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Hospitals See Drop in Paying Patients

By REED ABELSON

In another sign of the economy's toll on the nation's health care system, some hospitals say they are seeing fewer paying patients — even as greater numbers of people are showing up at emergency rooms unable to pay their bills.

While the full effects of the downturn are likely to become more evident in coming months as more people lose their jobs and their insurance coverage, some hospitals say they are already experiencing a fall-off in patient admissions.

Some patients with insurance seem to be deferring treatments like knee replacements, hernia repairs and weight-loss surgeries — the kind of procedures that are among the most lucrative to hospitals. Just as consumers are hesitant to make any sort of big financial decision right now, some patients may feel too financially insecure to take time off work or spend what could be thousands of dollars in out-of-pocket expenses for elective treatments.

The possibility of putting off an expensive surgery or other major procedure has now become a frequent topic of conversation with patients, said Dr. Ted Epperly, a family practice doctor in Boise, Idaho, who also serves as president of the American Academy of Family Physicians. For some patients, he said, it is a matter of choosing between such fundamental needs as food and gas and their medical care. "They wait," he said.

The loss of money-making procedures comes at a difficult time for hospitals because these treatments tend to subsidize the charity care and unpaid medical bills that are increasing as a result of the slow economy.

"The numbers are down in the past month, there's no question about it," said Dr. Richard Friedman, a surgeon at Beth Israel Medical Center in New York, although he said it said it was too early to call the decline a trend.

But many hospitals are responding quickly to a perceived change in their circumstances. Shands HealthCare, a nonprofit Florida hospital system, cited the poor economy and lower patient demand when it announced last month that it would shutter one of its eight hospitals and move patients and staff to its nearby facilities.

The 367-bed hospital that is closing, in Gainesville, lost $12 million last year, said Timothy Goldfarb, the system's chief executive. "We cannot carry it anymore," he said.

Some other hospitals, while saying they have not yet seen actual declines in patient admissions, have tried to curb costs by cutting jobs in recent weeks in anticipation of harder times. That includes prominent institutions like Massachusetts General in Boston and the University of Pittsburgh Medical Center, as well as smaller systems like Sunrise Health in Las Vegas.

"It's safe to say hospitals are no longer recession-proof," said David A. Rock, a health care consultant in New York.

A September survey of 112 nonprofit hospitals by a Citi Investment Research analyst, Gary Taylor, found that overall inpatient admissions were down 2 to 3 percent compared with a year earlier. About 62 percent of the hospitals in the survey reported flat or declining patient admissions.

Separately, HCA, the Nashville chain that operates about 160 for-profit hospitals around the country, reported flat admissions for the three months ended Sept. 30 compared with the period a year earlier, and a slight decline in inpatient surgeries.

Many people are probably going to the hospital only when they absolutely need to. "The only way they are going to tap the health care system is through the emergency room," Mr. Taylor said.

And now, as the economy has slid more steeply toward recession in recent weeks, patient admissions seem to have declined even more sharply, some hospital industry experts say. "What we have not seen through midyear this year is the dramatic slowdown in volume we're seeing right now," said Scot Latimer, a consultant with Kurt Salmon Associates, which works closely with nonprofit hospitals.

While the drop-off in patient admissions may still seem relatively slight, hospital executives and consultants say it is already having a profound impact on many hospitals' profitability. As fewer paying customers show up, there has been a steady increase in the demand for services by patients without insurance or other financial wherewithal, many of whom show up at hospital emergency rooms — which are legally obliged to treat them.

"It's disproportionately affecting the bottom line," Mr. Latimer said.

In California, for example, the amount of bad debt and charity care among hospitals has been steadily climbing, to $7.1 billion last year from about $5.8 billion in 2005. Those numbers could approach $8 billion for 2008, according to an analysis by Kurt Salmon.

The situation is exposing a main vulnerability of the nation's hospital care system, which executives say relies heavily on private insurance to subsidize certain services. When there is a decline in profitable procedures paid for by private insurance, hospitals have less money to offset the relatively lower fees they receive from government insurance programs like Medicare and Medicaid.

"What happens in our country is that there's really a hidden tax built in," said Richard L. Gundling, an executive with a trade group for hospital financial executives, the Healthcare Financial Management Association. "Hospitals have to balance the mix of patients in order to survive."

The amount of charity care provided by Shands HealthCare, the operator of the Gainesville hospital, has doubled in the last four years, to $115 million in fiscal 2008, Mr. Goldfarb said. He worries that the financial outlook will become even worse, with the prospect of payment cuts from state governments that are facing large budget shortfalls.

"If we're going to survive the next few years," he said, "we have to circle the wagons."

The rapid moves by hospitals to cut costs — by laying off workers, consolidating facilities and freezing construction and other capital spending — are an abrupt change for an industry traditionally seen as insulated from economic woes.

Some hospital executives say they are simply being prudent. The University of Pittsburgh Medical Center, for example, is eliminating 500 jobs. The hospital system, which includes 20 hospitals and serves a large portion of Medicare and Medicaid patients, says that so far it has not seen a drop in patient admissions, but growth is tailing off.

"It's much, much slower than we've seen in years past," said Robert A. DeMichiei, Pittsburgh's chief financial officer.

Mr. DeMichiei said Pittsburgh was mainly trying to reduce administrative jobs as a way to keep ahead of the worsening economy. Because large hospital groups like his have become more professionally managed in recent years, he said, they are no longer slow to reduce expenses.

Hospital executives "are beginning to act more like Corporate America," said Mr. DeMichiei, whose own résumé includes various jobs at General Electric.

Another source of financial anxiety, hospitals say, is the continued difficulty in raising money through the credit markets. The majority of the nation's hospitals are nonprofit, and they often raise capital through the municipal bond market to erect new buildings or make other significant capital investments. Because many hospitals say they are still unable to borrow easily, they have reacted by scaling back projects or holding off on major purchases.

"We are being extremely cautious about approving spending in these 60 to 90 days, until the markets stabilize," said Michael A. Slubowski, the president of hospital and health networks for Trinity Health, a large Catholic system based in Novi, Mich., which operates nearly four dozen hospitals, mostly scattered across the Midwest.

While Trinity says it has not seen an overall reduction in its patient admissions, Mr. Slubowski says many of his counterparts have. "People are seeing declines," he said.

Making matters worse for some hospitals has been a slowdown in bill payments, particularly by state Medicaid programs. The money hospitals are owed for their services — their accounts receivable — is growing, said Mr. Rock, the health care consultant, who works for the investment and consulting firm Carl Marks & Company in New York. "What we're finding is one of the key drivers is Medicaid," he said.

Many hospital executives also expect outright reductions in payments by Medicaid and Medicare.

Mr. Rock predicts that many hospitals will soon start to reconsider the services they provide, with an eye toward scaling back or eliminating some altogether. Procedures that rely heavily on patients' making sizable cash outlays, like bariatric surgery, are particularly vulnerable, he said.

Hospital executives concede that they may not be as directly affected by the weak economy as retailers and banks, but they also say they are bracing for what is shaping up to be a severe and prolonged recession.

"There's a lot of C.F.O. doom and gloom," said Robert Shapiro, the chief financial officer at North Shore-Long Island Jewish Health System. "The sky may be really falling this time."

Moody's lowers outlook not-for-profit health care

November 10, 2008 2:44 PM ET

AP Associated Press

NEW YORK (AP) - Moody's Investors Service lowered the outlook for not-for-profit health care providers Monday, citing a tight credit market and weakening economy.

The move, to "Negative" from "Stable," reflects the risks not-for-profit hospital and health care services providers face as the economy weakens and bad debt rises. Hospitals often incur uncollectible debt from uninsured or under-insured patients, and a weakening economy could increase the ranks of the uninsured.

"While most hospitals showed resiliency when initial economic weakening began in late 2007, we have begun to see in recent months greater-than-anticipated erosion in performance and liquidity," Moody's Senior Vice President Lisa Goldstein said in a statement.

The cost of borrowing for hospitals will likely be higher heading into the new year, she said, and such financing may not be available for lower-rated hospitals. Hospitals often finance capital projects by issuing bonds.

"The not-for-profit hospital industry operates under a challenging business model characterized by fierce competition and third-party reimbursements designed to control cost inflation while also maintaining market efficiencies," she said.

Still, she expects higher-rated hospitals to slow spending and adjust to difficult credit market conditions.

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UPDATE: US Economic Woes Put Pressure On Hospitals -Report

November 19, 2008: 04:18 PM EST

By Jon Kamp

Of DOW JONES NEWSWIRES

The U.S. economic downturn is taking a big financial toll on hospitals, making it tougher for them to fund upgrades, buy new equipment and has reduced the number of patients seeking elective procedures, according to an American Hospital Association report released Wednesday.

This financial pressure has bled over to the medical-devices sector, where investors are worried sales will suffer as hospitals cut back on spending and patients postpone treatment plans. Companies such as Intuitive Surgical Inc. (ISRG) and Covidien Ltd. (COV), which make expensive surgical robots and common medical products, respectively, have faced such concerns.

Hospitals "could be facing uncertain times as their financial health falters and ability to borrow funds for improving facilities and updating technology is squeezed," the American Hospital Association's report said.

The non-profit group's report, which is based on survey results from 736 hospitals and a Web-based reporting system, echoes trends financial analysts have recently noted based on their own surveys and industry checks.

More than 30% of respondents in the new survey reported a "moderate to significant decline in patients seeking elective procedures," the association said, while nearly 40% of hospitals reported a drop in admissions overall. Hospitals are also seeing more patients who can't pay.

Fewer elective procedures could be troublesome for makers of replacement joints such as Zimmer Holdings Inc. (ZMH), Stryker Corp. (SYK), Smith & Nephew PLC (SNN) and Johnson & Johnson's (JNJ) DePuy subsidiary. Orthopedic procedures to replace damaged hips and knees can resolve painful and often debilitating arthritic problems, but also carry sizable out-of-pocket costs.

Orthopedic companies didn't report issues on recent quarterly calls, but the possibility of a slow-down remains a big question.

"I would say at this point it is not unreasonable to believe that orthopedic growth rates might decelerate modestly because of the general economy," said Jeffrey R. Binder, president and chief executive of joint-maker Biomet Inc. (BMET), on that company's recent quarterly call.

Shares of orthopedics companies traded lower on Wednesday. Zimmer was recently down 5.5% to $37.64 while Stryker, which also has a big surgical-products business, traded down 3.8% to $39.28.

Health-care is often a safe haven in times of economic trouble, but that theory may be eroding this time around. Treatment that can be delayed, or requires hefty payments even from insured patients, is vulnerable. The economy is clearly delaying people, Gary Ellis, Medtronic Inc.'s (MDT) chief financial officer, said in an interview Tuesday. Chairman and Chief Executive Bill Hawkins, speaking in the same interview, said the company's businesses for diabetes pumps, ear nose and throat tools and spinal products have some economic vulnerability.

Hawkins noted that hospital administrators are seeing volumes for some orthopedic procedures decline a bit. Patients "may just tolerate the pain," he said. But he also noted that Medtronic overall doesn't have major economic exposure. The company's big heart-device products, such as pacemakers and implantable defibrillators, treat serious issues.

Investment Declines

Along with a decline in patients, hospitals are also facing declines in their investment portfolios. Hospitals "rely on investment income as one of the ways to help make ends meet, especially since government payors do not cover the costs of care," the hospital association noted. But recent market turmoil has turned investment gains into losses.

Non-operating revenue among hospitals was down $831.5 million in the third quarter this year, compared with a $396.1 million gain a year earlier, the association said, citing hospital reports to "Databank," the Web-based reporting system.

The hospital association said the credit crunch has also made it more expensive for hospitals to borrow money. Hospitals saw interest payments on borrowed funds climb an average 15% from July to September, compared with the same period a year earlier.

"As a result, many hospitals are reconsidering or postponing investments in facilities or equipment communities rely on for care," the association said. For example, 45% of survey respondents are delaying purchases of clinical technology and equipment. Many respondents are also delaying renovations and investments in new information technology.

Amid this stress, Intuitive Surgical has faced fears hospitals won't be able to pay for its expensive "da Vinci" surgical robots, which cost nearly $1.4 million each. This hasn't been a problem so far, and the company's guidance for 2008 hasn't suffered. But the prospect of a future slowdown prompted William Blair analyst Ben Andrew on Monday to cut his financial forecasts for next year.

Andrew also lowered his rating on Intuitive to market perform from outperform.

Shares of Intuitive, which have fallen sharply this year, were down 1.8% to $ 121.32 in late trading. Speaking earlier Wednesday at a financial conference, company officials said Intuitive had been less impacted by cutbacks than other capital-equipment makers because its system helps hospitals increase their revenue.

When hospitals suffer during an economic swoon, the impact circles back to the economy at large. The association noted that 45% of new private-sector jobs were created in the health sector last year. Many hospitals are being forced to consider staffing and service cuts due to financial stress.

-By Jon Kamp, Dow Jones Newswires; 617-654-6728; jon.kamp@dowjones.com

MSNBC.com

Report: Economy is sickening U.S. hospitals

Data shows decline in admissions and increase in patients who can't pay

The Associated Press
updated 5:14 p.m. ET, Wed., Nov. 19, 2008

TRENTON, N.J. - The dismal economy has American hospitals ailing, with new data showing declines in overall admissions and elective procedures, plus a significant jump in patients who can't pay for care, the American Hospital Association said Wednesday.

Hospitals also have been hurt by losses on their investments due to the turmoil on Wall Street, and many are finding it more expensive to borrow money — if they can at all, according to a report from the association, which represents about 5,000 U.S. hospitals.

"The worst part is the combination of all of the above," said Rich Umbdenstock, the association's president and chief executive.

Some of the hardest-hit hospitals began reducing staffing and services as early as last spring and more will follow, although hospitals are trying to limit the impact on patients, said Umbdenstock. He said hospitals are more likely to eliminate entire services — money-losers or ones with high operating costs — than to make across-the-board cuts that weaken all services.

"There have been hospital closures (this year), particularly in some of the more heavily impacted areas," such as New Jersey, where hospitals are providing more and more unreimbursed care, he said.

The downturn is hitting hospitals worse than other industries, he said, and many already were struggling due to pressures including government programs such as Medicare and Medicaid not paying the full cost of treatment. Hospitals are worried the Obama administration's health care reforms will affect reimbursement rates for those two huge programs, which cover 55 percent of all hospital patients.

A hospital association survey about conditions over the past three months drew responses from 736 hospitals, and the association report also uses figures from the July-September period collected from 557 hospitals that send quarterly reports to a central system run by the Colorado Hospital Association.

The Databank hospitals' investment results amounted to a combined loss of $832 million, compared with a $396 million gain a year earlier — a big problem because normally investment gains help make up for some of the costs not covered by patients and insurers.

Meanwhile, the interest those hospitals paid on borrowed funds jumped by 15 percent in the third quarter, compared to 2007's third quarter, another difficult squeeze because hospitals generally borrow money for expansions and upgrades, multimillion-dollar technology and even sometimes to cover payroll and pay regular vendors.

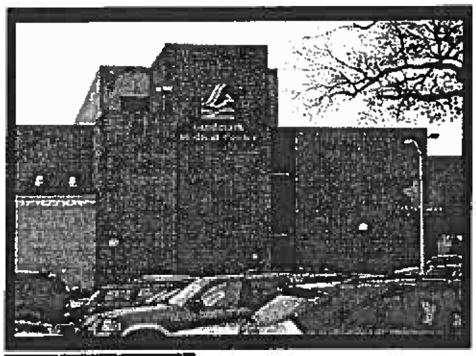
Other key findings:

- 67 percent of hospitals saw some drop in elective procedures; 6 percent saw a significant drop.
- 63 percent saw some decline in overall admissions; 9 percent saw a bigger drop.
- Inpatient and outpatient surgeries and emergency department visits were all down roughly 1 percent in the third quarter.
- Half of hospitals have seen a moderate or significant jump in uncompensated care, with a jump averaging 8 percent. The association cites unemployed people losing their health insurance.
- Total profit margin at the Database hospitals dropped from an average 6.1 percent in 2007's third quarter to an average loss of 1.6 percent in 2008's third quarter.
- 56 percent of hospitals are reconsidering or postponing renovations or expansions, and about 40 percent are delaying improvements to information technology or other equipment.

Bloomberg.com

Landmark Fights for Life as Hospital Shutdowns Swell (Update1)

By Kelly Riddell and Michael Janofsky



Enlarge/Details

Nov. 20 (Bloomberg) -- David Goodrich sat in the emergency room of the 135-year-old **Landmark Medical Center** in Woonsocket, Rhode Island, his head in his hands, waiting for doctors to treat his octogenarian aunt's swollen ankles.

"I don't know what I would do if this place wasn't around," said Goodrich, 64, surrounded by peeling gray walls and flyspecked fluorescent lights. He may find out soon.

The 214-bed hospital, the only one serving the city of about 44,000, is under siege. Like hundreds of the country's 2,744 not-for-profit facilities offering acute care, Landmark is cutting services as tightening credit, lagging government payments and a rise in uninsured patients create record losses.

The hospital, 14 miles (23 kilometers) north of Providence, is operating under a court-appointed supervisor, who's seeking a buyer to keep the facility open.

"This is, by far, the worst I've ever seen in all the years I've been in business," said Ronald Del Mauro, chief executive officer of West Orange, New Jersey-based **Saint Barnabas Health Care System**, which operates six hospitals and nine nursing homes.

Financial pressure may intensify when President-elect **Barack Obama** takes office in January during the worst economic slump since the Great Depression. Hospitals will face an "added risk of tougher reimbursement negotiations" with insurers, whose profits may shrink under the Democrat's plan to overhaul the $2.2 trillion U.S. health-care system, according to a Nov. 6 report by **Moody's Investors Service** in New York.

'Watching Our Cash'

Interest hospitals paid on variable-rate bonds in the third quarter rose 15 percent compared with the same period a year ago, according to a **study** released yesterday by the American Hospital Association. Uncompensated care in the quarter increased 8 percent.

Hospitals lost $831.5 million on investments in the third quarter compared with an overall gain of $396.1 million in 2007, according to the study, which excluded U.S. government-run facilities.

Saint Barnabas, which last month announced a restructuring plan including up to 200 layoffs and the likely sale of four nursing homes, is among those cutting jobs and postponing expansions as losses mount.

'Watching Our Cash'

Allina Hospitals & Clinics, the biggest health-care provider in Minneapolis and St. Paul, last month announced plans to eliminate as many as 350 of its 23,000 jobs. **Exempla Healthcare**, which owns two hospitals in the Denver area and jointly operates a third, delayed completing a new wing for one facility.

"We're watching our cash position very carefully," said Exempla CEO Jeff Selberg.

Hawaii Medical Center LLC, with two hospitals on Oahu, filed for Chapter 11 bankruptcy reorganization on Aug. 29, saying Siemens Financial Services Inc., a New York-based unit of Europe's biggest engineering company, declined to extend a $10.5 million revolving loan. The funds were needed to pay creditors and cover payroll expenses, said Salim Hasham, the health center's chief implementation officer.

Esra Ozer, senior director of external relations for Siemens, disputed the hospital's assertion in an e-mailed statement today, saying that Siemens "did not decline to extend the loan" and intends to work with HMC to resolve its problems.

Ten of New Jersey's 80 hospitals have gone out of business in the last 22 months, said **Sean Hopkins**, senior vice president of health economics for the New Jersey Hospital Association. Of those still open, he said, "half are in the red. The other half are operating with very, very thin margins."

Tight Credit

Before credit markets seized up earlier this year, many hospitals took on debt to boost services and purchase equipment, hoping to attract more affluent patients. Now, volatile interest rates are driving up borrowing costs and upending expansion plans.

Alliance Health & Human Services of Newton, Massachusetts, a not-for-profit chain of six facilities, was paying 1.82 percent on Sept. 18 on a $14.6 million variable-rate bond. The rate climbed to 9.8 percent a week later, before falling back to 2.31 percent on Oct. 30.

"It's certainly anxiety-provoking," CEO Mary McCarthy said. "It's causing us all to contemplate scenarios we never expected."

Hospital debt levels are climbing as the economy worsens, unemployment rises and the ranks of the uninsured swell, said **Darren Lehrich**, an analyst with Deutsche Bank Securities Inc. in New York.

Reimbursements Fall

"Everybody is going to get their fair share of the uninsured and rising bad debt, especially if non-profits go under," Lehrich said.

Hospitals are also facing declining government expense reimbursement rates.

Medicare, the federal insurance program covering people 65 years and older, returned about 91 percent of hospitals' costs in 2007, down eight percentage points since 2000, according to **Caroline Steinberg**, an **American Hospital Association** analyst.

Medicaid, a government health plan for the poor, reimbursed hospitals at a level of 86 percent in 2007, a decline of seven percentage points from 2000.

"As many as one-third of all hospitals are struggling to meet capital needs," said **Richard Clarke**, CEO of the Healthcare Financial Management Association, a trade group in Westchester, Illinois. Most of those facilities are not-for-profit, he said.

Cash Shortfall

Landmark administrators estimate their hospital lost $6.4 million in the fiscal year that ended Sept. 30, the fourth consecutive annual deficit. The hospital has enough cash to stay open until mid-2009, said Jonathan Savage, the special master working on the facility's finances.

"Worsening economic conditions are overtaking our ability to make a margin," said Richard Charest, Landmark's 56-year-old president.

The proportion of uninsured state residents doubled to 11 percent in the last five years, exacerbating Landmark's financial woes, while tight credit markets limit the number of potential partners, said Edward Quinlan, 58, president of the **Hospital Association of Rhode Island**.

"This is not a case of the hospital not being used," Quinlan said. "This is about the dramatic downturn in markets jeopardizing access to health care. We're breaking new ground here."

The hospital spent about $6 million earlier this decade to build a cardiac center with two operating rooms. When maintaining the open-heart surgical unit became too expensive this year, Landmark limited cardiac procedures to angioplasty.

'Hit Hard'

A Landmark shutdown would force patients to travel to Providence to use **Lifespan**, the largest not-for-profit medical system in Rhode Island with three hospitals in the state capital.

Lifespan "would treat them regardless of their ability to pay," said Linda Shelton, a spokeswoman.

Landmark is Woonsocket's second-largest employer, providing 1,200 jobs. The city, home to drugstore operator **CVS Caremark Corp.**, had an unemployment rate of 10 percent in September, according to the state Department of Labor and Training.

"Every year we're seeing an increase in the ranks of the uninsured and jobless," said Charest. "The people who live in this community have been hit hard by the economy and are mostly elderly. They depend on this hospital."

To contact the reporters on this story: **Kelly Riddell** in Washington at **kriddell1@bloomberg.net**; **Michael Janofsky** in Los Angeles at **mjanofsky@bloomberg.net**.

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Added Medicaid cuts raise concerns

UMC loss might hit $20 million

Nov. 22, 2008

By ANNETTE WELLS
LAS VEGAS REVIEW-JOURNAL

The medical services lost at University Medical Center in order to offset an $8 million Medicaid shortfall might seem relatively modest come January when Nevada Medicaid will cut what it reimburses hospitals for inpatient services by 14 percent.

That's nearly three times the 5 percent cut that resulted in this week's elimination of numerous services, including outpatient oncology and kidney dialysis programs. Once the new cuts go into effect, UMC's $8 million loss will swell to about $20 million this fiscal year, Brian Brannman, the hospital's chief operating officer said during a forum Thursday to discuss options for keeping the hospital's oncology services.

News of this latest wave of Medicaid cuts to offset the state's continual budget hemorrhages has nearly all hospital officials screaming for mercy.

"We're witnessing the unwinding of a very thin safety net," said Larry Matheis, executive director of the Nevada State Medical Association. "The cuts in Medicaid payments for children, pregnant women and hospitals are just the start of what is going to become a serious crisis of access to care for our most frail and sick. The costs to the state are going to be greater than the savings; it's just a matter of the costs showing up a little later."

And because Nevada's Medicaid program receives matching funds from the federal government, Matheis said, the state loses an additional dollar for every dollar that's cut from the program.

The additional Medicaid cuts could lead to closures of some rural hospitals, delays in care to the sick, emergency room overcrowding and the elimination or reduction in services at for-profit hospitals, said Bill Welch, executive director of the Nevada Hospital Association.

"If we thought the hospital wait times a few years ago were bad, we haven't seen anything yet," said Welch, referring to a period in 2004 when a state of emergency was declared in Clark County because of emergency room overcrowding. At that time, one of every three emergency beds was being occupied by someone suffering from a mental illness.

This new crisis would see these beds occupied by patients suffering from chronic illnesses. For example, a patient with a kidney-related illness might be admitted because he didn't have access to dialysis, or patients whose cancer has metastasized will be showing up in the emergency room.

If that happens, Welch said Nevada's sickest and frailest citizens who depend on public support will die early while the costs of health care will shift to the taxpayer -- those with jobs and private health insurance. Taxpayers might face higher taxes as counties try to offset losses at public hospitals like UMC, he said.

Hospitals in Nevada with more than 100 beds provided a combined $533 million in uncompensated care last year, Welch said. Most of that care was provided in Southern Nevada.

Welch said only 34 percent of Nevadans are able to pay for provided medical care services. The other 66 percent cannot, he said.

"The emergency room, regardless of whether it is an emergency or not, will become the safety net for health care in this state if people have no other place to go," he said. Hospitals have also been advised that unless there's a fix to the state's cash flow problem, Medicaid reimbursements might stop altogether by mid-March or early April until the next fiscal year, Welch said.

Chuck Duarte, administrator of the Health Financing and Policy Division, said the division is expected to cut Medicaid reimbursements for inpatient hospital services by 10 percent in the 2010 fiscal year. But, that could all change depending on the state's budget.

The Health Financing and Policy Division manages Nevada Medicaid and Nevada Checkup programs.

"I know of hospitals right now in our rural communities that if those payments stop, those hospitals can't make payroll. ... This is reality."

Earlier this year the state's Department of Health and Human Services announced 5 percent "across the board" cuts for inpatient hospital services to offset the state's budget deficiencies. Because the 5 percent is an average, some services saw deeper cuts.

For example, reimbursements for care provided in Level III neonatal intensive care units were cut by 24 percent. Obstetrics was cut by 11 percent, officials said.

Nevada Medicaid also reduced rates for home-based, long-term care services and eliminated eyeglasses as a covered benefit for adults.

Medicaid reimbursements in some pediatric sub-specialties such as heart, orthopedic, kidney, cancer and psychiatric, were cut by up to 41 percent.

Some specialists, including nearly all pediatric orthopedic surgeons, have dropped Medicaid patients as a result, officials say.

Though not directly pointing fingers at Nevada's leaders -- similar cuts are occurring throughout the nation -- both Welch and Matheis say the community should have had more involvement in the decision-making process.

"This wasn't well thought out," Matheis said. "It is very questionable to make children and pregnant women bear the burden of the state's financial troubles. Those decisions have put public hospitals, such as UMC, at considerable risk of not being able to perform its mission.

"If it (UMC) cannot be the safety net then people with cancer, children with special needs and women in need of prenatal care won't have a place to go. UMC is the last stop, otherwise it's an awfully long fall to a very hard surface."

Some health care providers agree with Welch and Matheis.

In letters sent to the state's Division of Health Care Financing and Policy in early October, several pediatric surgeons asked the state to reconsider the cuts.

In his letter, Dr. Mark Barry, a Las Vegas pediatric orthopedic surgeon, said he was troubled that he was not informed of the 41 percent reimbursement cut ahead of time "and did not get the chance to voice" an opinion.

"I'm hearing from pediatric specialists who are finding it very hard to get doctors in Southern California to accept Nevada Medicaid patients. They can't afford to treat them," Matheis said. "We've got children who need follow-up for transplants, children who need orthopedic surgery. Kids fall down and break things and they're not going to stop that just because the state can't afford to treat them."

Dr. John Nowins, president of the Clark County OB/GYN Society, says he cannot comprehend why the state would cut Nevada Medicaid, which he said is already grossly underfunded.

In its own budget presentation to the state's Legislative Committee on Health Care in January, the state's Department of Health and Human Services mentions that it is last in the nation in per capita spending for Medicaid. According to the report, which is based on 2005 figures, Nevada spends $490.26 per person versus the national average of $1,027.

Nevada also ranks at the bottom for enrolling individuals into Medicaid and has historically provided the least amount of coverage to pregnant women, Nowins said.

Because of the number of uninsured in Nevada, coupled with a rise in unemployment and housing foreclosures, and the nation's overall economy, Welch and Matheis say it is imperative the community is involved in future budget reduction discussions.

Not all cuts have the same impact and some hurt far worse than others, Matheis said.

"We all need to sit down at the time and have a discussion about some real solutions, not just go cut," he said.

On Friday about 60 local and state health officials, community advocates, elected officials and stakeholders took a stab at some short-term solutions for salvaging

UMC's outpatient oncology services, one of seven programs to be cut at the hospital.

One short-term solution came from Nevada's oldest and largest oncology group -- Comprehensive Cancer Center of Nevada.

James Kilber, the for-profit oncology group's executive officer, offered the services of its physicians at no cost to UMC as long as the state would be willing to pay for cancer drugs.

Health officials have said the most expensive part of cancer care is the drugs, which can cost up to $12,000 per dose.

"We're willing to step forward immediately," he said. "And we challenge every oncology group in this community to join us."

Clark County Commissioner Lawrence Weekly, who attended the two-hour forum, called the gesture a good first step. Another step would be to "take to the streets" and encourage the community to support UMC's oncology outpatient clinic.

Weekly said it costs $2 million a year to keep UMC's outpatient oncology clinic's doors open.

"I'm not trying to compare this crisis to that of 9/11 but I just remember when we faced that ordeal and how our economy was threatened. Everybody got together and we raised millions for families that were impacted," he said. "This would just be a short-term solution but at least if we raised funds we could possibly help keep UMC's outpatient unit open while our legislators figure out this budget crisis."

Another meeting will take place next week to further discuss solutions, Weekly said.

Contact reporter Annette Wells at awells @reviewjournal.com or 702-383-0283.