



Today's News Wednesday, March 20, 2013

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Budget Books Conversion Cash

At press time, there was little movement on the health care part of the state budget, including word on whether a private equity pilot project made it through negotiations. But here's a nugget that was in the executive budget. It books \$175 million in fiscal 2014 from proceeds from the conversion of a nonprofit health insurer—that would be EmblemHealth—into a for-profit. The state's Updated Financial Plan also assumes \$300 million annually for the state's HCRA account in fiscal 2015, 2016 and 2017. If there isn't a conversion, New York state "may be required to take other actions to increase available resources, such as reduce planned spending in HCRA, or finance additional expenses in the General Fund, or both," according to the state. An EmblemHealth spokesman said, "There are no plans to convert at this time."

SUNY Approves LICH Closing

In a new vote taken yesterday afternoon, the SUNY Board of Trustees again voted to close money-losing Long Island College Hospital. A coalition of hospital workers vowed to fight to keep the Cobble Hill facility open, scheduling a 7 p.m. vigil tonight in front of the hospital. "We're going to keep doing what we are doing," said a spokesman for the New York State Nurses Association, describing the board vote as "fixed" and taken with "perfunctory discussion." SUNY released a statement describing its decision as a move to shore up the rest of the Downstate Medical Center system and preserve jobs there. The proposal now goes back to the state Department of Health for a decision, but no timetable was announced yesterday. The hospital's unions won a three-week delay in the proceedings by successfully claiming in court that the first vote, taken on Feb. 7, violated the state's open meetings law. The court agreed, nullifying the vote and forcing yesterday's do-over.

Brooklyn Medical Site Opens

The Calco Medical Center, a \$60 million, 100,000-square-foot, nine-story building in Bensonhurst, formally opens today. The facility houses an ambulatory surgery center, an urgent care center and 30,000 square feet of private physician offices, including a large endoscopy practice, a pain management center, a fertility practice and an orthopedics group. The center also has an imaging center and laboratory facilities. The project was conceived by Dr. Robert Kodosi, an attending gastroenterologist at Maimonides, and real estate developer Mark Caller as a way to use a parcel of land at 6010 Bay Parkway for one-stop medical services. Construction began in May 2011. Maimonides has no ownership in the building. But Genesis Fertility and the Borough Park Pain Management Center, both run by Maimonides physicians, are leasing space there, as are several other doctors affiliated with Maimonides. The hospital is providing anesthesiology and laboratory services for the facility. The Maimonides Bone and Joint Center—housing team physicians of the Brooklyn Nets—was designed with examining rooms that have 9.5-foot ceilings to accommodate the basketball players.

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HHC bonds hit the market

The city's Health and Hospitals Corp. is selling \$110 million in bonds this week to refund earlier debt. Fitch gives the bonds an A+ rating, reflecting the fact that HHC is required to pay debt service in full each month from its revenue flow.

The patient revenue lockbox arrangement keeps HHC's creditworthiness strong. But market factors are a concern. Fitch notes that HHC's management has been "focused on efficiency, savings and growth using a systemwide process improvement tool" that is in effect at 90% of HHC facilities. About 22% of HHC's staff use the process tool. So far, the tool has driven \$304.2 million in financial benefits, said HHC, including cost savings of \$24.5 million and new revenue of \$279.7 million. The cost-containment initiatives helped boost financial performance slightly over the past two fiscal years. Operating losses fell to \$446.5 million in 2012 (a negative operating margin of 6.3%) from \$747.8 million in 2010 (a negative 11.6% operating margin), Fitch reported.

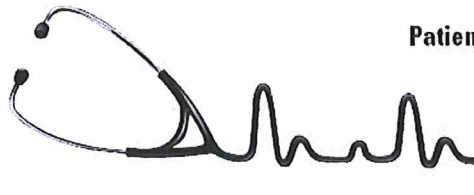
Last year, HHC earned 63% of its gross revenue from Medicaid and 20% from Medicare. About one-third of its patients are uninsured, and it has no significant revenue from commercial payers. In fiscal 2012, ended in June, unrestricted cash and investments were \$1.1 billion, up from \$656 million in 2010, which meant days of cash on hand rose to 55.1, up from 34.5.

HHC has had fairly steady funding in Medicaid Upper Payment Limit and Disproportionate Share Hospital payments, slightly higher in 2012 than the prior year. But come 2014, the combined UPL and DSH payments will start to drop, "resulting in growing revenue shortfalls," said Fitch. That's why HHC is looking for alternate funding.

At A Glance

HFMA: The Hudson Valley chapter of the Healthcare Financial Management Association holds its annual conference at the Doubletree Hotel in Tarrytown on April 18. Discounted registration is available through March 22. The agenda and information are online here (http://www.hfmahudsonvalleyny.org/index.php?site/events/hudson_valley_ch)

EXTRA: The first in the annual Extra series identifying venture-capital deals for local health care-related companies.



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