



Cambridge Health Alliance

1493 Cambridge Street • Cambridge, MA 02139 • 617.665.2300

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OFFICE OF THE CITY MANAGER

January 18, 2002

Robert W. Healy
City Manager
City Hall
Cambridge, MA 02139

Dear Mr. Healy,

I am writing in response to City Council Order #14, dated 12/17/01 regarding plans for the Mt. Auburn Hospital.

The trustees of CareGroup Healthcare System, the state's second largest hospital and physician system have recently formed a restructuring committee that is considering breaking up the network. The trend in the 1990s of hospitals merging to build market share and referring physicians, become more efficient, and build clout with managed care companies has not yielded desired results for many systems, and many mergers have broken apart. CareGroup is struggling financially, lost an estimated \$67M in operations last year, and is saddled with debt approximating \$650 million dollars. The network includes six hospitals, including the flagship Beth Israel Deaconess Medical Center, Deaconess-Glover Hospital (Needham), Deaconess-Nashoba (Ayer), Deaconess-Waltham (Waltham), New England Baptist Hospital (Boston), and Mount Auburn Hospital (Cambridge).

Last week CareGroup decided to close Deaconess-Waltham Hospital after a buyer failed to materialize. Trustees are currently evaluating whether to hire Salomon Smith Barney to seek buyers for Deaconess-Glover and Deaconess-Nashoba. At this time it is not clear what the future status of Mount Auburn will be, whether CareGroup will also seek buyers for it or if Mount Auburn will "secede" as an independent institution. Mount Auburn Hospital made money on operations in fiscal 2000, but its financial viability as an independent institution is in part dependent on whether CareGroup allocates a portion of its significant debt to the hospital. Also, if the ownership of CareGroup changes hands, whether to a non-profit or for-profit organization, that new owners plans for the remaining hospitals in the CareGroup network will not be known for some time.

Hospital closure or change of ownership of hospital raises concerns about where people who live nearby will obtain services, particularly services that are in essential/unique to the area, are of high demand and have limited capacity. Right now in the Commonwealth there is a crisis in terms of emergency services and psychiatric services. When Mount Auburn Hospital's emergency department is on diversion, there is significant pressure on Cambridge Hospital, Somerville Hospital and other nearby hospitals to absorb the visits. If Deaconess-Waltham shuts its ED and psych beds, pressure on the Cambridge emergency departments and mental health system will increase.

In non-emergent situations, Cambridge residents have many choices about where to obtain health care. Recent market data showed that in terms of inpatients, about 25% of Cambridge residents who were hospitalized were cared for at Mount Auburn, about 30% at Cambridge Health Alliance, and most of the remaining at Boston hospitals. Mount Auburn Hospitals is an important



community hospital provider for patients from Cambridge, but the majority of its patients come from adjacent communities including Watertown, Belmont, Arlington, and Somerville.

At this time, given the relatively strong financial performance of Mount Auburn Hospital, there does not appear to be any imminent threat to the services they currently provide. While the financial health of their parent organization is troubling, it is unclear what the future corporate ownership of Mount Auburn Hospital may be. Jeanette Clough, President of Mount Auburn, and I are in contact frequently and will continue our collaborative work so as to ensure that the city continues to enjoy the benefit of two strong local hospitals. We will continue to monitor this evolving situation and will advise the City Manager and City Council of opportunities or threats as they occur.

If I can be of further assistance, please feel free to contact me at 617-665-1001. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "John G. O'Brien". The signature is stylized with a large, looped "J" and "O".

John G. O'Brien
CEO



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CITY OF CAMBRIDGE • EXECUTIVE DEPARTMENT

Robert W. Healy, City Manager

Richard C. Rossi, Deputy City Manager

February 11, 2002

To The Honorable, The City Council:

Please find attached a response to Awaiting Report Item No. 01-260, regarding a report on the plans for the Mt. Auburn Hospital, received from John O'Brien, CEO of the Cambridge Health Alliance.

Very truly yours,

Robert W. Healy
City Manager

RWH/mec
Attachment

Consent Agenda #6

**Awaiting Report Item Number
01-260**, regarding a report on the
plans for the Mt. Auburn
Hospital.

In City Council February 11, 2002

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