John O'Brien moved to the issue of the merger with Somerville Hospital. He said that discussions with Somerville Hospital have been going well. A memorandum of understanding has been signed with Somerville Hospital. The merger is envisioned as an acquisition of Somerville Hospital by Cambridge Hospital. This will take approval of the Governing Board and the City Council. A variety of work groups have been established and are working hard. In excess of 100 people from both institutions are working almost daily.

Councillor Duehay asked whether the merger will have negative effects on the financial resources of the Cambridge Hospital and why Somerville Hospital has been financially unsuccessful.

John O'Brien said that Somerville Hospital's lack of success is closely related to a fragmented vision, which has put it out of step with major health care directions. Also Somerville Hospital has not been as active in advocating for payments. If payments are raised to Cambridge Hospital level, Somerville Hospital should break even, in the current scheme of payments, although there is a huge uncertainty for the future in this area.

Mr. O'Brien added that Somerville is a competitive area. Massachusetts General Hospital would like to acquire it, and if Massachusetts General Hospital did so, it would be a big threat to Cambridge Hospital's survival.

Councillor Triantafillou asked why the merger makes sense from John O'Brien's point of view. John O'Brien said that most experts expect the emergence of four major networks in Massachusetts. Size is very important in the affiliation process, because if Cambridge Hospital does not bring size to the table, the hospital risks being closed and Cambridge's public health concerns risk being shut out.

Councillor Triantafillou said that if there will eventually be a loss of local control, what is the point?

Rick DiFelippi, Chair, Hospital Governing Board, stated that the question is how to preserve Cambridge's mission of providing excellent care to those who cannot pay. This is a strategy to be able to preserve its mission. The only way this can happen is from a position of strength so that Cambridge Hospital can dictate some terms.

John O'Brien added that Cambridge Hospital is looking to come to the table in a position to keep autonomy and the ability to serve its population. Public hospitals are closing because they are trying to hang onto the past.

Barbara Ackermann, Health Policy Board, said that it would be useful to have a very short statement of the reasons for the merger.

Councillor Born observed that John O'Brien's explanation sets out a defensive strategy. She asked what would happen if Cambridge Hospital does not do this.

John O'Brien agreed that these changes are being forced upon Cambridge Hospital by outside events. As the networks continue to consolidate, Cambridge Hospital would not be part of a network and then would be excluded from the contracting process, for example, Tufts and Pilgrim now have exclusive contracts with Mount Auburn Hospital. Cambridge Hospital worked with Mount Auburn to be part of the contracting process. It is happening across the country to public hospitals. They are left out of the contract process and only have the uninsured. Then they lose revenue, have to lay off staff and close. In Cambridge the least profitable programs would go first, eg., the teen health care, health care for the homeless. Mr. O'Brien said that his strategy would be to try to close in-patient programs and Neville Manor, which are service that the market will provide, and try to protect public health programs.

Barbara Ackermann pointed to the Senior Center, with its new health care facilities; it would be very unfortunate if seniors cannot use it because their health insurance won't cover it.

Councillor Triantafillou asked what will prevent a large network from saying that these services are not profitable and therefore will not be provided.

John O'Brien said that the services will only continue if Cambridge comes to the table with enough strength to maintain some autonomy and negotiate for these services. The City's main leverage is to require these programs to continue in exchange for getting city tax dollars. Cambridge Hospital also brings its organizational strength.

Councillor Triantafillou said that it is a concern to her that things that were major selling points for the expansion, such as the birth center and obstetrics, are now seen as some of the first programs to go for the sake of merger.

John O'Brien said that there will continue to commitment to excellent maternal/child health care, but it is imperative to look at current realities of costs and networks to decide on the best way to provide for maternal/child health. It could well be that some services are provided through links to affiliates.

Carol Cerf said that Massachusetts General Hospital opened an obstetrics unit that was not needed in terms of regional beds and took a big chunk of Cambridge birth business. There were 1,000 deliveries two years ago, and Cambridge Hospital is projecting 500 births next year.

John O'Brien emphasized that the hospital's response cannot be to protect the status quo.

Councillor Triantafillou asked what will prevent this from happening again and again. John O'Brien said that nothing can prevent this. Massachusetts General Hospital has announced that Cambridge and Somerville are major markets for Massachusetts General Hospital. There are no guarantees. Cambridge Hospital has to focus on its mission, not its beds. Obstetrics is a classic example.

Councillor Toomey asked about the effect on Cambridge Hospital's expansion plans, and the threat of for-profit acquisition.

John O'Brien said that he does not see Cambridge as a market that a for-profit will seek to acquire. If Cambridge Hospital stays intact, and keeps up with changes, he believes it can survive. There are some expansions that still must happen to be competitive: parking, some ambulatory expansion, and conversion of four person bed rooms to two person bed rooms. However, expansion plans are being downsized. At a minimum, Cambridge Hospital expects to take 10,000 sq. ft. off the plans for expansion.

Councillor Duehay asked whether the City of Somerville is willing to put any monies into this. John O'Brien said that Somerville has made it very clear that it will not contribute any funds.

Barbara Ackermann observed that the Somerville merger is something that Cambridge Hospital believes can further its mission; it does not look forward to another merger with a large hospital, but it wants to make sure its mission is protected against takeover by some entity with no social conscience.

Vice Mayor Sheila T. Russell asked whether Somerville Hospital is in debt, and if so, is Cambridge Hospital assuming the debt. John O'Brien said that Somerville Hospital has $6 million long term debts, which Cambridge must assume, but Somerville Hospital's assets exceed its liabilities.

Councillor Born asked whether the ultimate threat if Cambridge Hospital does not merge with Somerville Hospital is takeover by a major network, perhaps a for-profit entity, with no voice in what happens to health care in Cambridge.

John O'Brien agreed that this is the risk. He said that, for example, a for-profit entity could purchase Mount Auburn Hospital, cut costs and get all the business, so that Cambridge Hospital is left with no alternative to selling out. In addition, larger entities will try to persuade Cambridge Hospital doctors to work for them. Loss of doctors is a big factor in ultimate decline.

Carol Cerf said that Cambridge Hospital is merging with Somerville not to protect the institution but to protect its mission to serve the community.

Councillor Toomey then asked for an update on Windsor Street. John O'Brien said that he has been working with the City Manager, Mr. Healy on an acquisition of the 75,000 sq. ft. Polaroid Building, and the City Manager has been very helpful. The plan is that the Cambridge Housing Authority would use 25,000 sq. ft. Cambridge Hospital would use 50,000 sq. ft. If expansion of the main Cambridge Hospital building is 10,000 sq. ft. less, Cambridge Hospital would look at what services could be located at Windsor Street instead of the main hospital campus. Cambridge Hospital also wants to rebuild East Cambridge Health Center because more room is needed.

John O'Brien then moved to Neville Manor. He said that there had been terrific discussions with the Neville Manor Governing Board the previous night. He noted that Neville's compensation for employees is the highest in state, so Neville Manor has the highest costs of operation in the state. The quality of care is excellent, however, the future is problematic. Neville Manor is in the process of developing a strategic plan to face the future. A big question is, in view of the aging population, if Neville Manor is closed, would the City regret its decision in 10-15 years.

Paul Hollings, Administrator of Neville Manor, said that at this point, the options have been outlined. All involve a deficit for Neville Manor.

Councillor Toomey asked whether the higher wages are the reason for the high quality of services, and Paul Hollings agreed that it is.

Vice Mayor Russell asked what percentage of Neville Manor residents are Cambridge residents. John O'Brien replied that two-thirds come from Cambridge and even more have Cambridge ties.

At 9:30 a.m. Councillor Toomey explained that he had to leave for a prior engagement, and Vice Mayor Russell assumed the chair. In response to a question from Vice Mayor Russell, Paul Hollings said that one third of the employees are Cambridge residents.

Councillor Born asked about the impact on Cambridge. Paul Hollings said the biggest impact would be on inpatient long-term services, but there could be a possibility of having these beds elsewhere in the system, for example, Somerville Hospital. None of the options are great options.

John O'Brien said that he is trying to assess the community's reaction to the potential scenarios for Neville Manor, including closing it or supporting an increasing deficit and decreasing demand. Vice Mayor Russell said that the public will want to know that if Cambridge can take care of the drug addicts, it can take care of its elderly.

Councillor Born asked whether Neville Manor could be renovated for some other, medical use, and the nursing home be part of a hospital. Paul Hollings said that is possible.

Councillor Born noted that there are many people who don't use the Cambridge Hospital. John O'Brien said that in the future they will come to know the Cambridge Hospital network, through such services as immunization of children in schools, the teen health center.

John Moos, Chair, Mid Cambridge Neighborhood Conservation Commission, asked about the concept of a public authority and noted that he would be opposed to an entity that does not provide for local control. John O'Brien stated that he will insure that agreements made with neighborhood associations will be made binding on successor organizations. In addition, the tax money is a lever. Carol Cerf said that local boards are another protection. Barbara Ackermann noted that the law also provides protection.

The meeting was adjourned at 9:50 a.m.

For the Committee

Timothy J. Toomey, Jr., Chair

DMD/d

City of Cambridge

The Health and Hospital Committee held a public meeting on September 15, 1995, beginning at 8:15 am in the Macht Auditorium, Cambridge Hospital, for the purpose of receiving an update on several issues pertaining to the future of the Cambridge Hospital.

Present at the hearing were Councillor Timothy J. Toomey, Jr., Chair of the Committee, Councillor Kathleen L. Born, Councillor Francis H. Duehay, Vice Mayor Sheila T. Russell, Councillor Katherine Triantafillou, and City Clerk D. Margaret Drury. Also present were John O'Brien, Commissioner of Health and Hospitals, several senior staff members and members of the Hospital's Governing Board, and Ellen Semonoff, Assistant to the City Manager.

Councillor Toomey convened the hearing and explained the purpose. He introduced Mr. O'Brien and requested that Mr. O'Brien update the Committee on major issues affecting the future of Cambridge Hospital.

John O'Brien said that he would begin with the financial picture. The Hospital closed with its largest surplus ever, $ 1.5 million. There were record volumes and revenues, particularly on the ambulatory side. Neville Manor's deficit was less than expected, about one-half of the projected $850,000.

John O'Brien stated that the future looks grim for hospitals. The Congressional proposal is for $270 billion in Medicare cuts and $180 billion in Medicaid cuts. There is a state coalition of concerned health care entities, consumer groups, etc. to fight these cuts. Massachusetts will be the hardest hit state. The biggest question is where the cuts will be made. Medicaid is even more of a concern because its beneficiaries are more the "voiceless people." It could be a 30% cut.

Regarding public health issues, Mr. O'Brien stated that they are still interviewing for a chief public health officer. Despite this, good progress is being made on public health issues, mostly because of new links with primary care providers.

Carol Cerf, Chair, Public Health Committee of the Health Policy Board, gave a summary of recent public health developments. Dr. David Bor is now attending their meetings. There is increased integration with the Health of the City activities.

John O'Brien stated that a health information person has been hired, and there has been a great deal of work on putting health data together in a fashion that can guide resource allocation.

Committee Report #2

5-306

The Health and Hospital Committee held a public meeting on Friday, September 15, 1995 for the purpose of receiving an update on several issues pertaining to the future of the Cambridge Hospital.

Report Accepted. Placed on File

In City Council October 2, 1995