed beds.

Along with the three hospital campuses, CHA currently includes more than 20 primary care and specialty practices, the Cambridge Public Health Department, and the Network Health managed care plan. Its patient volume of 700,000 primary care, ambulatory specialty care and emergency services annually also includes more than 150,000 mental health patient encounters each year. With annual operating revenues of about \$480 million it employs nearly 3,900 health care workers and 320 doctors in its physician organization.

As a safety net hospital with about 85 percent of its health care provided for needy, poor and vulnerable patients who depend on government health care programs, CHA has and will continue to rely on government as a full partner. As such, CHA must be on the frontlines of the effort to increase efficiency in the delivery of high quality health care, and the proposed reconfiguration represents a strong commitment to this effort. However, this reconfiguration will not eliminate the need for government support because of the low-income populations that CHA will continue to disproportionately serve.

In early 2008, CHA embarked on an aggressive and ambitious evaluation and strategic planning project intended to address its financial sustainability and was scheduled to produce a final reconfiguration proposal to the Board of Trustees in early 2009. Even before then a host of new programs, procedures and strategies had been employed to help improve the organization's financial picture. Among those were:

- A hiring freeze and FTE reductions through attrition and elimination of positions
- Capital spending freeze
- Elimination of travel and other discretionary spending
- Consolidation of some clinics
- Revenue cycle improvements
- Reduction of contract work
- Freeze on executive compensation – no raises, bonuses or other salary enhancements

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These efforts were largely responsible for turning a projected FY08 deficit of \$35 million in February of last year to a small loss by the close of the fiscal year in June.

The Board of Trustees for the first time approved a deficit budget – of \$22.5 million – for FY09 with the expectation that further strategic initiatives introduced throughout the year would achieve a balanced budget during FY10.

But the sudden economic decline of last fall coupled with diminishing public resources negatively impacted CHA's plan and forced an acceleration of efforts to deal with the funding gap and structural deficits in order to preserve its mission and solvency.

CHA responded by working actively with our delegation of federal, state, and municipal elected officials, community partners, and state Administration officials to find solutions.

An intensive working process with Administration officials led by the Executive Office of Health and Human Services was forged to achieve a better mutual understanding of essential services provided by CHA, to receive feedback on government priorities in concert with funding, and to explore partnerships toward solutions not just for FY 2009 but for planning for FY10, FY11 and beyond.

"The goal was to return Cambridge Health Alliance to financial viability but we were guided by the principles of protecting patients, maintaining high quality and preserving the necessary services of a key safety net hospital," said Dr. Bruce C. Vladeck, a nationally recognized expert on health care policy who consulted with CHA from his position as Principal in the Health Sciences Advisory Services practice of Ernst & Young LLP. "Accomplishing the goals required significant and specific changes but I believe CHA and the state have developed a plan for success that preserves the institution's core mission and minimizes the level of harm that could otherwise result."

Service Reconfiguration Summary

Emergency Services: No change. All three hospital campuses will provide 24/7 emergency services.

Inpatient Medical/Surgical: Inpatient pediatric unit at TCH will close by March 31.
Inpatient med/surg at SH will relocate to TCH by June 15.

Inpatient Psychiatry: Eight units will consolidate to five units.
SH Geriatric psych unit will relocate to Whidden Hospital.
Adult general psych unit at TCH will close by March 31.
SH adolescent assessment unit will relocate to TCH,
SH addictions unit will close by June 30. CHA will explore how it may collaborate with partners in community-based addiction services.

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Perioperative Services: Full perioperative services will continue at Cambridge and Whidden campuses five days per week, evenings and weekends for emergencies; Somerville campus ORs will provide low-risk ambulatory surgery only, on a three-day per week schedule.

**Ambulatory Primary Care
Dental Services:**

North Cambridge Health Center will relocate and combine with Cambridge Family North.

Riverside Health Center practice will relocate and combine with Windsor Street Health Center.

East Somerville Health Center will relocate and combine with the Broadway Health Center.

The Winthrop Primary Care Practice will close by May and patients will be referred to clinicians at the Revere and Malden Health Centers.

Everett and Somerville dental practices will relocate and combine with the Cambridge dental practice at Windsor Street Health Center.

The Teen Health Centers in Cambridge, Somerville and Everett hours of operation will conform to the school calendar as of April, 2009.

The Everett Primary Care Practice will relocate and combine with the Revere Health Center practice. Further changes will be evaluated as necessary.

Specialty Services:

The Cambridge Eye Center at 65 Beacon St. will relocate and combine with the Somerville Eye Center in the Somerville Hospital Medical Arts Building.

Medical and surgical specialty outpatient services in Cambridge and Somerville will consolidate wherever possible on all campuses, consistent with the inpatient complement and physical facility requirements.