

Hospitals feeling recession's pain

Patients put off care; projects are postponed

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Chris Van Gorder, president and CEO of Scripps Health, at Scripps Memorial Hospital La Jolla last month. (Earnie Grafton / Union-Tribune) -

Hospitals nationwide and in San Diego County are feeling aches and pains from the deepening recession, and some predict a worse prognosis in the coming months.

More patients aren't paying their hospital bills, and more are putting off elective procedures to save cash. Construction projects at some medical centers have been put on hold, and administrative jobs are being consolidated or left open when they become vacant.

Hospitals have little space to maneuver because the stock market decline has slashed their investment income and most credit sources have dried up.

Rising unemployment will only tighten the vise on the industry.

“As the economy worsens, we're going to get hit pretty hard,” said Chris Van Gorder, president and CEO of Scripps Health, which operates five medical centers in Encinitas, La Jolla, Hillcrest and Chula Vista.

Jeff Lawrence, 43, is among those who have put off hospital care after becoming uninsured.

Lawrence, of Mira Mesa, recently injured his right ankle while playing basketball. He has visited La Maestra's clinic in City Heights and thinks there may be a fracture. The ankle could need surgery to heal properly, but Lawrence can't afford X-rays or an operation because he no longer has insurance from his previous job as a loan officer.

He wears a splint to keep the ankle stable.

“I can't afford to get it fixed,” Lawrence said.

About 44 percent of the hospitals surveyed by Novation, a Texas-based company that manages contracts between suppliers and 14,500 health providers, are seeing declines in their surgery loads. Nearly half of them plan to reduce staffing, and 69 percent expect to delay or cancel equipment purchases, Novation said in a report released Feb. 26.

The stock analysis firm Longbow Research said in January that nearly half of the 30 hospitals it surveyed in 10 states, including California, had reported lower admission rates during the last three months of 2008 compared with the same period a year earlier.

One of the survey's most telling findings was a 24 percent drop in admissions among patients with private or employer-based insurance. Hospitals rely on that population to balance out losses they incur when treating the uninsured or people covered by lower-paying government programs such as Medicare.

“The acute-care hospital industry is facing difficult head winds,” said analysts for Longbow, which is based in Independence, Ohio.

The recession has strained some local hospitals more than others.

UCSD Medical Center, which operates hospitals in Hillcrest and La Jolla, has frozen the salaries of its 5,000 nonunion employees since Jan. 14.

New-patient visits to the UCSD obstetrics department dropped 10 percent during the last six months of 2008 compared with the same period a year earlier. More people might be putting off having children because of uncertainty about the economy, said Richard Liekweg, the medical center's CEO.

At Scripps Memorial Hospital-La Jolla, emergency room visits fell 10 percent during the last three months of 2008. That prompted administrators to trim five management positions and reassign employees to other jobs, Van Gorder said.

He blamed the slower business partly on people putting off hospital care because they face higher co-payments. Patient volumes also were affected by a mild flu season and a drop in holiday travel, which resulted in fewer automobile accidents.

Van Gorder expects to see a “huge increase” in uninsured patients by summer as companies lay off more workers and people who have been unemployed for a while lose insurance offered through the COBRA program.

Delinquent accounts for all Scripps hospitals rose to \$22.3 million last year, up from \$20.6 million a year earlier, said Van Gorder, who also is chairman-elect of the American College of Healthcare Executives.

Amid the patient trends and a challenging credit market, Scripps has postponed about \$186 million in bond sales to finance construction work.

With every 1 percentage point rise in the nation's unemployment rate, 1.1 million people join the ranks of the uninsured, according to The Henry J. Kaiser Family Foundation, a nonprofit health care research group in Menlo Park. The U.S. unemployment rate stood at 8.1 percent in February, according to the latest figures issued Friday by the government.

The number of unemployed people in San Diego County surged by 56,100 between January 2008 and this past January – to 135,100. The total could rise by 15,000 if the local unemployment rate reaches 9.5 percent by fall, as some work-force experts have predicted.

To help people who can't afford hospital treatment, medical centers are referring more uninsured patients to the county's network of community clinics, which serves as a safety net.

“We're experiencing a 5 percent to 10 percent increase so far, but that's escalating as layoffs grow,” said Roberta Feinberg, CEO of San Diego Family Care, which runs three clinics in the city.

The trend is causing longer waits for appointments with doctors, she said.

At the two North County hospitals operated by Palomar Pomerado Health, administrators are approving only nonmedical purchases that they consider essential. That means some workers

might have to keep using old desk chairs or not replace the worn-out carpet in their offices, said Dr. David Tam, chief administrative officer for Palomar Pomerado.

“We are really tightening our belts,” Tam said.

For administrators of Alvarado Hospital in San Diego's College Area, staffing flexibility is critical because business is down in some areas but up in others.

“We're trying to (do) as much as we can to adjust to the programs that we have,” said Alvarado's owner, Dr. Pejman Salimpour.

Officials for the Kaiser Permanente HMO network wouldn't talk about the recession's effect on their local operations, while administrators at Paradise Valley Hospital in National City said they remain optimistic about the future even though they have noticed an increase in patients who can't pay their bills.

Even Sharp HealthCare – which has not experienced any patient decline at its four full-service hospitals in San Diego, La Mesa, Coronado and Chula Vista – is proceeding with caution.

Don't expect Sharp to launch untested programs or services anytime soon, said Dan Gross, executive vice president for the network's hospital operations.

“It's a time for people to be vigilant and judicious,” he said. “It's probably not a time for organizations to take unnecessary risks.”

Tri-City Medical Center in Oceanside is battling challenges unrelated to the economy.

The realignment of one of North County's largest physician groups has shifted patients away from the hospital. Voters have rejected three bond initiatives in the past two years for capital improvements, and the hospital's top eight administrators have been put on leave pending an investigation into finances and employee relations.

Statewide, nearly three quarters of the 115 hospitals that responded to a November survey by the California Hospital Association said they had seen a jump in the number of patients who hadn't paid their bills.

The same poll found that 30 percent of hospitals have recorded a drop in elective procedures in recent months, and 33 percent have documented higher numbers of uninsured patients seeking care in their emergency rooms.